



KOBAY
TECHNOLOGY BHD

DRIVING INNOVATION TO GREATER HEIGHTS

ANNUAL REPORT 2021



CONTENTS

2	Corporate Information
3	Corporate Structure
4-9	Board of Directors and Key Senior Management
10	Financial Highlights
11-17	Management Discussion and Analysis
18-26	Corporate Governance Overview Statement
27-33	Sustainability Statement
34-36	Statement on Risk Management and Internal Control
37-38	Audit and Risk Management Committee Report
39	Directors' Responsibilities Statement
40	Other Information
41-101	Financial Report
102-103	Shareholding Statistic
104-105	List of Properties

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.

CORPORATE INFORMATION

Board of Directors

Puan Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil
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

Puan Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil
Member

Koay Ah Bah @ Koay Cheng Hock
Member

Nominating Committee

Khaw Eng Peng
Chairman

Puan Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil
Member

Koay Ah Bah @ Koay Cheng Hock
Member

Remuneration Committee

Dato' Seri Koay Hean Eng
Chairman

Puan Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil
Member

Khaw Eng Peng
Member

Secretaries

Chan Mun Shee (MAICSA 7003071)
SSM Practising No. 202008002208

Wong Mee Choon (MACS 01562)
SSM Practising No. 201908001211

Email : cosec@kobaytech.com

Website

www.kobaytech.com

Registered Office

3rd Floor, Wisma Kobay,
No. 42-B, Jalan Rangoon,
10400 George Town,
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 George Town, Penang.
Tel: (04) 2282321
Fax: (04) 2272391
Email : agriteumshareg@gmail.com

Auditors

Crowe Malaysia PLT
Chartered Accountants
Level 6, Wisma Penang Garden,
42, Jalan Sultan Ahmad Shah,
10050 George Town, 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)

Investor Relation

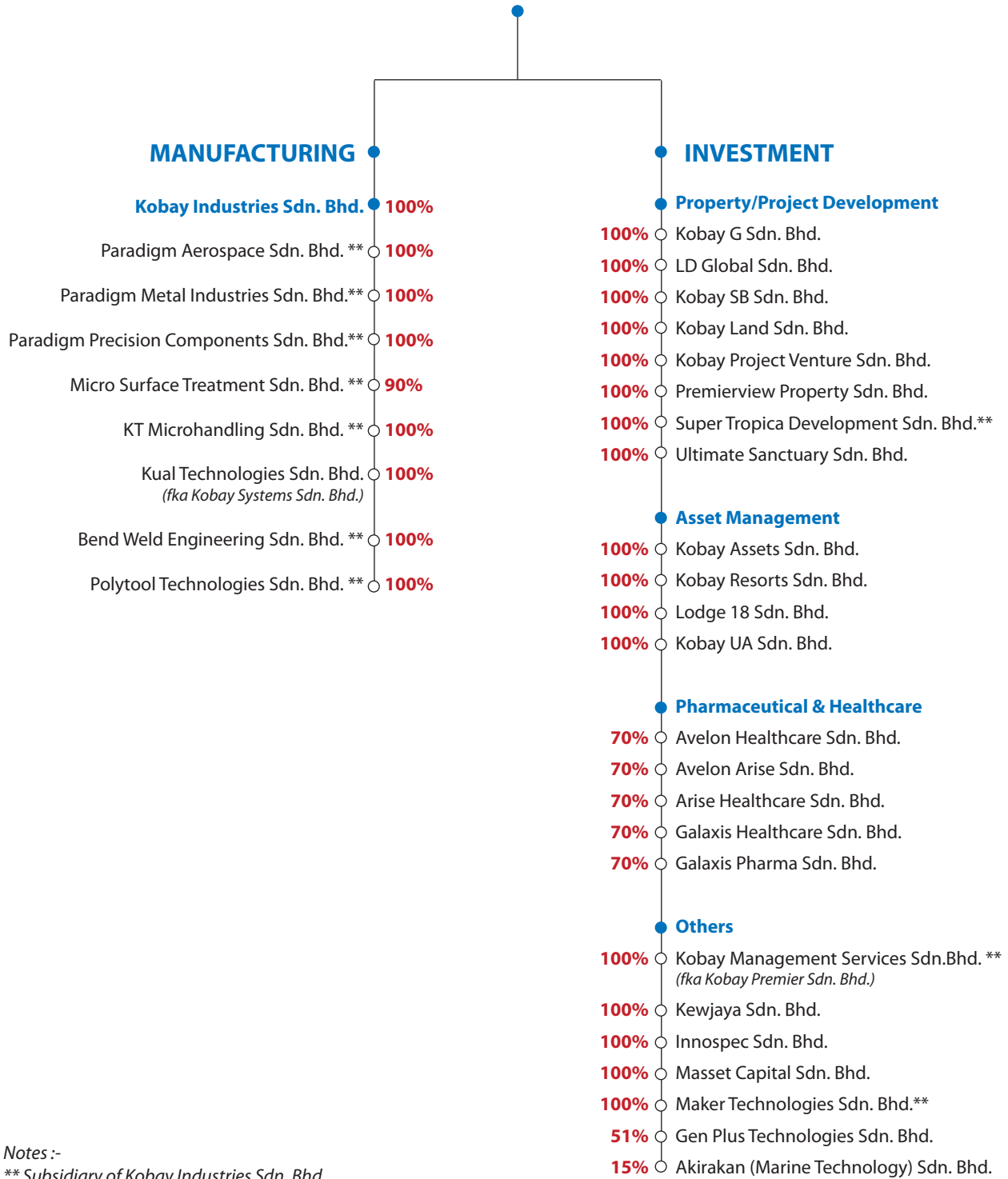
Chan Mun Shee
Email : mschan@kobaytech.com

CORPORATE STRUCTURE

AS AT 20 OCTOBER 2021

KOBAY

TECHNOLOGY BHD



Notes :-

** Subsidiary of Kobay Industries Sdn. Bhd.

BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT

BOARD OF DIRECTORS

Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil

Malaysian, aged 58, Female

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

Puan Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil has 23-years' experience in the real-estate industry. She has held leadership roles in a few companies of which she recruited and managed the sales team. During this time she has built a reputation for operational excellence, recruiting high achieving sales teams, with the highest level of integrity, a deep and passionate commitment to the companies, their staff and their local and international clients.

In 2008, she began her career with Reapfield Properties as a rookie and became the Head of Sales in 2012, bringing in reputable developers into the company. In 2015, she was appointed Vice President of the Property & Investment Division in JB Jurunilai Bersekutu Sdn Bhd. Her mission was to develop a business and a brand for its real estate division of this well-known property valuation company. She led all of the company's real estate business operations, had full profit and loss ownership, ensured risk management, compliance and business controls across their property divisions. She then moved to City Two Property in 2017 delivering significant revenue to the company by doing the same.

Puan Sharifah Faridah was appointed to the Board of Kobay on 11 January 2021 and also being appointed as member of Audit and Risk Management Committee, Nominating Committee and Remuneration Committee.

She has also been actively involved in many non-profit organisations, the main one being with Mercy Malaysia since its inception in 1999 as Chief Editor as well as President of Asiaworks Foundation as its President from 2006 to 2008. Having an interest in art and culture, she co-organised an art exhibition with Soka Gakkai, a Japanese organization, bringing to the fore several Malaysian emerging and established artists, raising funds from the proceeds to assist in teaching those in need a trade which could assist them in their livelihood. Puan Sharifah Faridah also got the NGO approved as a tax deductible organisation and brought Asiaworks Foundation into the lime light with their works and achievements into the various media via television, radio and the newspapers. She is now also serving as a Secretary to a stratified management committee.

She was a student in Convent Bukit Nanas, Wartburg College and Kent State University and holds a LIAM and PIAM Certification in Insurance.

She is subject to retirement by rotation under Article 100 of the Company's Constitution at the forthcoming Annual General Meeting and being eligible, has offered herself for re-election.

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

Puan Sharifah Faridah has no direct/indirect shareholding in Kobay as of 20 October 2021.

Dato' Seri Koay Hean Eng

Malaysian, aged 63, 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 20 October 2021, Dato' Seri Koay Hean Eng has indirect shareholding of 100,298,940 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..

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

Koay Cheng Lye

Malaysian, aged 73, 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 20 October 2021, Mr. Koay Cheng Lye has indirect shareholdings of 100,298,940 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..

Koay Ah Bah @ Koay Cheng Hock

Malaysian, aged 75, 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.

As of 20 October 2021, Mr. Koay Ah Bah @ Koay Cheng Hock has indirect shareholdings of 100,298,940 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 54, Male

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

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

Mr. Khaw 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 proposed to retain Mr. Khaw Eng Peng as Senior Independent Non-executive Director of the Company, Mr. Khaw had abstained from deliberation and voting in both of the meetings. 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 20 October 2021.

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

KEY SENIOR MANAGEMENT

Koay Wooi Tatt

Malaysian, aged 44, 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 20 October 2021.

Koay Zee Ee

Malaysian, aged 34, 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 has managed to build the foundation of business and manufacturing excellence of BWE and relocated the operations to Johor Bahru as well as expanded its customer base.

In year 2016, he was transferred back to Kobay as Personal Assistant to Chief Executive Officer ("CEO") after the Company diversified into property development. During his service as personal assistant to CEO, he has assisted the CEO in strategic planning, new projects and investments in property development of Kobay Group.

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

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

Mr. Koay Zee Ee has no direct/indirect shareholding in Kobay as of 20 October 2021.

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

Yee San Khien, Philip

Malaysian, aged 67, Male

VP in Corporate Investment/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 respective subsidiaries companies whereby he is responsible of the Company's performance, Mr. Philip has no directorship in any public companies and Kobay.

Mr. Philip has direct shareholding of 22,500 ordinary shares in Kobay as of 20 October 2021.

Chan Mun Shee

Malaysian, aged 56, Female

VP in Investment Group and Investor Relation, Corporate 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 was 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.

As qualified Chartered Secretary, prior to the listing of the Company, she was appointed as in house Company Secretary for the Group in charge of the entire Group's company secretarial function and assist in floatation exercise of Kobay 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 respective subsidiaries companies whereby she is responsible of the Company's performance, Ms. Chan has no directorship in any public companies and Kobay.

Ms. Chan Mun Shee has direct shareholding of 30,000 ordinary shares in Kobay as of 20 October 2021.

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

Chan Bee Luang

Malaysian, aged 43, 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 employers 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 60,000 ordinary shares in Kobay as of 20 October 2021.

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

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

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 2021

Four (4) board meetings were held during the financial year ended 30 June 2021. Details of attendance of Directors at the board meetings are as follows:

Directors	Attendance
Dato' Seri Koay Hean Eng	4/4
Koay Cheng Lye	4/4
Koay Ah Bah @ Koay Cheng Hock	4/4
Khaw Eng Peng	4/4
Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullail	2/4

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

Directors' and Substantial Shareholders' Interests

Name	No. of shares held in Kobay as at 20.10.2021			
	Direct No. of ordinary shares	%	Indirect No. of ordinary shares	%
Directors				
Dato' Seri Koay Hean Eng	-	-	100,298,940*	33.40
Koay Cheng Lye	-	-	100,298,940*	33.40
Koay Ah Bah @ Koay Cheng Hock	-	-	100,298,940*	33.40
Khaw Eng Peng	-	-	-	-
Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil	-	-	-	-
Substantial Shareholders				
Kobay Holdings Sdn. Bhd. ("KHSB")	100,298,940	33.40	-	-
Norinv Kapital Sdn. Bhd.	59,714,100	19.89	-	-
Premiergrow Capital Sdn. Bhd.	23,817,000	7.93	-	-

Notes:-

* Deemed interest by virtue of shares held by KHSB in which the director has interest

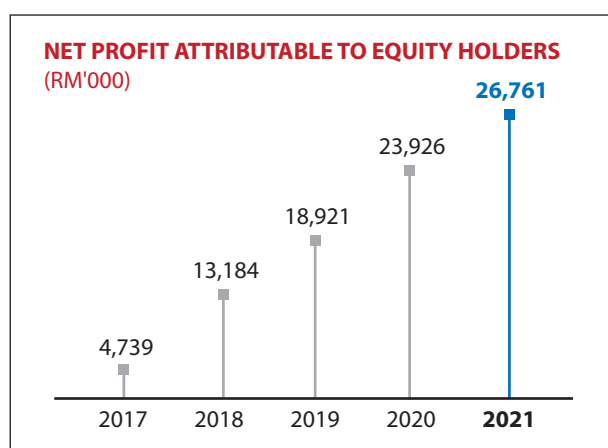
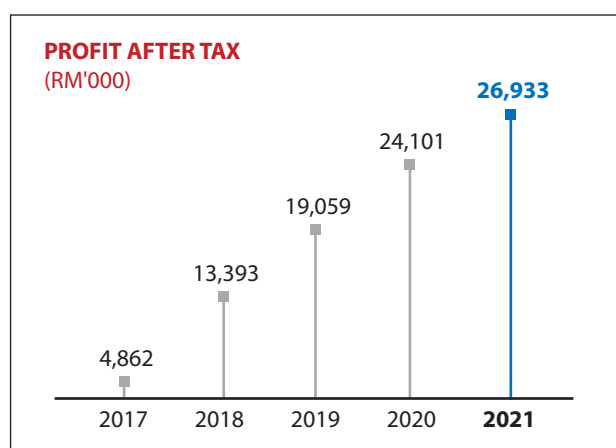
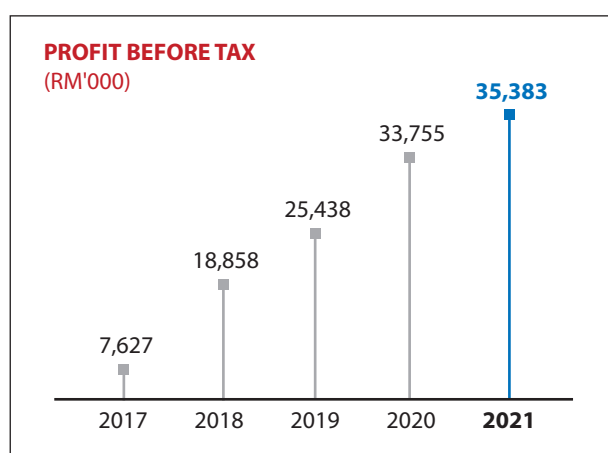
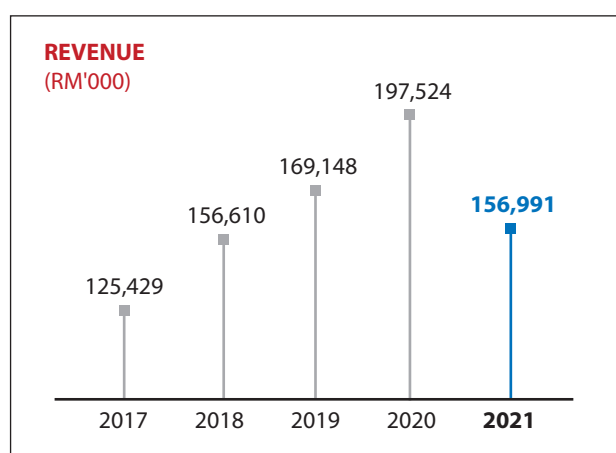
By virtue of their interest in the shares in Kobay Holdings Sdn. Bhd., Dato' Seri Koay Hean Eng, Mr. Koay Cheng Lye and Mr. Koay Ah Bah @ Koay Cheng Hock are also deemed to have interests in shares in Kobay/the Company and all the subsidiaries to the extent of the Company's interests, pursuant to Section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

	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Statement of Comprehensive Income					
Revenue	125,429	156,610	169,148	197,524	156,991
EBITDA	13,555	24,742	31,423	41,033	42,777
Profit before tax	7,627	18,858	25,438	33,755	35,383
Profit after tax	4,862	13,393	19,059	24,101	26,933
Net profit attributable to equity holders	4,739	13,184	18,921	23,926	26,761
Statement of Financial Position					
Total Assets	191,242	209,919	244,943	286,049	293,278
Total Borrowings	12,208	12,019	22,064	42,256	41,041
Equity attributable to owners of the Company	145,755	158,601	177,529	198,307	209,419
Financial Indicators					
Earning per share (sen)	4.65	12.92	18.53	7.81 *	8.76 ^
Gearing ratio (%)	8.35	7.56	12.39	21.25	19.54
Net assets per share (RM)	1.43	1.56	1.74	1.95	0.69
Net dividend per share (sen)	-	-	3.00	6.00	2.00
Share price as at the financial year end (RM)	1.03	1.00	1.58	1.83	2.70
Price earning (PE) ratio as at financial year end (times)	22.15	7.74	8.53	23.43 *	30.82
Number of ordinary shares issued	102,094	102,094	102,094	102,094	306,281
Weighted average number of ordinary shares in issue	101,949	102,057	102,094	306,281 *	305,361

^ Computed based on weighted average number of ordinary shares in issue as at financial year end (excluding treasury shares)
 * Restated for FYE 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

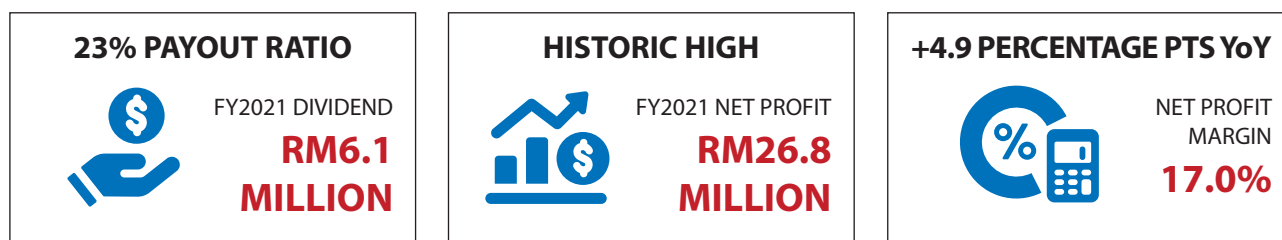
Dear Valued Shareholders,

On behalf of the Board of Directors ("Board") of Kobay Technology Berhad ("Kobay" or the "Group"), I am delighted to present to you the Management Discussion and Analysis ("MD&A") for the financial year ended 30 June 2021 ("FY2021").

Beyond the health concerns posed by the Coronavirus disease 2019 ("Covid-19") pandemic, the resultant impositions of various versions of lockdowns across the world have been a major threat to the global and local economies. As a result, FY2021 was one of the most testing periods in the Group's 37-year history. Nonetheless, being amongst the region's leading engineering solutions providers, we demonstrated great resilience and adaptability throughout this obstacle-filled spell. Not only did we wrap up the year relatively unscathed, but on the contrary, we delivered a set of record-breaking financial results.

For the financial year under review, the Group achieved its highest-ever profit after tax and non-controlling interest ("PATNCI" or "net profit") of RM26.8 million, topping its previous record of RM23.9 million attained last year. The challenging backdrop did not deter Kobay's momentum as FY2021 was our fifth consecutive year of rising net profit.

Following the excellent results, the Board of Directors has recommended a first and final dividend of 2.0 sen per ordinary share (on enlarged share base following the recent 2-for-1 bonus issue of shares), subject to shareholders' approval at the forthcoming Annual General Meeting. Upon approval, the total dividend would amount to RM6.1 million, representing a payout ratio of 22.8%.



GROUP OVERVIEW

Established in 1984, Kobay has made a name for itself as one of the leading one-stop engineering solutions providers in the region. Our headquarter is in George Town, Penang while the manufacturing facilities are located in Seberang Prai and Bayan Lepas, Penang as well as Pontian, Johor. In 1997, we were listed on the Main Market of Bursa Malaysia Securities Berhad.

Manufacturing

The manufacturing division is our core segment, which accounted for over 90% of the total revenue in FY2021. A specialist in high precision engineering, high precision components and high-level assembly, we serve multinational corporations operating in Malaysia as well as customers from Europe, North America, and the Asia Pacific.

As a high precision engineering manufacturing service provider specialising in Computer Numerical Control ("CNC") machining, sheet metal stamping, surface treatments, modular assembly and high-level assembly, we offer turnkey engineering solutions to customers ranging from customized precision tooling, trim and form die sets, precision moulds, fabrication of heavy metal structure and precision machining components to design and manufacturing of semiconductor test handling equipment to different industries including semiconductor, electronic and electrical ("E&E"), aerospace, oil and gas, medical, and life science, to name a few.

Property Development

In 2016, Kobay diversified into the property development industry with the launch of our maiden project, The Lavanya Residences in Langkawi, Kedah with total Gross Development Value ("GDV") of about RM318 million. Developed in 2 phases, phase 1 comprised private pool villas with GDV of RM74 million and was completed in July 2019. Phase 2 of the Lavanya Residences has higher GDV of RM244 million, consisting of serviced studios and serviced apartments. It is currently under construction with completion slated for December 2022. Beyond that, the following is a list of projects in the pipeline for future launch:-

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Property Development (Cont'd)

No.	Description	Location	Land Area (acre)	Business Mode	Status
1.	Affordable Apartment	Sg. Batu, Penang	1.80	Own & JV	Under design & planning. Target launch: 2022
2.	Mixed Development	Sg. Nibong, Penang	3.05	Own & JV	Under design & planning. Target launch: 2023
3.	Mixed Development	Bkt. Mertajam, Penang	6.86	JV	Under design & planning. Target launch: 2024
4.	Serviced Apartment	Tg. Bungah, Penang	1.54	Own	Under design & planning. Target launch: 2025
5.	Residential Development	Lumut, Perak	19.50	JV	Under design & planning

The Group has an undeveloped landbank amounting to 32.75 acres for future development.

BUSINESS & OPERATIONAL REVIEW

Manufacturing

While the Covid-19 pandemic and the various versions of Movement Control Orders ("MCOs") had caused some disruptions to our operations during the financial year under review, we were fortunate to be able to carry on our business activities albeit at a reduced capacity. For instance, during the full MCO ("FMCO") in June 2021, we were running at 60% capacity as our manufacturing activities fall under the list of essential service sectors announced by the Ministry of International Trade and Industry ("MITI").

All through FY2021, we continued to maintain a high standard when it comes to the safety and health of our team. Apart from the strict compliance to the standard operating procedures ("SOPs") set by the authorities, we also took extra precautionary measures such as conducting periodic disinfections at all our facilities and offices.

Our factory utilisation rate was near maximum relative to the capacity allowed for at any point in time during the financial year. This was mainly driven by the robust demand from semiconductor and E&E industries, where we derived the bulk of our orders. The sectors have been major beneficiaries of the ongoing trade tension between the United States ("US") and China as many companies sought to diversify their supply chain amid the growing uncertainties. Furthermore, the rising global demand for electronic devices also contributed to the increase.

New Facility in Seberang Prai

After moving out of our previous 58,000 square feet ("sq. ft.") facility in Bayan Lepas, Penang at the tail-end of FY2020, the Group began FY2021 at our new plant in Seberang Prai, Penang, which has built-up of approximately 127,000 sq. ft.

Apart from the expanded floor space, the new factory is located in close proximity to another manufacturing facility of ours. Therefore, the move also brought with it additional advantages including the streamlining of our logistical processes as well as enabling greater convenience for management to conduct oversight duties.

Including the O&G fabrication facility in Pontian, Johor, Kobay currently has around 382,000 sq. ft. of combined production floor space.

Property Development

During the FMCO in June 2021, the construction site of the Lavanya Residences Phase 2 was not allowed to operate. Barring that, the Group had made steady progress with around 21% of the construction completed as at the end of FY2021. We are on schedule to complete the development by December 2022.

While it was a challenging year for the property market, demand was slightly supported by favourable government policies that included the reintroduction of the home ownership campaign ("HOC") as well as the lowering of the Overnight Policy Rate to 1.75%, which resulted in cheaper borrowing cost for homebuyers. During the financial year, sales of the Lavanya Residences Phase 2 was satisfactory.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Corporate Developments

In May 2021, the Group had completed a bonus issue of 204,187,202 new ordinary shares on the basis of two (2) bonus shares for every existing Kobay share. The corporate exercise was an added avenue for us to express our gratitude towards our shareholders, on top of the dividends declared. Besides, the exercise is expected to improve the marketability and trading liquidity of our shares, which could potentially reduce share price volatility as well as broaden the shareholder base.

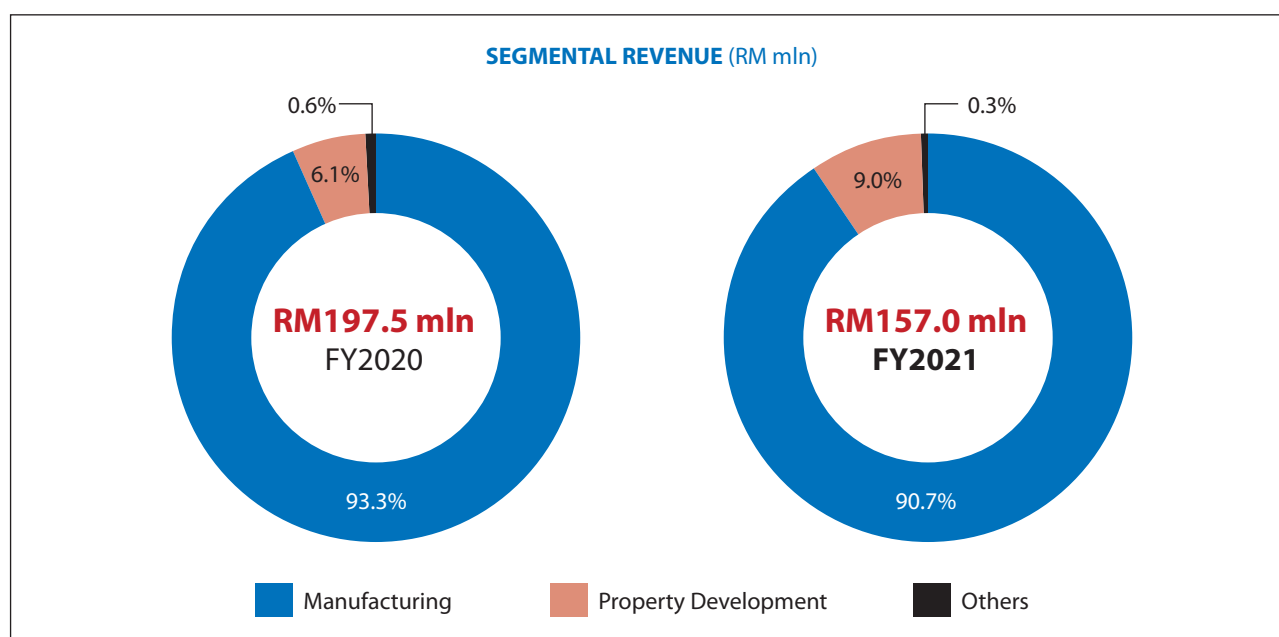
REVIEW OF FINANCIAL RESULTS

Revenue Performance

Total turnover was 20.5% lower year-on-year ("YoY") from RM197.5 million in FY2020 to RM157.0 million for the current financial year.

The manufacturing division commanded 90.7% of the Group's total sales for the financial year under review. Segmental revenue fell by 23.4% YoY from RM183.8 million in FY2020 to RM140.8 million in FY2021. The decline was mainly attributed to the lower orders from aerospace and O&G industries, which were unfavourably impacted by the Covid-19 pandemic. In contrast, demand from semiconductor and E&E clients remained robust while contributions from the medical and life science industries, which are relatively newer ventures, showed promising top-line growth.

The Group's property development division reported revenue of RM14.1 million in FY2021, a marginal improvement from RM12.0 million in FY2020. Meanwhile, the Others operating segments reported improvement in sales of RM0.4 million.



Segmental Profitability Performance

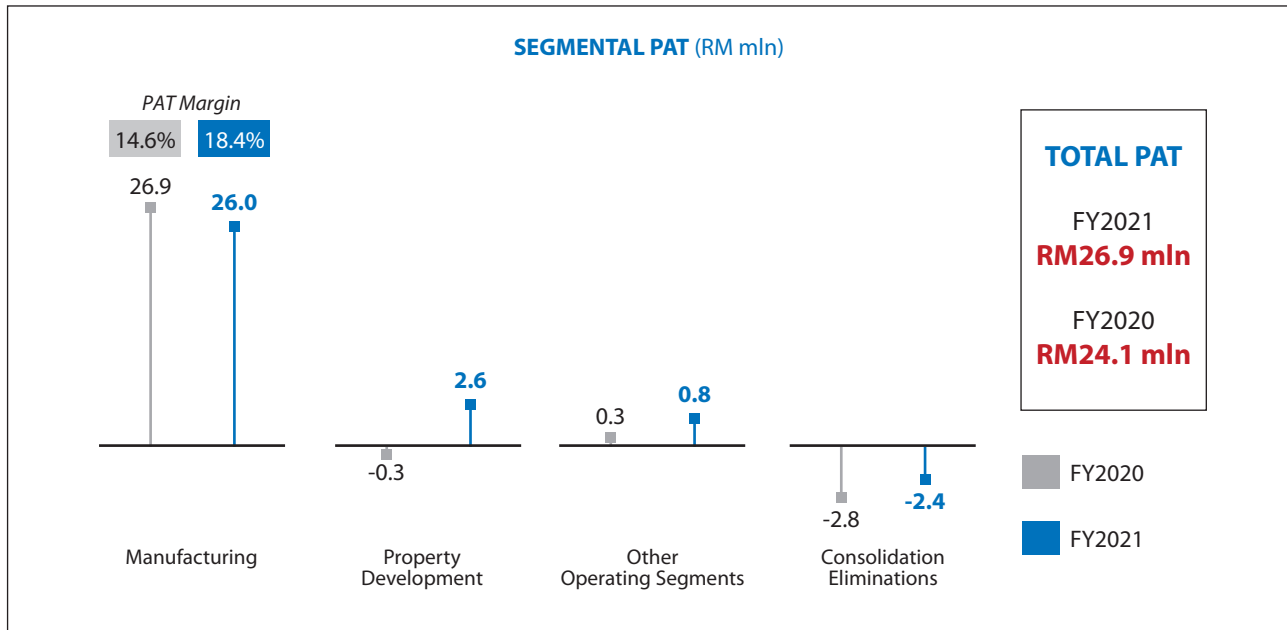
The manufacturing division recorded segmental PAT of RM26.0 million, 3.5% or RM0.9 million lower than RM26.9 million in FY2020. In spite of that, our segmental PAT margin increased by 3.8 percentage points to 18.4%. Favourable product sales mix contributed to the improvement as volume and prices of products for our semiconductor and E&E clients rose significantly. Incidentally, they also command a higher profit margin than other industries.

in contrast with an after-tax loss of RM0.3 million registered a year ago. The loss in FY2020 was due to the development cost written-off amounting to RM1.7 million following a change in the development plan.

Kobay's combined segmental PAT stood at RM26.9 million in FY2021 (segmental figure is inclusive of non-controlling interests). Despite the top-line decline, PAT was 11.8% higher than RM24.1 million attained a year ago.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Segmental Profitability Performance (Cont'd)

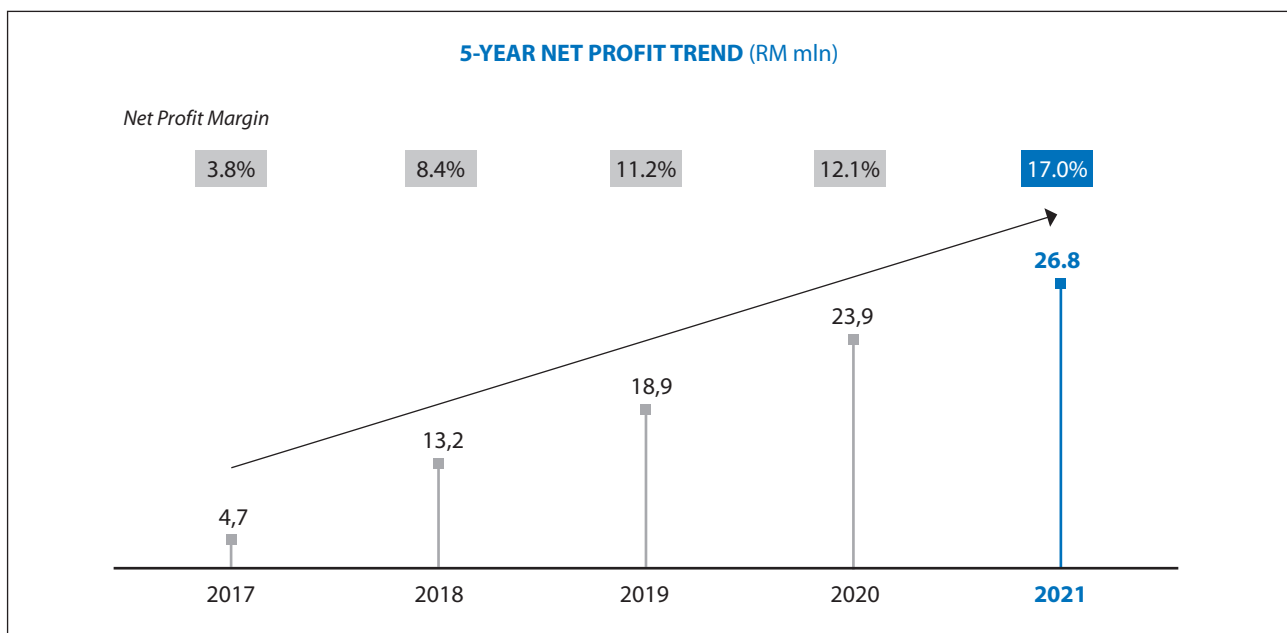


Note: segmental PAT figures include contribution from non-controlling interests.

Group Profit After Tax and Non-Controlling Interest ("PATNCI" or "Net Profit")

At the Group level, net profit in FY2021 improved by 11.8% YoY and soared to an all-time high of RM26.8 million, surpassing the previous record of RM23.9 million attained last year, notwithstanding a 20.5% YoY decline in revenue. Adding to that, this was also our fifth consecutive year of rising net profit since FY2017.

Net profit margin for FY2021 reached 17.0%, 4.9 percentage points higher than the 12.1% in FY2020 and doubling the Group's 5-year median of 8.4%.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Capital Structure & Capital Resources

Kobay's total assets stood at RM293.3 million as at 30 June 2021, higher than the RM286.0 million reported a year ago. At the end of FY2021, our cash and cash equivalent amounted to RM49.3 million, marginally higher than RM48.8 million recorded last year.

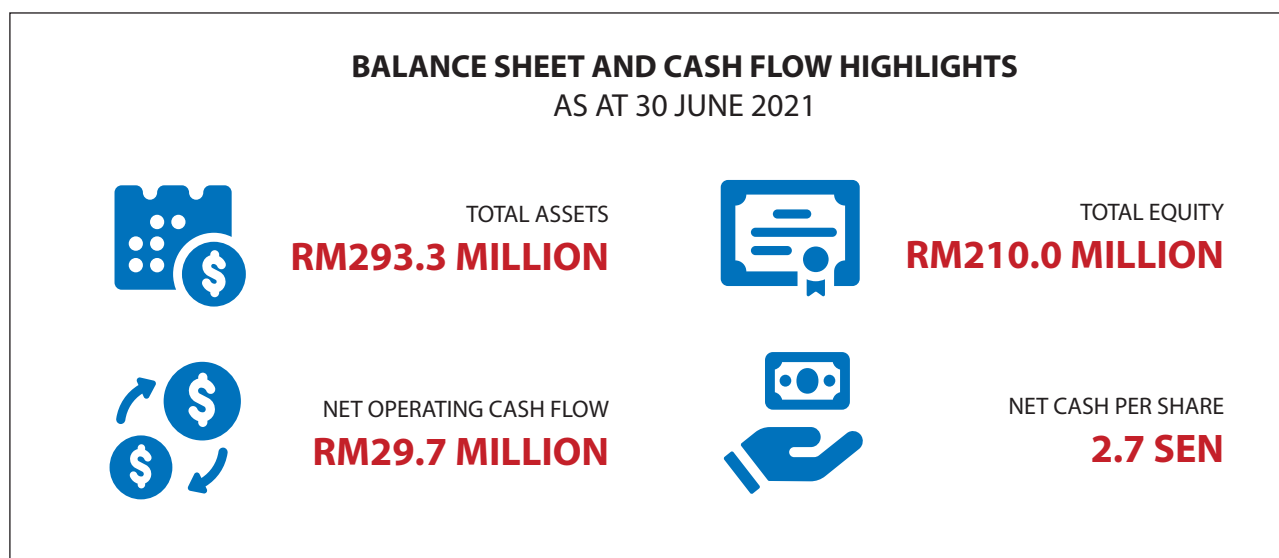
Meanwhile, total liabilities decreased to RM83.3 million as at end-June 2021 compared to previous year's RM87.2 million. The decline mainly stemmed from reduction in contract liabilities as well as total borrowings. As at 30 June 2021, total borrowings were at RM41.0 million versus RM42.3 million a year ago.

Net Gearing Ratio & Cash Per Share

The Group continued to remain in a net cash position with a net cash per share of 2.7 sen at the end of FY2021.

Net Operating Cash Flow ("NOCF")

For the period under review, Kobay generated a positive NOCF of RM29.7 million versus RM13.5 million in FY2020. The Group has consistently generated positive NOCF for the past 18 years.



ANTICIPATED AND KNOWN RISKS

Operational Disruptions

Predominantly involved in the manufacturing business, the Group is highly reliant on the smooth running of its production facilities. Due to the prevalence of the Covid-19 pandemic, there are possibilities of operational disruptions. As part of our mitigation strategy, we take precautionary steps such as complying strictly with the SOPs at our facilities as well as conducting periodic disinfections to minimise the risk of workplace clusters. In addition to that, we have taken up insurance policies to provide coverage against the risk of fire, burglary, and personal accidents for our workers. However, external risks such as natural disasters, riots, and general strikes are beyond our control. Hence, they may materially affect our operations and subsequently, our capability in delivering products in a timely manner to our customers.

Supply Chain Disruptions

The Covid-19 pandemic has heightened the risk of supply chain interruptions. Operational disruptions of our suppliers could cause shortages in raw materials, which would in turn restrict us from conducting our businesses. To mitigate such risk, we are constantly in contact with our key suppliers to anticipate potential interferences and manage them accordingly. We maintain an adequate amount of raw materials to ensure we have sufficient buffer in the event of a supply chain interruption.

Changes in Regulations and Policies

Any changes in the regulations and policies may impact our operations. Issues such as minimum wages, export restrictions and tariffs, as well as foreign exchange controls, could ultimately impact our financial performance. To lessen the risk, we make sure that the Group adheres to all the regulations and policies in place. Moreover, we engage in regular dialogue with relevant authorities to keep abreast of prospective regulatory or policy changes, thereafter, to adapt and manage them accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Foreign Currency Risks

A significant portion of our financial transactions is denominated in the United States Dollar ("USD"), which exposes us to foreign currency risks. Any unfavourable movements in the USD could ultimately impact our financial results. To protect against undesirable foreign exchange fluctuations, we actively monitor the movement of the USD and when necessary, enter into derivative contracts to hedge our exposure.

OUTLOOK AND PROSPECT

Moving forward, barring unforeseen circumstances, the Group anticipates the business operating environment to be favourable. That said, the potential risk of further stoppages may be lower now owing to the nation's successful immunisation drive and high vaccination rate. At the time of writing, the vaccination rate of Malaysia's adult population has reached more than the 80% mark. With that, the economy is gradually reopening and recovery is on the horizon.

The International Monetary Fund ("IMF") has predicted the global economy to expand by 6.0% in 2021 and 4.9% in 2022. Meanwhile, Malaysia's gross domestic product ("GDP") is expected to grow by 4.0% in 2021 according to Bank Negara Malaysia. As for 2022, the Organisation for Economic Cooperation and Development ("OECD") has projected Malaysia's GDP growth to achieve 6.1%.

Manufacturing Division

While the Covid-19 pandemic has caused negative repercussions to many industries, the semiconductor and E&E sectors have on the contrary, benefitted tremendously from the crisis owing to structural changes concerning consumer behaviours and workplace arrangements. For instance, many companies have adopted a work-from-home ("WFH") approach, or a hybrid of WFH and office. With people spending more time at home, there is a much greater need for more electronic devices such as laptops, desktops, tablets, servers, and so on. Consequently, the demand ranging from related components to modular assemblies or equipment for semiconductors, E&E products as well as medical devices has been ascending.

Beyond that, as 5G devices and Internet-of-Things ("IoT") applications begin to proliferate the market, along with the significant increase in automation for consumer durables such as automobiles, the need for semiconductors and E&E will grow hand in hand. As such, the rise in volume will have a bigger lift to the Group's profitability. Hence, we are continuously working towards enhancing our efficiencies and capabilities to cater for the fast-growing demand.

We trust there will be gradually lifting of restrictions as we move into an endemic situation. The Organization of the Petroleum Exporting Countries ("OPEC") has predicted that output for crude oil will return to, or even surpass the pre-pandemic levels in the second half of 2022. The economic activities will be returning to normal, coupled with pent-up demand across related sectors. As a result, the Group foresees the aerospace and O&G sectors to recover and is confident that on the coming financial year performance will be encouraging.

Property Development Division

The first quarter of FY2022 is expected to be impacted by the FMCO due to the construction halt. Barring that, the property development segment is poised to improve in line with the healthier economic environment. As we ease back into full productivity with the relaxation of SOPs, progress billing will pick up. Moreover, property sales are expected to gradually improve as well with the resumption of sales gallery and showroom visits.

The Group has many exciting projects in the pipeline over the next few years. In particular, we are targeting to launch our affordable apartments project in Sungai Batu, Penang in the second half of 2022. Following our deliberate market studies, we anticipate affordable housing to overperform in the medium term. As restrictions lessen, the purchasing power of prospective first-time homebuyers shall improve moving forward.

Venturing into Renewable Energy

Given the emerging climate concerns as well as the accentuated emphasis on the Environmental, Social, and Governance ("ESG") policies, particularly among large corporations, Renewable Energy adoption will continue to rise worldwide for the foreseeable future. Premised from the aforementioned, the Group is targeting to tap into this fast-growing industry to expand the clientele exposure of our manufacturing division and ultimately elevate the earnings of the Group.

In line with that, we had, in May 2021, entered into a Sale & Purchase Agreement with Southern Steel Berhad to acquire a 15.13 acre land in Seberang Prai, Penang, along with a single storey warehouse building and other buildings for a total consideration of RM33.1 million.

The acquisition is expected to complete by first half of FY2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Diversification into Healthcare

In August 2021, we had completed the acquisition of a 70% stake in Avelon Group, a pharmaceutical and healthcare retail and wholesale group operating in the Klang Valley region.

Avelon Group comprises four (4) pharmacies operating under the "Park@City" brand name, one (1) retail store selling healthcare products under the brand name of "Biobay", and one (1) warehouse for its wholesale distribution business.

In conjunction with the acquisition, shareholders had approved the Group's proposed diversification to include sale and/or manufacturing of pharmaceutical and healthcare products as one of its principal activities.

The new venture shall add a new income stream and improve the earnings resilience of Kobay due to the defensive nature of healthcare-related sectors. The industry is expected to sustain its current growth trajectory, both in the short and long term. With the elevated health awareness since the emergence of the Covid-19 pandemic, demand for healthcare products is expected to remain robust. Furthermore, according to estimates by the Department of Statistics Malaysia ("DOSM"), Malaysia is likely to become an ageing nation by 2030, with people aged 60 years and above surpassing the 15% mark. The changing demographics is likely to raise the need for healthcare products in the long run.

Given the favourable factors, the vendors have, under the agreement, guaranteed a cumulative of RM25.5 million in PAT between calendar years 2021 to 2023, with a minimum of at least RM6.8 million PAT each year. Therefore, the venture is set to strengthen the Group's earnings visibility.

In line with the growing industry trend, we are allocating resources to grow our newly acquired business and strengthen the new division. Our near-term expansion plans include moving upstream to manufacture health food and supplements as well as expanding our pharmaceutical product range for our wholesale division.

WORKFORCE VACCINATION

Kobay is delighted to share that over 97% of our workforce has been fully vaccinated as at the date of this report. The remaining staffs have either received their first dose or are waiting to receive it. The Group has been operating at full capacity at the time of writing, where Penang is currently under Phase 3 of the National Recovery Plan ("NRP").

DIVIDEND

For the period under review, the Group had declared total dividends of RM6.1 million. This translates to a 23% payout based on FY2021 net profit of RM26.8 million, maintaining an above 20% payout for the second year running.

APPRECIATION

I would like to express my sincere appreciation to my fellow members of the Board. Your valuable counsel and guidance had played a paramount role in steering the Group to another extraordinary financial year.

On behalf of the Board, I would like to commend the team at Kobay for an exceptional display of grit, adaptability and competency this year. Thanks to all your efforts, we successfully created history once again with our record-breaking net profit in FY2021. And to do so at a time that was filled with operational disruptions and challenges, was definitely not an easy feat.

Lastly, my gratitude also goes to our external stakeholders including our valued shareholders, customers, business associates, bankers, lawyers, and suppliers to name just a few, for your continued support and trust in us throughout the year.

Looking ahead, I have no doubt that our team at Kobay, under the stewardship of the Board, shall continue to deliver excellence and propel the Group to greater heights.

Dato' Seri Koay Hean Eng

Managing Director and Chief Executive Officer

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 2021. This Statement is to be read together with Corporate Governance 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.

Further to the updated MCCG this 28 April 2021, the Board is required to integrate sustainability considerations and underlying environmental, social and governance (ESG) risk and opportunities into its corporate strategy, governance and decision-making in order to create a durable and sustainable value and maintain confidence of the stakeholders.

Roles and Responsibilities

Position	Roles and Responsibilities
Chairman	To set the Board agenda, chair and conduct the Board meetings. To lead the Board, instill good corporate governance practice, managing interface between Board and management as well as ensure effective communication between stakeholders and the Board.
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, Strategic Plans and Key Performance Indicators ("KPI") set which are revised yearly for company's sustainability.
Independent Directors	Independent Non-executive Directors play a protective role for minority shareholders and other stakeholders in the Group. Their effective participations promote a balance to the Board's decision. Independent Directors shall lead the Nominating Committee in succession planning, appointment of the Board as well as annual review of the individual director, board committee and Board performance as a whole. For the Remuneration Committee where majority are Independent Directors, to implement the remuneration policies and procedures including reviewing and recommending matters relating to the remuneration of the Board and Senior Management.
Company Secretaries	Company Secretaries play an advisory role to the Board on its roles and responsibility as well as serve as a point for stakeholders' communication and engagement on corporate governance matters. Beside all the administrative matters in relates to the Board and Committees meeting, the Company Secretaries manage and monitor the corporate governance development, advise the Board on compliance to relevant laws and regulations, facilitate new Board member's orientation, assist in Director training and development as well as manage process pertaining to shareholders meetings.
Senior Management	To drive the strategic management of material sustainability matters (risk and opportunity), integrate sustainability considerations in day-to-day company operations and ensuring the effective implementation of company's sustainability strategies and plans set by the Board/its Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Roles and Responsibilities (cont'd)

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 are stated in the Board Charter and the Board's conduct is governed by Code of Business Conduct Policy, both the policies are able to be viewed on our Company's website.

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.

Board Meetings

There were four (4) Board meetings held in the financial year ended 30 June 2021. 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 at least five (5) business days prior to the meeting.

No individual or group of individuals dominates the Board's decision making. Each Director contributes his/her 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. To assist the Board on carried out task as per the Authority limit assigned and defined by the Board from time to time.
Remuneration Committee (RC)	To assist the Board to review the level and composition of remuneration of individual Director and senior management. To recommend the remuneration to be paid to each Executive Director and fee paid to Non-executive Director. To assist the Board in attract the right talent in the Board and senior management to drive the Company's long-term objectives.
Nominating Committee (NC)	To assist the Board in selecting and reviewing the election of each and every Director. To consider the composition of the Board, gender diversity, evaluate the performance and independency of the Director prior to the recommendation to the Board on appointment and annual re-election of 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board and its Committee Meeting Attendance for FYE2021

Name of Members	Board Meeting	ARMC Meeting	NC Meeting	RC Meeting
Dr. Mohamad Zabdi Bin Zamrod (Deceased on 5/1/21)	2/4	2/4	1/2	1/1
Puan Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil (Appointed on 11/1/21)	2/4	2/4	-	-
Dato' Seri Koay Hean Eng	4/4	-	-	1/1
Mr. Koay Cheng Hock @ Koay Ah Bah	4/4	4/4	2/2	-
Mr. Koay Cheng Lye	4/4	-	-	-
Mr. Khaw Eng Peng	4/4	4/4	2/2	1/1

Note: For EXCO meeting, it is conducted weekly to resolve day-to-day operational related matters and the meeting records are kept by Company Secretaries.

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

During the financial year ended 30 June 2021, main activities carried out by the Board and/or its Executive Committee includes:

Main Activities

- Review the Directors' performance for financial year 2020 individually and the Board/its Committee as a whole.
- Review the performance of external auditors, Messrs. Crowe Malaysia PLT.
- Review the Company and Group's quarterly results for the financial year 2020, Quarter 1, 2 and 3 of financial year 2021 for submission to Bursa.
- Review and approve the Directors' Report and Audited Accounts for the financial year ended 30 June 2020.
- Receive the Risk Management Reports reported by the VP-Corporate Finance quarterly and Risk Assurance Statement by CEO and VP-Corporate Finance yearly for financial year 2020.
- Receive, review and approve the semi-annual return for 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, Messrs. Crowe Malaysia PLT.
- Review and approve the Management Discussion and Analysis, Sustainability Statement, Corporate Governance Overview Statement, Corporate Governance Report, Statement on Risk Management and Internal Control for financial year 2020.
- Review and approve Annual Report 2020.
- Re-affirm the Board resolution passed every quarter.
- Review the attendance of 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.
- 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 including appointing, training, fixing compensation and gender diversity of the Group.
- Review on the investors' communication effectiveness.
- Review the adequacy and integrity of Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules and directives and guidelines.
- Oversee the conduct of Company's business to evaluate whether the business is being properly managed.
- Review and approve the adequacy of due diligence system, inquiry process, procedure and the allocation of responsibilities in Due Diligence Planning Memorandum of Proposed Exemption and Proposed Bonus Issue and its Circular to Shareholders.
- Review and approve the Proposed Acquisition of Avelon Healthcare Group and its Circular to Shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board Composition

The Board composed of 2 (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 4 to 5 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 requires 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 Resolution 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.

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 is based on performance and contribution.

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

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

Evaluating the Board

The Board has assigned the Nominating Committee not only assess its Independent Directors annually but also individual Director, its Committees and the entire Board on the performance and 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 will evaluate the independency of the Independent Directors so to ensure they 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. Simultaneously, individual Director is required to declare his/her independency prior to his/her appointment/re-appointment as Independent Director of the Company.

The Nominating Committee has scrutinized and selected Puan Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil after evaluating the skill and composition of Board at that particular time when our late Chairman, Dr. Mohd Zabdi Bin Zamrod was demised in January 2021. After assessing Puan Sharifah Faridah on her capability, the Nominating Committee has finalized and proposed to the Board for approval on her appointment.

For the financial year under review, the Nominating Committee has on 26 August 2021 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 to be set. The said Directors' profiles are set out on pages 4 to 5 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Evaluating the Board (cont'd)

Name of Director	Re-election/Re-appointment	Constitution/MCCG
Puan Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil	Independent and Non-executive Chairman	Article 100
Mr. Khaw Eng Peng	Senior Independent and Non-executive Director	MCCG
Mr. Koay Cheng Lye	Executive Director	Article 101

Pursuant to the MCCG Principle A, 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 Mr. Khaw Eng Peng who has served for more than 11 years term as Independent Director.

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. All Independent and Non-executive Directors of the Company are not a substantial shareholder of the Company nor associated with the substantial shareholders. The Independent Directors shall, at all times, aware of Bursa's Listing Requirements on their independency when discharging their fiduciary duties. Any breach of the said Listing Requirement may impact their reputation and cause them legal implication for being non-independent.

The Nominating Committee has assessed Mr. Khaw Eng Peng, our Senior Independent Non-executive Director who served more than 11 years terms during the financial year 2021. The Nominating Committee concluded that he has demonstrated and exercised independent judgment and act in the best interest of the Company. Mr. Khaw has undertaken to notify the Board should his independency be affected due to change or development of interest or relationship in period from his re-appointment in the forthcoming AGM to the next AGM. As such, the Board has proposed to retain him as Independent Director and will propose for the shareholders' approval in the forthcoming AGM.

The Board is aware of the gender diversification under the best practice hence when vacancy available due to our late Chairman demised this January 2021, Puan Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil was selected and appointed as Independent Non-executive Chairman. Simultaneously, 2 key senior management are ladies who are also appointed as board members in the Group's subsidiaries. Consistently, the Board is looking for female candidates with caliber to balance up the gender diversity of the Board and at the senior management level.

Gender diversity amongst the Board of Directors and key senior management of the Company as at 30 June 2021 are as follow: -

	Total Headcount	Headcount for	
		Male	Female
Board of Directors	5	4 (80%)	1 (20%)
Key Senior management	5	3 (60%)	2 (40%)

The gender diversity for the Group's employees is 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, new director appointed, Puan Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil has been provided with the orientation programme within a month from the appointment date and attended the Mandatory Accreditation Programme in April 2021.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board's Training and Development (cont'd)

The Company Secretaries will update the Board members with new/amended Listing Requirements or relevant laws and regulations via Board of Directors Meetings held. During the financial year under review, the Company Secretaries have vided the quarterly Board meeting as listed below briefed the Board members the following topics –

Date of Meeting	Topic of the Briefing Conducted
27 August 2020	Bursa Listing Requirements update

The followings are additional courses and training programs attended by the Directors for the financial year ended 30 June 2021 -

Directors	Training Program Attended	Date
Puan Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil	Mandatory Accreditation Programme for Directors of Public Listed Companies	31 March 2021 – 2 April 2021
Mr. Khaw Eng Peng	Fraud Risk Management Workshop by Bursa Malaysia & PwC	18 November 2020
	Webinars by ACCA on Various Topics (Approximately 15 hours in total)	July 2020 – June 2021
Mr. Koay Cheng Lye	MIA Webinar Series: Transfer Pricing - What is transfer pricing and its compliance requirements	6 May 2021

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.

During the financial year 2021, the Committee had on 27 May 2020 proposed Directors' fee payable for the members' approval in the AGM held on 26 November 2020. The Committee has also vided the meeting on 27 May 2021 proposed Directors' fee payable for the financial year ended 30 June 2021 for the forthcoming AGM to be held on a date to be set by the Board of Director in due course.

The Committee has also proposed a mandate to be given to the Group HR Authority Limit Panel for approving salary review and increment for any Executive Director based on their KPIs performance evaluation pursuant to the Group HR Policies and Procedures of a quantum not more than 10% of the individual Executive Director's existing salary for the financial year 2022.

Details of the Directors' remuneration are reported herein -

Directors' Remuneration

The Company pays its Executive Directors salaries, bonuses and other emoluments mandated by the Board pursuant to the Group HR Policies and Procedures whereas 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 reported as follows: -

1. Directors' Fees

Directors' fees are payable only to Non-executive Directors. For the year under review, the Board has proposed director fee for each Non-executive Director. Breakdown of Directors' fees payable to each and every Non-executive Director for the financial year ended 30 June 2021 is as follows:

Non-executive Director	Proposed Directors' Fees (RM)
Dr. Mohamad Zabdi Bin Zamrod	3,750
Puan Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil	3,750
Mr. Koay Ah Bah @ Koay Cheng Hock	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 2021, a total of RM8,300 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 2021 is disclosed below:

	Executive Directors (RM)	Non-executive Directors (RM)
Fees	-	22,500
Salary & other emoluments	695,472	44,300
Bonus	81,984	-
Allowance & Statutory Contributions	32,289	1,883

Per Annum	Executive Directors	Non-executive Directors
RM0 to RM 50,000	-	3
RM300,001 to RM350,000	1	-
RM400,001 to RM450,000	1	-

The detailed disclosure for the remuneration of individual directors and senior management 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.

EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit and Risk Management Committee

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

The ARMC's composition and its report are set out in pages 37 and 38 of this Annual Report.

Assigned by the Board, the Committee co-ordinates between the internal and external auditors in relates to matters that may affect the financial or audit of the Company. During the financial year under review, the ARMC has reviewed the audited financial statements for the financial year, ensured the financial statements prepared 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 has recommended the financial statements for Board's approval and the Statement of Directors' Responsibilities in preparing the financial statement as set out on page 39 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Audit and Risk Management Committee (cont'd)

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 26 August 2021 ARMC meeting, confirmed their independency for the audit engagement provided for the financial year ended 30 June 2021.

Save for the audit services and review of Statement on Risk Management and Internal Control provided during the financial year ended 30 June 2021, there are no non-audit services provided by the external auditors. Any non-audit services to be provided by the external auditors shall be first reviewed by the ARMC before tabled for the Board's approval prior to engagement.

The external auditors have indicated their intention to continue their 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, 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. 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 and the company operations are operating in accordance to procedures and 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 oversee the execution of the entire Group's strategic direction and goals and compliance of Group's policies and procedures. 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 in the quarterly meetings as an on-going monitoring process.

The Group's Statement on Risk Management and Internal Control is set out on pages 34 to 36 of this Annual Report.

Internal Audit

As regards to the internal audit function, the Board view that it is 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 make 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 38 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Board view 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 financial results after approved by the Board via Bursa Link to keep shareholders informed about 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 can be accessible at all times. 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 Ms. Chan Mun Shee, the person in charge of investor relation 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 in person besides written communication.

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

All resolutions set out in Notice of AGM are put forward to poll voting and the poll results for each resolution tabled during the meeting is announced to Bursa where the public is able to assessed for information.

Compliance Statement by the Board of Directors on Corporate Governance Statement

The Board has reviewed and approved the Corporate Government Overview Statement on 20 October 2021. The Board is pleased to report that it 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 2021.

SUSTAINABILITY STATEMENT

The Board acknowledges the importance of organization sustainability and aims to balance its economic stability, environmental and social responsibility in attaining sustainable growth for Kobay Group. 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 businesses are 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.

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. Our Group's initiatives in dealing with sustainability issues covered all major subsidiary companies for the financial year ended 30 June 2021. Sustaining our quest in achieving Group's values and goals in mind, we have established the 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 delegated, the Group sustainability mission is led by Executive Committee ("EXCO") of the Board that oversees the integration of sustainability initiatives.

We are adopting the Emergent Approach in dealing with sustainability. The Group 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. Arising from brain-storming sessions conducted with senior management to evaluate current business environment, competitive landscape and sustainability issues faced by the Group, Chief Executive Officer lay 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 Indicators ("KPI") that served as a reference for guiding, measuring and monitoring business unit performance both financial and non-financial related. 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, KPI set and managed any risk exposure and financial sustainability issue encountered. In quarterly Operations Review Meeting, Head of individual business units and Strategic Business Group Heads reported the progress of strategic plans to EXCO.

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, adjusted to ensure consistency and adapt to ever changing business environment.

SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Governance Structure (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 to our Group's EDMS e-portal anytime to Policies and Procedures covering Financial, Human Resources, Sales and Operations Practices Manuals for reference. As for public documents on Investor Relations and Corporate Governance, such as Policies and Board of Directors' Sub-committees 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. 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.

Stakeholder	Issue/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 and benefits Work-life balance Workplace health and safety Labour and human rights 	<ul style="list-style-type: none"> Employee welfare Training and development Occupation health and safety Talent retention 	<ul style="list-style-type: none"> Periodic meeting at all levels Townhalls with employees Performance assessment for succession planning Flexible work arrangement Flexible benefits plan 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 and 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
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"> Vendors/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 and financial aid Contribution to environment and social enhancement Sustainability related programs

SUSTAINABILITY STATEMENT (CONT'D)

Stakeholders Engagement (Cont'd)

During the financial year under review, Covid-19 Pandemic has changed the normal way of doing business whereby physical meetings were having restriction under the Movement Control imposed by the Government in curbing the spread of Covid-19, hence most meetings were conducted via virtual online with customers, shareholders and investors and the same goes to employees' training.

For meeting with government officers or regulatory bodies, appointment shall have been made before the date of the meeting or communication can only be done via digital platform.

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:-

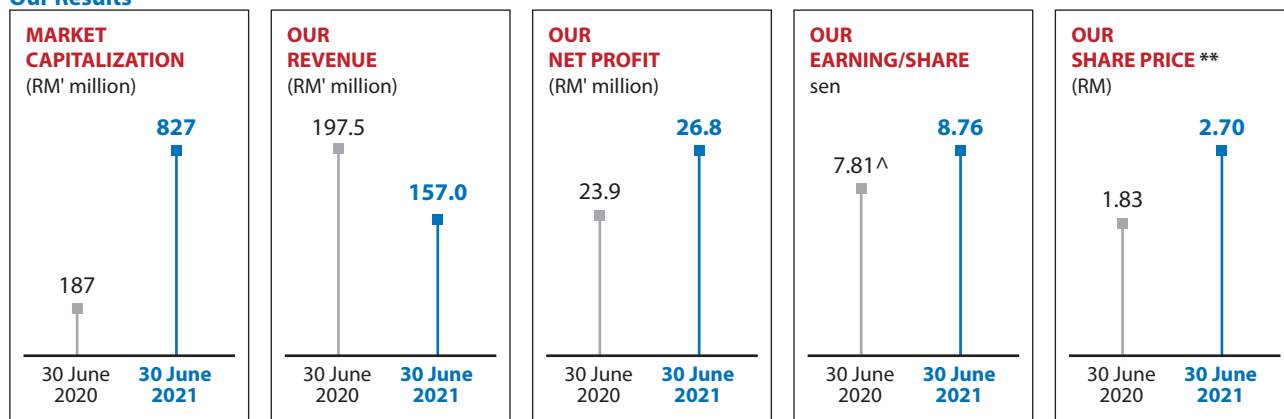
Economic	Environment	Social
<ul style="list-style-type: none"> Shareholders Wealth Ethics and Integrity Quality Products & Services 	<ul style="list-style-type: none"> Waste Management Occupational Safety and Health, Emission 	<ul style="list-style-type: none"> Conducive Working Environment Talent Management Diverse Workforce Employee Benefits & Welfare Corporate Social Responsibility

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



(**Source: www.klscreener.com)

[^]restated based on 306.3 million shares arising from issuance of 2 bonus shares for 1 ordinary share completed in May 2021

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 Policy and Anti-Corruption Policy 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. Both the Code of Business Conduct Policy and Anti-Corruption Policy cover 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 a Whistle Blowing Policy adopted 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 incorporated with assurance provisions on confidentiality and protection.

The Code of Business Conduct Policy, Anti-Corruption Policy and Whistle Blowing Policy are available at Kobay website.

SUSTAINABILITY STATEMENT (CONT'D)

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,
- ISO 13485 : 2016,
- AS 9100 : D,
- Nadcap – Chemical Processing, and
- Nadcap – Aerospace Quality System (AC7004)

The Group is committed to deliver our products promptly to our customers for supporting and sustaining their product supply ecosystem. We have set On Time Delivery Rate as one of the key internal KPI to monitor delivery performance in each business unit and the said KPI will be closely monitor monthly.

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.

Environment

Waste Management

The Group supports green environment and continuously manage the impact of its operations to minimize environmental pollution. All Manufacturing Division's factories waste management systems 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 non-recyclable wastes from operations to ensure no hazardous cause to the environment. The vendor is licensed by Jabatan Alam Sekitar to handle both hazardous and non-hazardous waste and has full recovery license for SW422/409/410/416/307/204 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.

The scheduled wastes disposals of the Group's Manufacturing Division for the Financial Year (FY) were as follow –

Type of Schedule Wastes	FY 30/6/2021	FY 30/6/2020
	Metric Tonne	
SW422 (Mixture of scheduled and non-scheduled wastes)	379.25	363.55
SW307 (Spent mineral oil-water emulsion)	33.60	9.71
SW311 (Waste oil or oily sludge)	4.70	-
SW410 (Rags, plastics, papers or filters contaminated with scheduled wastes)	1.54	0.13
SW204 (Sludge containing one or several metals)	0.31	0.17
SW325 (Uncured resin waste containing organic solvents or heavy metals)	0.22	-
SW409 (Disposed containers contaminated with paint)	-	3.02
SW416 (Paint sludge)	-	0.87

The disposals were made with submission of Scheduled Waste Consignment Notes to Department of Environment, Ministry of Environment And Water. Compliance with waste disposal regulations is of 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 has been 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 actions. In development of the project, consultants taken into consideration the project risks on environment and surrounding areas, reducing their impacts during construction work and adhere to Department of Environment guidelines.

We take precaution measures to ensure project's surrounding environment are not being affected and relevant authorities licenses are obtained prior to commencement of work. We 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 site 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.

SUSTAINABILITY STATEMENT (CONT'D)

Waste Management (Cont'd)

Every factory operation is working towards converting halogen bulb usage to LED bulb for energy saving and environmentally friendly.

Penang state where most of our business units operate, has implemented rubbish segregation initiatives for a greener and cleaner environment, hence in our 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.

Occupational Safety and Health, Emission

As our business units provide surface treatment services, Chemical Health Risk Assessments were conducted in 2020 and 2021 under Occupational Safety and Health (Use and Standard of Exposure of Chemical Hazardous to Health) Regulation 2000. Under the Regulation, employer must carry out the assessment every five years.

The assessments were conducted by approved consultants to identify, evaluate and control any health risk associated with work activities involving the use of chemicals. The reports contained proposals for appropriate control measure, induction of training of employees, air contaminant monitoring and health surveillance activities that may be required in order to protect the health of employees at the work place. They were 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, Industrial Effluent Discharge Monitoring Reports were submitted monthly to Department of Environment, Ministry of Environment And Water with certified laboratory's certificate of chemical test analysis on treated water discharged, covering pH, cadmium, chrome, cyanide and suspended solids. In 2020 and 2021, excessive noise test and noise risk assessment, stack emission monitoring & analysis and testing and examination of local exhaust ventilation systems have been carried out on our factories.

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

Our committed employees are key stakeholders and valuable assets of the Group. We consistently review the workplace environment and the employee retention plan to build conducive working environment, assess the employee potential and performance to identify leaders for key positions as part of the succession planning, conduct yearly training needs analysis for continuous people and organization development, evaluate the gender diversity and equality in workplace as well as consistently revisit the Company's compensation and benefits and employee relations programme to attract and retain high potential performers within our organization.

Group Human Resource (HR) Policies and Procedures are in placed to ensure all operating companies within the Group complied with labour standards and promote conducive, safe and healthy working environment. There are half-yearly teambuilding events held with employees from various business units to cultivate team cohesion towards goals set and at the same time, provide insights to them on business developments, updates on company performance and any changes in Group's HR Policies and Procedures. Due to Covid-19 Pandemic hit since March 2020 where Government has imposed restriction of movement orders thereafter, the Group has halted all employee relations activities inclusive the half-yearly teambuilding events, however business review and updates on company performance has periodically conducted during the financial year review.

Conducive Working Environment

In cultivating a conducive working environment, the VP of People and Organization Development leading the entire Group's HR functions and the organizational development is also leading the employee relations under the Human Resource Policy. Vide the employee relations activities, the Group continuously cultivating the Kobay culture, ACTIONS and nurture the confidence, trust and commitment amongst employees which ultimately contribute in attaining Kobay Vision and Mission.

For the financial year under review, the movement controls imposed by the government has restricted on the activities to be carried out per the Standard Operating Procedure introduced.

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 Head of Company as chairman to drive the 5S activities. 5S Audit Checklist Form is used to provide a standard criterion 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.

SUSTAINABILITY STATEMENT (CONT'D)

Conducive Working Environment (Cont'd)

There is also "Continuous Innovative Processes" program in Manufacturing Division to encourage employee proposal to management on ways to save energy, resources 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 training and leadership development as the pillar of sustainability. We continuously train, upgrade and develop our people to fullest of their capabilities and leadership competencies in order for them to be the best they can be, able to first have the skills required to carry out their responsibilities effectively then cope with the ever-changing and complex business environment efficiently. We have embarked on leadership and various development programs to prepare management and operational staff for their readiness in advancement to next leadership level as part of the succession planning.

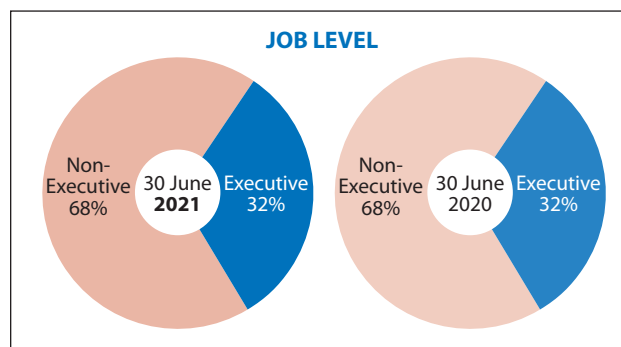
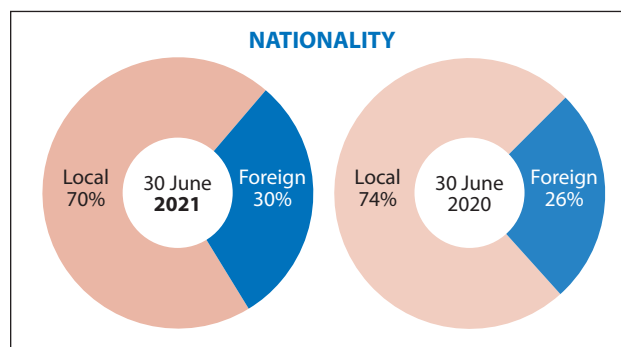
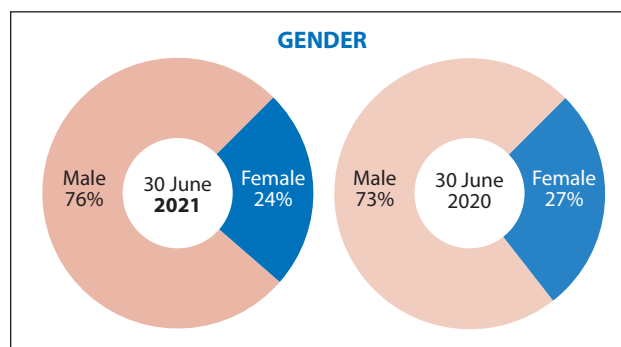
We emphasize on employees attending in-house and external training programs. New recruits are required to attend New Hire Onboarding Programme where they will be briefed on Group's Vision, Mission and Values, Group Policies, Organization Structure, Safety & Health briefing, One-on-one with Head of Company, immediate superior and Subject-Matter of Experts (Key HODs) as well as operation management systems within the company. Every new hire will be granted the access to New Hire Onboarding Portal to retrieve the helpful resources, onboarding package and support during their first days/months/ years and Key HR Contacts within the Group.

We have developed a yearly training calendar with structured 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. To emphasize the importance of training programs to employee, as a pre-requisite before promotion to next level, employee has to complete attending a series of technical/ non-technical and development programs depending of his/ her 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

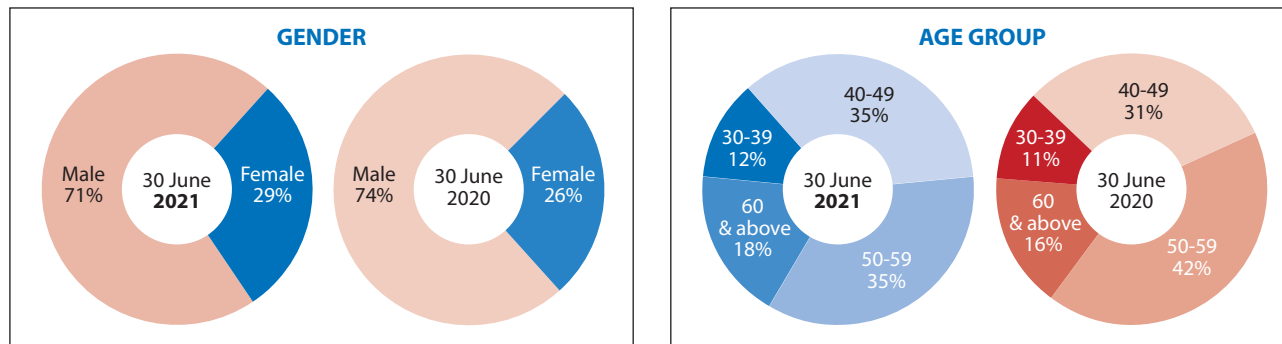
The Group leverage on diversified range of individuals from different age group, culture, ethnic, gender and background who works together under Kobay Group of Companies. The gender diversifications of our employees in total workforce categorized by gender, nationality and job level are shown in the table below: -



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

SUSTAINABILITY STATEMENT (CONT'D)

Senior Management Diversity -



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

Employee Benefits & Welfare

To attract and retain talent, cultivate a self-motivate 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 which will be reviewed every five years interval. 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. In additions, for foreign workers, they have been provided with hostel accommodation and transportation to workplace.

During the financial year under review where globally all businesses are fighting hard to combat Covid-19 pandemic, our top management has come together to, not only equipped all the factory premises with sanitization facilities in complying with Standard Operating Procedures requirements as set by Health Ministry, the Group has also provided employees with sanitizing spray, surgical masks and face shield. The Group has fogged the premise regularly and impose Covid-19 screening test to ensure the factory is the safe place for work. Through PIKAS, the Group has enrolled those employees unable to secure vaccination to ensure that all employees are protected from seriously ill if contracting the virus and with the ultimate aim to work in line with the Government goals in preventing pandemic from spreading.

Corporate Social Responsibility

We sustain 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 participated ourselves in solidify the nation building foundation and we also encourage our employees to participate whenever we have group base activities.

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.

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 financial goals under economy, environmental and social responsibilities (EES) while delivering sustainable profitable return to our shareholders and stakeholders at large and our non-financial goals under environmental, social and governance (ESG).

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 communicate 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.

An on-going process, key business risks faced by the Group are reviewed yearly 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 down the acceptable risk tolerance & appetite levels, planning & execution timetable, the managing processes & information flow and responsible bodies to monitor and report on 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 set 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 audit and risk management.

ARMC assists the Board in fulfilling its risk management oversight role. ARMC reviews Risk Management Reports presented by management quarterly 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. ARMC also reviews yearly Internal Audit Department Report on risk management activities carried out in the Group covering adequacy and compliance of policies and procedures as stated in Framework. The results of the activities are reported in Board's meetings.

Management

Executive Committee ("EXCO") that consists of Executive Directors of the Board and Chief Operating Officers, spearheads risk management activities' implementation in the Group. EXCO acts as Management Committee of risk management and reports risk management activities and matters of high-risk level 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 develop 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.

To promote accountability, Head of Strategic Business Unit ("SBU Head") takes charge of 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.

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

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 is measured by scoring its likelihood in terms of probability and monetary value of the consequence. The risk value calculated is compared against 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 Financial Year 2022 Strategic Plan commenced in December 2020. 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 set on directions and expectations in Group Corporate Expectation, respective strategic business and functional units' SBG Head performed SWOT (Strengths/Weaknesses/Opportunities/Threats) analysis on operating business environment, industry trends, capabilities, past performances and developed a strategic plan for business direction, strategy, focus and expectations. Based on the strategic plan, SBU Head and line management prepared the individual business unit's strategic plan, covering in details of planned activities, goal set, Key Performance Indicators for guiding, measuring and monitoring performance and annual budget. Meetings were conducted between EXCO, SBG Head and SBU Head to discuss, review and buy-off the annual strategic plans, goals, Key Performance Indicators and budget. EXCO buy-off of Financial Year 2022 Strategic Plan was completed in March 2021.

As for regulatory compliance and financial risks, risk assessments are carried out by SBU Heads and Group Accountants at individual business unit level via Risk Assessment Forms. Risk assessment is done 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, meeting agenda is set in quarterly held Operations Review Meeting for SBG Heads to report to EXCO on risk issues and current business situations that 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 and Vice President - Corporate Finance have provided a written assurance to the Board on 20 October 2021 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 FY2021 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 2021 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 systems of internal control that manage risks to achieve established goals and provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, the internal control systems' 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 are 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 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 yearly 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 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 corrective action plans.
- Internal Audit Department is established and report directly to ARMC and 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 operation 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 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 review 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 20 October 2021.

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
(Deceased on 5 January 2021)*
3. **Koay Ah Bah @ Koay Cheng Hock**
Non-independent and Non-executive Director
4. **Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil**
*Independent and Non-executive Director
(Appointed on 11 January 2021)*

Secretaries to the Committee

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

TERMS OF REFERENCE

The Terms of Reference for 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 2021. 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 Vice President - Corporate Finance, Corporate Finance Manager, 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	2/4
Koay Ah Bah @ Koay Cheng Hock	4/4
Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil	2/4

SUMMARY OF WORK

During the financial year, the Committee had:

1. Reviewed with External Auditors the Audit Review Memorandum for financial year ended 30 June 2020 audit. It covered on accounting and audit issues, internal control issues, independence, summary of adjustments and summary of unadjusted differences to financial statements. There was no major item highlighted in relation to management judgments and estimates that affecting the financial statements.
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 2020.
3. Reviewed quarterly unaudited results with Vice President - Corporate Finance and obtained clarifications before submission to Board for consideration and approval for the purpose of announcement to Bursa Malaysia. The financial statements for financial year ended 30 June 2020 were reviewed and submitted to Board for consideration and approval for the purpose of announcement to Bursa Malaysia Securities Berhad ("Bursa Malaysia") and inclusion in Annual Report.
4. 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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

SUMMARY OF WORK (CONT'D)

5. 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.
6. Reviewed Quarterly Risk Management Report presented by Vice President - Corporate Finance on behalf of Executive Committee on risk management activities. 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.
7. Reviewed Internal Auditors' report on review of Group's risk management activities carried out in financial year ended 30 June 2020 on compliance with policies and procedure as stated in Group Risk Management Framework.
8. Reviewed External Auditors' Audit Plan for financial year ended 30 June 2021. It covered on responsibilities of directors and auditors, audit approach, areas of audit emphasis, accounting standards update, engagement team particulars and timetable for audit and issuance of audit report.
9. 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 emphasizes 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.
10. Reviewed Statement on Risk Management and Internal Control, Audit and Risk Management Committee Report for adoption and disclosure in 2020 Annual Report.
11. Reviewed Semi-annual Returns before submission to Board for approval for the purpose of submission to Bursa Malaysia.
12. 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 coming 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 Internal Audit Function Evaluation Checklist by Committee members.
13. Held two dialogue sessions on 27 August 2020 and 27 May 2021 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.

INTERNAL AUDIT FUNCTION - SUMMARY OF WORK

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 2021 amounted RM156,657.

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, reviews carried out on compliance with forex management guideline in hedging foreign currency transactions and surplus fund placement for interest income.
For Manufacturing Division, audits activities carried out at core business units, on inventory covering physical count, provisions, excess inventory, production scrap disposal, on sales covering outstanding late items reporting, sales returns follow up, debts provision, customer credit evaluation, costing sheet, on financial audit covering assets sighting, deposits and accruals accounts review and on customized Resource Management System's user access right control in changing product selling price and material purchase price.
For Property Development Division, audits carried out on compliance with human resource policies and procedures and internal control systems covering sales leads follow up and departmental meeting reporting.
2. Issued audit reports on audit findings 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 of Bursa Malaysia Securities Berhad's Listing Requirements, 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 are kept of which financial position of the Company and the Group were disclosed with reasonable accuracy at any time. The Board of Directors has generally taking such steps that are reasonably available to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Board 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 was made in accordance with the resolution of Board of Directors dated 20 October 2021.

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 RM50,500 and RM237,020 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 26 November 2020, 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 2021 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	1,924,657
PPC	UA	Dato' Seri Koay Hean Eng & person connected	Purchase of aluminum and other materials	996,852

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 2021.

FINANCIAL REPORT

42	Directors' Report
46	Statement by Directors
46	Statutory Declaration
47	Independent Auditors' Report
51	Consolidated Statement of Financial Position
52	Consolidated Statement of Comprehensive Income
53	Consolidated Statement of Changes in Equity
55	Consolidated Statement of Cash Flows
57	Statement of Financial Position
58	Statement of Comprehensive Income
59	Statement of Changes in Equity
60	Statement of Cash Flows
61	Notes to the Financial Statements

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 2021.

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	26,760,741	30,312,931
- Non-controlling interests	172,482	0
	<u>26,933,223</u>	<u>30,312,931</u>

Dividends

During the financial year, the Company paid a final single tier dividend of 6.0 sen per share amounting to RM6,125,616 in respect of the financial year ended 30 June 2020.

A final single tier dividend of 2.0 sen per share in respect of the financial year ended 30 June 2021 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year.

Issue of shares or debentures

During the financial year, the Company issued 204,187,202 new ordinary shares by way of bonus issue on the basis of 2 new ordinary shares for every 1 existing ordinary share held in the Company.

The Company did not issue any 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 (deceased on 5.1.2021)
 Khaw Eng Peng
 Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil (appointed on 11.1.2021)

Directors of subsidiaries (other than directors of the Company)

Koay Wooi Tatt
 Koay Zee Ee
 Chan Mun Shee
 Yee San Khien
 Koay Wei Keong (appointed on 7.1.2021)
 Lim Kean Hoe (appointed on 7.1.2021)
 Lim Kean Lai (appointed on 7.1.2021)

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 1.7.2020	Bought/ Bonus issue	(Sold)	Balance at 30.6.2021	Balance at 1.7.2020	Balance at 30.6.2021
Dato' Seri Koay Hean Eng	0	0	0	0	33,432,980 ^(a)	100,298,940 ^(a)
Koay Cheng Lye	0	0	0	0	33,432,980 ^(a)	100,298,940 ^(a)
Koay Ah Bah @ Koay Cheng Hock	0	0	0	0	33,432,980 ^(a)	100,298,940 ^(a)

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

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.

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 27 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 32 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.

DIRECTORS' REPORT(CONT'D)

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 26 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 2021

Dato' Seri Koay Hean Eng

Koay Cheng Lye

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 51 to 101 give a true and fair view of the financial position of the Group and the Company as at 30 June 2021 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 2021

Dato' Seri Koay Hean Eng

Koay Cheng Lye

STATUTORY DECLARATION

I, Dato' Seri Koay Hean Eng, being the director primarily responsible for the financial management of Kobay Technology Bhd., do solemnly and sincerely declare that the financial statements set out on pages 51 to 101 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
Dato' Seri Koay Hean Eng at George Town in the State of
Penang on this 30 September 2021

Dato' Seri Koay Hean Eng

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 2021 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 51 to 101.

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 2021, 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 12 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> Obtaining an understanding of:- <ul style="list-style-type: none"> the Group's control over the receivable collection process; how the Group identifies and assesses the impairment of receivables; and how the Group makes the accounting estimates for impairment. Reviewing the ageing analysis and past due status of receivables and testing the reliability thereof. Reviewing the subsequent cash collections for major receivables and overdue amounts. Making inquiries of management regarding the action plans to recover overdue amounts. Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections. 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.
<p><u>Valuation of inventories (Refer to Notes 3 and 14 to the financial statements)</u></p> <p>The Group carries significant inventories. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involves judgements and estimation uncertainty in forming expectations about future sales and demands.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> Obtaining an understanding of:- <ul style="list-style-type: none"> the Group's inventory management process; how the Group identifies and assesses inventory write-downs; and how the Group makes the accounting estimates for inventory write-downs. Reviewing the ageing analysis of inventories and testing the reliability thereof. Examining the perpetual records for inventory movements and to identify slow moving aged items. Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories. Reviewing the net realisable value of major inventories. Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.

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

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

Information other than the financial statements and auditors' report thereon

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

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

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

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.

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 2021

Penang

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2021 RM	2020 RM
Non-current assets			
Property, plant and equipment	4	66,175,251	69,294,499
Investment properties	5	4,838,195	4,839,625
Right-of-use assets	6	12,772,872	13,251,798
Land held for property development	7	43,598,015	40,133,840
Intangible assets	8	98,742	98,742
Investment in joint venture	10	0	751,382
Other investments	11	2,301,094	1,515
Receivables	12	4,344,615	2,871,700
Deferred tax assets	13	516,000	0
		<u>134,644,784</u>	<u>131,243,101</u>
Current assets			
Property development costs	7	25,753,812	11,128,520
Receivables	12	44,944,634	61,715,091
Inventories	14	23,803,202	27,178,917
Derivatives	15	18,990	0
Prepayments	16	13,181,750	4,335,100
Current tax assets		1,665,965	1,629,501
Cash and cash equivalents	17	49,265,102	48,819,008
		<u>158,633,455</u>	<u>154,806,137</u>
Current liabilities			
Derivatives	15	96,945	70,971
Contract liabilities	18	70,788	2,097,150
Payables	19	35,348,713	34,661,352
Loans and borrowings	20	16,076,767	19,546,472
Current tax liabilities		1,165,492	2,857,693
		<u>52,758,705</u>	<u>59,233,638</u>
Net current assets		<u>105,874,750</u>	<u>95,572,499</u>
Non-current liabilities			
Deferred tax liabilities	13	4,771,000	4,369,000
Loans and borrowings	20	24,964,502	22,709,393
Deferred income on government grants	21	758,961	862,430
		<u>30,494,463</u>	<u>27,940,823</u>
Net assets		<u>210,025,071</u>	<u>198,874,777</u>
Equity			
Share capital	22	102,103,907	102,103,907
Treasury shares	22	(9,522,642)	0
Capital reserve		1,550,000	1,550,000
Retained profits		115,288,181	94,653,056
Equity attributable to owners of the Company		<u>209,419,446</u>	<u>198,306,963</u>
Non-controlling interests	23	605,625	567,814
Total equity		<u>210,025,071</u>	<u>198,874,777</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	2021 RM	2020 RM
Revenue	24	156,990,808	197,524,435
Cost of revenue		(100,018,693)	(131,946,925)
Gross profit		56,972,115	65,577,510
Interest income		1,265,111	940,601
Other income		4,718,903	2,918,963
Administrative and general expenses		(21,204,781)	(29,169,403)
Selling and distribution expenses		(4,673,137)	(5,501,189)
Finance costs		(1,106,683)	(1,016,215)
Impairment losses on financial assets	25	(591,939)	0
Share of joint venture's profit		3,218	5,071
Profit before tax	26	35,382,807	33,755,338
Tax expense	28	(8,449,584)	(9,654,265)
Profit for the financial year		26,933,223	24,101,073
Other comprehensive income:-			
<i>Item that may be reclassified subsequently to profit or loss:-</i>			
- Reclassification adjustment on dissolution of foreign operation		0	(87,170)
Total other comprehensive income for the financial year		0	(87,170)
Comprehensive income for the financial year		26,933,223	24,013,903
Profit for the financial year attributable to:-			
- Owners of the Company		26,760,741	23,925,944
- Non-controlling interests	23	172,482	175,129
		26,933,223	24,101,073
Comprehensive income for the financial year attributable to:-			
- Owners of the Company		26,760,741	23,838,774
- Non-controlling interests		172,482	175,129
		26,933,223	24,013,903
Earnings per share:-	29		
- Basic (sen)		8.76	7.81
- Diluted (sen)		8.76	7.81

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Non-distributable			Distributable				
	Share capital RM	Treasury shares 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 2019	102,103,907	0	1,550,000	87,170	73,787,797	177,528,874	506,808	178,035,682
Profit for the financial year	0	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	0	(87,170)	0	(87,170)	0	(87,170)
Comprehensive income for the financial year	0	0	0	(87,170)	23,925,944	23,838,774	175,129	24,013,903
Dividend to owners of the Company (Note 30)	0	0	0	0	(3,062,808)	(3,062,808)	0	(3,062,808)
Dividends to non-controlling interests	0	0	0	0	0	0	(100,000)	(100,000)
Distributions to owners	0	0	0	0	(3,062,808)	(3,062,808)	(100,000)	(3,162,808)
Change in ownership interest in subsidiary	0	0	0	0	2,123	2,123	(14,123)	(12,000)
Total transactions with owners	0	0	0	0	(3,060,685)	(3,060,685)	(114,123)	(3,174,808)
Balance at 30 June 2020	102,103,907	0	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 CHANGES IN EQUITY (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Non-distributable			Distributable				
	Share capital RM	Treasury shares 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 2020	102,103,907	0	1,550,000	0	94,653,056	198,306,963	567,814	198,874,777
Dissolution of subsidiary	0	0	0	0	0	0	(12,220)	(12,220)
Profit (representing comprehensive income) for the financial year	0	0	0	0	26,760,741	26,760,741	172,482	26,933,223
Issue of shares to non-controlling interests	0	0	0	0	0	0	49	49
Purchase of own shares	0	(9,522,642)	0	0	0	(9,522,642)	0	(9,522,642)
Dividend to owners of the Company (Note 30)	0	0	0	0	(6,125,616)	(6,125,616)	0	(6,125,616)
Dividends to non-controlling interests	0	0	0	0	0	0	(122,500)	(122,500)
Total transactions with owners	0	(9,522,642)	0	0	(6,125,616)	(15,648,258)	(122,451)	(15,770,709)
Balance at 30 June 2021	102,103,907	(9,522,642)	1,550,000	0	115,288,181	209,419,446	605,625	210,025,071

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	2021 RM	2020 RM
Cash flows from operating activities			
Profit before tax		35,382,807	33,755,338
Adjustments for:-			
Amortisation of deferred income on government grants		(420,547)	(436,089)
Depreciation		7,552,834	7,202,278
Development costs written off		0	1,693,356
Dividend income		0	(54,070)
Fair value gains on financial instruments		(1,155,567)	(201,804)
Gain on disposal of property, plant and equipment		(70,410)	(213,158)
Gain on disposal of subsidiary		0	(72)
Gain on dissolution of subsidiary		0	(87,170)
Impairment loss on investment property		0	63,100
Impairment losses on financial assets		591,939	0
Interest expense		1,106,683	1,016,215
Interest income		(1,265,111)	(940,601)
Inventories written down		2,991	2,195,000
Property, plant and equipment written off		55,808	199,878
Share of joint venture's profit		(3,218)	(5,071)
Unrealised (gain)/loss on foreign exchange		(75,596)	21,823
Waiver of debts		0	(15,351)
Operating profit before working capital changes		41,702,613	44,193,602
Changes in:-			
Land held for property development		(3,464,175)	1,148,000
Property development costs		(14,625,292)	13,111,457
Inventories		3,372,724	(15,340,746)
Receivables		14,826,254	(25,277,690)
Contract assets and contract liabilities		(2,026,362)	9,774,805
Derivatives		(70,971)	(3,986)
Prepayments		(332,293)	(2,233,186)
Payables		594,349	(3,419,712)
Cash generated from operations		39,976,847	21,952,544
Tax paid		(10,966,094)	(9,388,121)
Tax refunded		674,478	898,872
Net cash from operating activities		29,685,231	13,463,295

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 2021

	Note	2021 RM	2020 RM
Cash flows from investing activities			
Acquisition of other investments		(1,602,622)	(3,651,196)
Acquisition of property, plant and equipment		(3,986,690)	(22,008,922)
Acquisition of right-of-use assets		0	(107,849)
Acquisition of subsidiary, net of cash acquired	9	409,890	0
Additions of investment properties		(452,365)	(13,403)
Disposal of subsidiary, net of cash disposed of		0	(3,213)
Dividend received		0	54,070
Grants received		317,078	0
Interest received		1,265,111	932,669
Issue of shares to non-controlling interests		49	0
Prepayment for acquisition of subsidiaries	16	(4,766,568)	0
Prepayment for acquisition of land and building	16	(3,308,800)	0
Proceeds from disposal of assets held for sale		0	21,000
Proceeds from disposal of investment property		420,000	0
Proceeds from disposal of other investments		536,565	3,923,971
Proceeds from disposal of property, plant and equipment		80,294	1,046,256
Net cash used in investing activities		(11,088,058)	(19,806,617)
Cash flows from financing activities			
Acquisition of shares from non-controlling interests		0	(12,000)
Capital distribution to non-controlling interests		(12,220)	0
Changes in term deposits pledged as security		14,545	(228,739)
(Decrease)/Increase in short-term loans and borrowings (net)	31	(6,497,021)	12,690,555
Dividend paid to owners of the Company		(6,125,616)	(3,062,808)
Dividends paid to non-controlling interests		(122,500)	(100,000)
Drawdown of term loans	31	5,489,584	9,971,200
Interest paid		(1,106,992)	(992,898)
Purchase of own shares		(9,522,642)	0
Repayment of term loans	31	(3,266,650)	(2,543,043)
Net cash (used in)/from financing activities		(21,149,512)	15,722,267
Currency translation differences		12,898	(5,382)
Net (decrease)/increase in cash and cash equivalents		(2,539,441)	9,373,563
Cash and cash equivalents brought forward		45,552,184	36,178,621
Cash and cash equivalents carried forward	17	43,012,743	45,552,184

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2021 RM	2020 RM
Non-current assets			
Property, plant and equipment	4	364,436	441,841
Investments in subsidiaries	9	141,057,567	122,945,516
Investment in joint venture	10	0	750,000
Other investment	11	1,500	1,515
		<u>141,423,503</u>	<u>124,138,872</u>
Current assets			
Receivables	12	910,491	6,036,922
Prepayments	16	4,781,426	11,317
Current tax assets		264,481	213,430
Cash and cash equivalents	17	19,642,175	21,977,194
		<u>25,598,573</u>	<u>28,238,863</u>
Current liabilities			
Payables	19	412,976	2,322,695
Loans and borrowings	20	3,906,527	850,783
		<u>4,319,503</u>	<u>3,173,478</u>
Net current assets		21,279,070	25,065,385
Non-current liabilities			
Loans and borrowings	20	5,773,979	6,940,336
Net assets		<u>156,928,594</u>	<u>142,263,921</u>
Equity			
Share capital	22	102,103,907	102,103,907
Treasury shares	22	(9,522,642)	0
Retained profits		64,347,329	40,160,014
Total equity		<u>156,928,594</u>	<u>142,263,921</u>

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	2021 RM	2020 RM
Revenue	24	35,534,947	17,988,470
Interest income		340,640	181,728
Other income		22,501	272,775
Administrative and general expenses		(5,505,927)	(5,285,464)
Finance costs		(47,031)	(119,305)
Impairment losses on financial assets	25	0	(3,909)
Profit before tax	26	30,345,130	13,034,295
Tax (expense)/income	28	(32,199)	46,630
Profit for the financial year		<u>30,312,931</u>	<u>13,080,925</u>
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		<u>30,312,931</u>	<u>13,080,925</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Share capital RM	Treasury shares RM	Distributable Retained profits RM	Total equity RM
Balance at 1 July 2019	102,103,907	0	30,141,897	132,245,804
Profit (representing comprehensive income) for the financial year	0	0	13,080,925	13,080,925
Dividend (representing total transactions with owners) (Note 30)	0	0	(3,062,808)	(3,062,808)
Balance at 30 June 2020	102,103,907	0	40,160,014	142,263,921
Profit (representing comprehensive income) for the financial year	0	0	30,312,931	30,312,931
Purchase of own shares	0	(9,522,642)	0	(9,522,642)
Dividend (Note 30)	0	0	(6,125,616)	(6,125,616)
Total transactions with owners	0	(9,522,642)	(6,125,616)	(15,648,258)
Balance at 30 June 2021	102,103,907	(9,522,642)	64,347,329	156,928,594

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	2021 RM	2020 RM
Cash flows from operating activities			
Profit before tax		30,345,130	13,034,295
Adjustments for:-			
Depreciation		96,402	97,337
Dividend income		(32,572,171)	(15,447,697)
Fair value gains on financial instruments		0	(272,775)
Gain on dissolution of subsidiary		(22,501)	0
Impairment losses on financial assets		0	3,909
Interest expense		47,031	119,305
Interest income		(340,640)	(181,728)
Loss on disposal of subsidiary		0	4,854
Property, plant and equipment written off		9	14
Operating loss before working capital changes		(2,446,740)	(2,642,486)
Changes in:-			
Receivables		(4,103)	29,822
Prepayments		(3,541)	(4,450)
Payables		(9,719)	(228,663)
Cash absorbed by operations		(2,464,103)	(2,845,777)
Tax paid		(83,250)	(121,400)
Net cash used in operating activities		(2,547,353)	(2,967,177)
Cash flows from investing activities			
Acquisition of other investments		0	(3,651,196)
Acquisition of property, plant and equipment		(19,006)	(37,400)
Acquisition of subsidiaries		(862,000)	0
Capital distribution from subsidiary		22,501	0
Dividends received		32,572,171	15,447,697
Incorporation of subsidiary		(51)	0
Interest received		340,640	181,728
Net repayment from subsidiaries		3,230,534	6,238,881
Prepayment for acquisition for subsidiaries	16	(4,766,568)	0
Proceeds from disposal of assets held for sale		0	21,000
Proceeds from disposal of other investments	15		3,923,971
Proceeds from disposal of property, plant and equipment		0	4,032
Proceeds from disposal of subsidiary		0	44,871
Redemption of preference shares from subsidiaries		1,320,000	0
Subscription for shares in subsidiaries		(17,820,000)	(7,992,000)
Net cash from investing activities		14,018,236	14,181,584
Cash flows from financing activities			
Dividend paid		(6,125,616)	(3,062,808)
Interest paid		(47,031)	(119,305)
Purchase of own shares		(9,522,642)	0
Repayment of term loans	31	(1,110,693)	(1,030,025)
Net cash used in financing activities		(16,805,982)	(4,212,138)
Net (decrease)/increase in cash and cash equivalents		(5,335,099)	7,002,269
Cash and cash equivalents brought forward		21,969,194	14,966,925
Cash and cash equivalents carried forward	17	16,634,095	21,969,194

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 51 to 56 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 57 to 60 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 2021.

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
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
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 References to the Conceptual Framework in MFRS Standards	1 January 2020

The Group and the Company have also early applied the Amendment to MFRS 16 *Covid-19-Related Rent Concessions* beyond 30 June 2021 which is effective for annual periods beginning on or after 1 April 2021.

The initial application of the above MFRSs did not have any significant impacts on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 2023
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 <i>Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
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
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 Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses.

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

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

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

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.11. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

2. Significant accounting policies (cont'd)

2.3 Basis of consolidation

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

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method, except for Kobay UA Sdn. Bhd., the acquisition of which did not constitute a business combination and was accounted for as an asset acquisition. 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 2.11.

Freehold land and capital work-in-progress are not depreciated. 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% - 50%
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 2.11.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

2. Significant accounting policies (cont'd)

2.6 Leases (cont'd)

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 2.11.

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.

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.

As a practical expedient, the Group and the Company have elected not to assess whether a rent concession occurring as a direct consequence of the covid-19 pandemic is a lease modification. Accordingly, any change in lease payments resulting from such rent concession is accounted for as a variable lease payment in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

2. Significant accounting policies (cont'd)

2.7 Property development (cont'd)

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 2.19. 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 2.11.

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 2.11.

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 2.11.

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 2.11.

2.11 Impairment of non-financial assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than deferred tax assets, 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.

2.12 Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

2. Significant accounting policies (cont'd)

2.13 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 2.14. 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.

2.14 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 2.19). 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

2. Significant accounting policies (cont'd)

2.14 Financial assets (cont'd)

Impairment (cont'd)

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.

2.15 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.

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

2. Significant accounting policies (cont'd)

2.16 Foreign currency transactions and translation (cont'd)

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

In translating the financial position and results of a foreign operation whose functional currency is not the 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.

2.17 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.

2.18 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.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

2. Significant accounting policies (cont'd)

2.18 Fair value measurement (cont'd)

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 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).

2.19 Revenue from contracts with customers

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

2. Significant accounting policies (cont'd)

2.19 Revenue from contracts with customers (cont'd)

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.

2.20 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.

2.21 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.

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

2. Significant accounting policies (cont'd)

2.22 Employee benefits (cont'd)

Termination benefits

Termination benefits are recognised in profit or loss at the earlier of when the Group can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

2.23 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.

2.24 Income taxes

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

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

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

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

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

3. Judgements and estimation uncertainty (cont'd)

Sources of estimation uncertainty

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

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) and contract liabilities (Note 18).

Impairment of receivables

The Group and the Company recognise 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. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 12).

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 14).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

4. Property, plant and equipment

Group	Freehold land RM	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 2019	4,161,603	27,287,705	7,679,180	84,722,687	9,295,891	1,264,732	1,662,987	8,660,721	144,735,506
Additions	0	356,747	1,200,439	10,762,813	601,002	37,675	183,101	8,867,145	22,008,922
Disposals/Write-offs	0	0	(104,047)	(4,968,340)	(76,258)	(3,030)	0	0	(5,151,675)
Reclassifications	0	15,708,959	0	138,718	0	0	0	(15,847,677)	0
Balance at 30 June 2020	4,161,603	43,353,411	8,775,572	90,655,878	9,820,635	1,299,377	1,846,088	1,680,189	161,592,753
Acquisition of subsidiary	0	0	0	12,890	0	0	0	0	12,890
Additions	0	767,610	615,679	1,474,191	915,467	11,918	53,555	148,270	3,986,690
Adjustment	0	0	(12,271)	0	0	0	0	0	(12,271)
Disposals/Write-offs	0	0	(8,035)	(1,750,795)	(104,411)	(26,933)	(52,644)	0	(1,942,818)
Reclassifications	0	0	887,809	250,000	563,430	0	0	(1,701,239)	0
Balance at 30 June 2021	4,161,603	44,121,021	10,258,754	90,642,164	11,195,121	1,284,362	1,846,999	127,220	163,637,244

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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

Group	Freehold land RM	Buildings RM	Building improvement and renovation RM	Factory machinery, moulds and equipment RM	Furniture, fittings, office equipment and computer software RM	Tools and accessories RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
Depreciation and impairment losses									
Balance at 1 July 2019	0	8,732,489	4,392,722	65,797,427	6,383,967	996,942	1,367,636	0	87,671,183
Accumulated depreciation	0	0	0	1,438,893	100,837	77,789	34,332	127,220	1,779,071
Accumulated impairment losses	0	8,732,489	4,392,722	67,236,320	6,484,804	1,074,731	1,401,968	127,220	89,450,254
Depreciation	0	924,902	596,461	4,522,278	812,440	46,671	63,947	0	6,966,699
Disposals/Write-offs	0	0	(32,863)	(4,023,059)	(61,428)	(1,349)	0	0	(4,118,699)
Balance at 30 June 2020	0	9,657,391	4,956,320	67,131,287	7,134,979	1,042,264	1,431,583	0	91,353,824
Accumulated depreciation	0	0	0	604,252	100,837	77,789	34,332	127,220	944,430
Accumulated impairment losses	0	9,657,391	4,956,320	67,735,539	7,235,816	1,120,053	1,465,915	127,220	92,298,254
Acquisition of subsidiary	0	0	0	752	0	0	0	0	752
Depreciation	0	1,380,139	684,846	4,049,289	820,350	43,176	62,313	0	7,040,113
Disposals/Write-offs	0	0	(5,223)	(1,727,212)	(93,670)	(22,583)	(28,438)	0	(1,877,126)
Balance at 30 June 2021	0	11,037,530	5,635,943	69,617,720	7,861,659	1,068,778	1,465,458	0	96,687,088
Accumulated depreciation	0	0	0	440,648	100,837	71,868	34,332	127,220	774,905
Accumulated impairment losses	0	11,037,530	5,635,943	70,058,368	7,962,496	1,140,646	1,499,790	127,220	97,461,993
Carrying amount									
Balance at 1 July 2019	4,161,603	18,555,216	3,286,458	17,486,367	2,811,087	190,001	261,019	8,533,501	55,285,252
Balance at 30 June 2020	4,161,603	33,696,020	3,819,252	22,920,339	2,584,819	179,324	380,173	1,552,969	69,294,499
Balance at 30 June 2021	4,161,603	33,083,491	4,622,811	20,583,796	3,232,625	143,716	347,209	0	66,175,251

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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

The Group leases certain portions of its buildings to third parties for 1 to 2 years. The undiscounted lease payments to be received are as follows:-

	Group	
	2021	2020
	RM	RM
Within 1 year	1,169,817	1,710,475
1 to 2 years	0	1,140,317
	<u>1,169,817</u>	<u>2,850,792</u>

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

	Group	
	2021	2020
	RM	RM
Buildings	28,779,287	29,076,679
Factory machinery, moulds and equipment	<u>3,854,913</u>	<u>4,344,402</u>
	<u>32,634,200</u>	<u>33,421,081</u>

Company

	Renovation RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
Cost				
Balance at 1 July 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	<u>427,084</u>	<u>890,869</u>	<u>1,800</u>	<u>1,319,753</u>
Additions	0	19,006	0	19,006
Write-offs	0	(23,151)	0	(23,151)
Balance at 30 June 2021	<u>427,084</u>	<u>886,724</u>	<u>1,800</u>	<u>1,315,608</u>
Accumulated depreciation				
Balance at 1 July 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	<u>205,054</u>	<u>671,059</u>	<u>1,799</u>	<u>877,912</u>
Depreciation	38,335	58,067	0	96,402
Write-offs	0	(23,142)	0	(23,142)
Balance at 30 June 2021	<u>243,389</u>	<u>705,984</u>	<u>1,799</u>	<u>951,172</u>
Carrying amount				
Balance at 1 July 2019	<u>250,779</u>	<u>255,044</u>	<u>1</u>	<u>505,824</u>
Balance at 30 June 2020	<u>222,030</u>	<u>219,810</u>	<u>1</u>	<u>441,841</u>
Balance at 30 June 2021	<u>183,695</u>	<u>180,740</u>	<u>1</u>	<u>364,436</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

5. Investment properties

Group

	Freehold land RM	Buildings RM	Total RM
Cost			
Balance at 1 July 2019	0	477,054	477,054
Additions	0	13,403	13,403
Transfer from inventories	2,356,000	2,063,625	4,419,625
Balance at 30 June 2020	2,356,000	2,554,082	4,910,082
Additions	0	452,365	452,365
Disposal	0	(490,457)	(490,457)
Balance at 30 June 2021	2,356,000	2,515,990	4,871,990
Depreciation and impairment losses			
Balance at 1 July 2019			
Accumulated depreciation	0	0	0
Accumulated impairment losses	0	0	0
	0	0	0
Depreciation	0	7,357	7,357
Impairment loss	0	63,100	63,100
Balance at 30 June 2020			
Accumulated depreciation	0	7,357	7,357
Accumulated impairment losses	0	63,100	63,100
	0	70,457	70,457
Depreciation	0	33,795	33,795
Disposal	0	(70,457)	(70,457)
Balance at 30 June 2021			
Accumulated depreciation	0	33,795	33,795
Accumulated impairment losses	0	0	0
	0	33,795	33,795
Carrying amount			
Balance at 1 July 2019	0	477,054	477,054
Balance at 30 June 2020	2,356,000	2,483,625	4,839,625
Balance at 30 June 2021	2,356,000	2,482,195	4,838,195
Fair value			
Estimated fair value at 30 June 2020	3,012,000	3,166,000	6,178,000
Estimated fair value at 30 June 2021	3,012,000	2,746,000	5,758,000

Investment properties as at 30 June 2021 consist of residential properties transferred from completed development units (Note 14) and held for investment purposes. Their fair values were measured by reference to the market selling prices of similar development units.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

6. Right-of-use assets

Group

	Leasehold land RM
Carrying amount	
Balance at 1 July 2019	13,372,171
Additions	107,849
Depreciation	(228,222)
Balance at 30 June 2020	13,251,798
Depreciation	(478,926)
Balance at 30 June 2021	12,772,872

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

The leasehold land has been pledged as security for credit facilities granted to the Group.

7. Property development

Group

Land held for property development

	2021 RM	2020 RM
Land held for property development	43,598,015	40,133,840
Represented by:-		
- Land costs	26,032,215	23,032,215
- Development costs	4,910,651	4,898,652
- Incidental costs incurred for acquisition of land	5,814,418	5,362,242
- Advance payments to landowners ^(a)	6,240,731	6,240,731
- Incidental costs incurred for joint venture agreement	600,000	600,000
	43,598,015	40,133,840

^(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 RM18,137,104 (2020 : RM18,137,104) has been pledged as security for credit facilities granted to the Group.

Property development costs

	2021 RM	2020 RM
Property development costs	25,753,812	11,128,520
Represented by:-		
- Land costs	3,121,610	3,121,610
- Development costs	29,496,199	10,187,716
- Costs recognised in profit or loss	(6,863,997)	(2,180,806)
	25,753,812	11,128,520

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

8. Intangible assets

Group

	Goodwill RM	Intellectual property RM	Total
Balance at 1 July 2019 / 30 June 2020 / 30 June 2021	29,571	69,171	98,742

9. Investments in subsidiaries

Company

	2021 RM	2020 RM
Unquoted shares - at cost	148,811,236	130,706,185
Impairment losses	(7,753,669)	(7,760,669)
	<u>141,057,567</u>	<u>122,945,516</u>

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2021	2020	
Gen Plus Technologies Sdn. Bhd. ^(a)	Malaysia	51%	0%	Inactive
Innospec 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 UA Sdn. Bhd.	Malaysia	100%	n/a	Property letting
Kual Technologies Sdn. Bhd. (formerly known as Kobay Systems Sdn. Bhd.)	Malaysia	100%	100%	Inactive
LD Global Sdn. Bhd.	Malaysia	100%	100%	Property development

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

9. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2021	2020	
Lodge 18 Sdn. Bhd.	Malaysia	100%	100%	Hotel operation
Masset Capital Sdn. Bhd. ^(b)	Malaysia	100%	100%	Investment holding
Premierview Property Sdn. Bhd.	Malaysia	100%	100%	Property development
Ultimate Sanctuary Sdn. Bhd.	Malaysia	100%	100%	Property development
Wirama Progresif Sdn. Bhd.	Malaysia	0%	70%	Dissolved in March 2021
<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 Management Services Sdn. Bhd. (formerly known as Kobay Premier Sdn. Bhd.)	Malaysia	100%	100%	Inactive
KT Microhandling Sdn. Bhd.	Malaysia	100%	100%	Manufacture of semiconductor assembly and testing equipment
Maker Technologies Sdn. Bhd.	Malaysia	100%	100%	Manufacture of precision moulds and parts
Micro Surface Treatment Sdn. Bhd.	Malaysia	90%	90%	Precision plating and surface treatment
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

^(a) Incorporated in January 2021

^(b) Transferred from Kobay Industries Sdn. Bhd. in February 2021

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

9. Investments in subsidiaries (cont'd)

Acquisition of subsidiary

In April 2021, the Company acquired the remaining 50% equity interest in a 50% owned joint venture, Kobay UA Sdn. Bhd., for cash consideration of RM750,000. The acquisition of Kobay UA Sdn. Bhd. was accounted for as an asset acquisition. The effects of the asset acquisition on the consolidated statement of cash flows are as follows:-

	RM
Cash consideration paid	750,000
Cash and cash equivalents acquired	(1,159,890)
Acquisition of subsidiary, net of cash acquired	<u>(409,890)</u>

10. Investment in joint venture

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Unquoted shares - at cost	0	750,000	0	750,000
Share of post-acquisition changes in net assets	<u>0</u>	<u>1,382</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>751,382</u>	<u>0</u>	<u>750,000</u>

The details of the joint venture are as follows:-

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2021	2020	
Kobay UA Sdn. Bhd.	Malaysia	n/a	50%	Property letting

In April 2021, the Company acquired the remaining 50% equity interest in Kobay UA Sdn. Bhd. for cash consideration of RM750,000. Upon the acquisition, Kobay UA Sdn. Bhd. became a wholly-owned subsidiary of the Company.

11. Other investments

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Fair value				
Shares quoted outside Malaysia	2,092,094	0	0	0
Others	<u>209,000</u>	<u>1,515</u>	<u>1,500</u>	<u>1,515</u>
	<u>2,301,094</u>	<u>1,515</u>	<u>1,500</u>	<u>1,515</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. Receivables

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade receivables:-				
- Related parties ^(a)	135,750	142,764	0	0
- Unrelated parties	49,254,864	63,693,975	0	0
	49,390,614	63,836,739	0	0
- Loss allowance	(862,933)	(270,994)	0	0
	48,527,681	63,565,745	0	0
Other receivables	761,568	1,021,046	56,927	52,824
Amounts due from subsidiaries	0	0	3,124,720	8,255,254
Loss allowance	0	0	(2,271,156)	(2,271,156)
	0	0	853,564	5,984,098
	<u>49,289,249</u>	<u>64,586,791</u>	<u>910,491</u>	<u>6,036,922</u>
Disclosed as:-				
- Non-current assets	4,344,615	2,871,700	0	0
- Current assets	44,944,634	61,715,091	910,491	6,036,922
	<u>49,289,249</u>	<u>64,586,791</u>	<u>910,491</u>	<u>6,036,922</u>

^(a) Being family members of certain directors

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 30 June 2021, there were 2 (2020 : 1) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM15,434,442 (2020 : RM26,804,958). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group	
	2021 RM	2020 RM
Malaysia	36,731,948	53,521,197
Singapore	4,712,547	3,690,258
Others	7,946,119	6,625,284
	<u>49,390,614</u>	<u>63,836,739</u>

Included in trade receivables are property loans totalling RM4,675,584 (2020 : RM3,016,260) granted to several customers and bearing interest ranging from 3.00% to 5.97% (2020 : 4.22% to 4.72%) per annum. The loans are effectively secured against the development units sold to the customers and repayable over 4 to 20 years as follows:-

	Group	
	2021 RM	2020 RM
Within 1 year	330,969	144,560
1 to 5 years	1,257,879	598,505
After 5 years	3,086,736	2,273,195
	<u>4,675,584</u>	<u>3,016,260</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. Receivables (cont'd)

Trade receivables (cont'd)

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	
	2021	2020
	RM	RM
Not past due	40,542,289	46,506,231
1 to 30 days past due	6,242,110	8,418,665
31 to 60 days past due	627,805	3,470,620
61 to 90 days past due	129,474	653,493
More than 90 days past due	1,848,936	4,787,730
	<u>49,390,614</u>	<u>63,836,739</u>

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

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

	Group	
	2021	2020
	RM	RM
Balance at 1 July	270,994	270,994
Impairment losses	591,939	0
Balance at 30 June	<u>862,933</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.

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 which bore interest at 4.52% per annum as at 30 June 2020.

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
2021			
Gross carrying amount	661,770	2,462,950	3,124,720
Loss allowance:-			
- Balance at 1 July	0	2,271,156	2,271,156
- Movement during the year	0	0	0
- Balance at 30 June	0	2,271,156	2,271,156
	<u>661,770</u>	<u>191,794</u>	<u>853,564</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

12. Receivables (cont'd)

Amounts due from subsidiaries (cont'd)

	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>

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

13. Deferred tax assets and deferred tax liabilities

Group

	2021 RM	2020 RM
Balance at 1 July	(4,369,000)	(4,417,000)
Deferred tax income/(expense) relating to origination and reversal of temporary differences	367,000	(128,000)
Deferred tax liabilities (under)/over provided in prior year	(253,000)	176,000
Balance at 30 June	<u>(4,255,000)</u>	<u>(4,369,000)</u>
Disclosed as:-		
- Deferred tax assets	516,000	0
- Deferred tax liabilities	<u>(4,771,000)</u>	<u>(4,369,000)</u>
	<u>(4,255,000)</u>	<u>(4,369,000)</u>
In respect of:-		
- (Taxable)/Deductible temporary differences of:-		
- Property, plant and equipment	(5,768,000)	(4,699,000)
- Right-of-use assets	84,000	0
- Financial instruments	230,000	330,000
- Unused capital allowances	710,000	0
- Unused tax losses	489,000	0
	<u>(4,255,000)</u>	<u>(4,369,000)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

13. Deferred tax assets and deferred tax liabilities (cont'd)

Save as disclosed above, as at 30 June 2021, 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 RM147,000 and RM27,000 (2020 : RM1,004,000 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	
	2021	2020	2021	2020
	RM	RM	RM	RM
Deductible temporary differences of:-				
- Property development costs	1,856,000	1,915,000	0	0
- Right-of-use assets	0	364,000	0	0
Unused capital allowances	1,447,000	4,910,000	0	246,000
Unused tax losses:-				
- Expiring in year of assessment 2025	22,772,000	22,981,000	1,323,000	1,323,000
- Expiring in year of assessment 2026	735,000	735,000	0	0
- Expiring in year of assessment 2027	2,029,000	2,095,000	0	0
- Expiring in year of assessment 2028	121,000	0	0	0
Taxable temporary differences of:-				
- Property, plant and equipment	(614,000)	(4,148,000)	(112,000)	(107,000)
- Financial instruments	0	(37,000)	0	0
	<u>28,346,000</u>	<u>28,815,000</u>	<u>1,211,000</u>	<u>1,462,000</u>

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

14. Inventories

Group

	2021	2020
	RM	RM
Completed development units	7,603,996	12,611,052
Raw materials	4,406,192	3,232,385
Work-in-progress	9,588,345	8,106,367
Finished goods	<u>2,204,669</u>	<u>3,229,113</u>
	<u>23,803,202</u>	<u>27,178,917</u>

15. Derivatives

Group

	2021	2020
	RM	RM
Forward exchange contracts - at fair value		
- Current assets	18,990	0
- Current liabilities	<u>(96,945)</u>	<u>(70,971)</u>
	<u>(77,955)</u>	<u>(70,971)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

15. Derivatives (cont'd)

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 30 June 2021, the Group had contracts with financial institutions due within 1 year to deal with the following currencies at contractual forward rates:-

	2021		2020	
	To buy	To sell	To buy	To sell
Contract I	RM20,199,537	USD4,885,816	RM7,238,562	USD1,705,116
Contract II	RM291,000	GBP50,000	0	0
Contract III	USD200,000	RM832,760	0	0

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. Prepayments

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deposit for acquisition of subsidiaries (Note (i))	4,766,568	0	4,766,568	0
Deposit for acquisition of land and building (Note (ii))	3,308,800	0	0	0
Others	5,106,382	4,335,100	14,858	11,317
	<u>13,181,750</u>	<u>4,335,100</u>	<u>4,781,426</u>	<u>11,317</u>

- (i) In order to diversify the Group's principal activities to include the sale and/or manufacturing of pharmaceutical and healthcare products, the Company entered into a share sale agreement on 28 May 2021 to acquire 70% equity interest in Avelon Healthcare Sdn. Bhd., Galaxis Healthcare Sdn. Bhd., Avelon Arise Sdn. Bhd., Galaxis Pharma Sdn. Bhd. and Arise Healthcare Sdn. Bhd. for a total cash consideration of RM47,665,677. The acquisition was completed on 5 August 2021.
- (ii) On 20 May 2021, Kobay UA Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire a land and building for a cash consideration of RM33,088,000. The acquisition has yet to be completed as at the date of this report.

17. Cash and cash equivalents

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Highly liquid investments in money market funds	18,719,286	1,836,218	6,810,955	977,627
Term deposits	3,302,279	4,235,731	8,000	8,000
Cash and bank balances	27,243,537	42,747,059	12,823,220	20,991,567
	<u>49,265,102</u>	<u>48,819,008</u>	<u>19,642,175</u>	<u>21,977,194</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 RM3,252,279 and RM8,000 (2020 : RM3,266,824 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 2021 ranged from 1.50% to 1.85% (2020 : 1.40% to 3.35%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

17. Cash and cash equivalents (cont'd)

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

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Cash and cash equivalents	49,265,102	48,819,008	19,642,175	21,977,194
Bank overdrafts	(3,000,080)	0	(3,000,080)	0
Term deposits pledged as security	(3,252,279)	(3,266,824)	(8,000)	(8,000)
	<u>43,012,743</u>	<u>45,552,184</u>	<u>16,634,095</u>	<u>21,969,194</u>

18. Contract liabilities from property development

Group	2021	2020
	RM	RM
Balance at 1 July	2,097,150	(7,677,655)
Revenue recognised during the year	(7,702,911)	(6,244,708)
Progress billings during the year	<u>5,676,549</u>	<u>16,019,513</u>
Balance at 30 June	<u>70,788</u>	<u>2,097,150</u>

As disclosed in Note 2.19, 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.

Remaining performance obligations

As at 30 June 2021, the aggregate transaction price allocated to the remaining performance obligations amounted to approximately RM40,917,000 (2020 : RM41,810,000) and the Group expects to recognise this revenue when the project is completed over the next 1 (2020 : 2) year.

19. Payables

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Trade payables:-				
- Related party ^(a)	906,585	614,623	0	0
- Unrelated parties	19,714,917	16,329,015	0	0
	<u>20,621,502</u>	<u>16,943,638</u>	<u>0</u>	<u>0</u>
Other payables:-				
- Related parties ^(a)	20,316	16,368	0	0
- Unrelated parties	14,706,895	17,701,346	412,976	422,695
	<u>14,727,211</u>	<u>17,717,714</u>	<u>412,976</u>	<u>422,695</u>
Amounts due to subsidiaries	0	0	0	1,900,000
	<u>35,348,713</u>	<u>34,661,352</u>	<u>412,976</u>	<u>2,322,695</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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

19. Payables (cont'd)

Trade and other payables

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

Amounts due to subsidiaries

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

20. Loans and borrowings

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Secured				
Bank overdrafts	3,000,080	0	3,000,080	0
Revolving credits	3,977,954	12,102,564	0	0
Term loans	28,592,235	26,369,301	6,680,426	7,791,119
Unsecured				
Banker acceptance	481,000	0	0	0
Revolving credits	4,990,000	3,784,000	0	0
	<u>41,041,269</u>	<u>42,255,865</u>	<u>9,680,506</u>	<u>7,791,119</u>
Disclosed as:-				
- Current liabilities	16,076,767	19,546,472	3,906,527	850,783
- Non-current liabilities	24,964,502	22,709,393	5,773,979	6,940,336
	<u>41,041,269</u>	<u>42,255,865</u>	<u>9,680,506</u>	<u>7,791,119</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 17).

The effective interest rates of loans and borrowings as at 30 June 2021 ranged from 2.50% to 5.42% (2020 : 2.50% to 5.67%) per annum.

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

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

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Gross loan instalments:-				
- Within 1 year	4,578,983	4,621,741	1,111,392	1,111,392
- 1 to 5 years	18,481,185	16,425,278	4,445,568	4,445,568
- After 5 years	9,917,989	9,692,930	1,994,186	3,540,220
Total contractual undiscounted cash flows	32,978,157	30,739,949	7,551,146	9,097,180
Future finance charges	(4,385,922)	(4,370,648)	(870,720)	(1,306,061)
Present value of term loans	<u>28,592,235</u>	<u>26,369,301</u>	<u>6,680,426</u>	<u>7,791,119</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 2021

21. Deferred income on government grants

Group

	2021 RM	2020 RM
Balance at 1 July	862,430	1,298,519
Grants received	317,078	0
Amortisation	(420,547)	(436,089)
Balance at 30 June	<u>758,961</u>	<u>862,430</u>

22. Share capital

	No. of ordinary shares with no par value	RM
Issued and fully paid		
Balance at 1 July 2019 / 30 June 2020	102,093,601	102,103,907
Bonus issue	<u>204,187,202</u>	<u>0</u>
Balance at 30 June 2021	<u>306,280,803</u>	<u>102,103,907</u>

During the financial year, the Company issued 204,187,202 new ordinary shares by way of bonus issue on the basis of 2 new ordinary shares for every 1 existing ordinary share held in the Company.

Treasury shares

The shareholders of the Company, by a resolution passed at the extraordinary general meeting held on 3 July 2002, approved the Company's plan to purchase its own shares. The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:-

	No. of ordinary shares	Cost RM
Balance at 1 July 2019 / 30 June 2020	0	0
Shares purchased	2,000,000	9,522,642
Bonus issue	<u>4,000,000</u>	<u>0</u>
Balance at 30 June 2021	<u>6,000,000</u>	<u>9,522,642</u>
Average unit cost for the year (RM)		<u>4.76</u>

The number of outstanding shares in issue after excluding the treasury shares is as follows:-

	No. of ordinary shares
Balance at 1 July 2019 / 30 June 2020	102,093,601
Shares purchased	(2,000,000)
Bonus issue	<u>200,187,202</u>
Balance at 30 June 2021	<u>300,280,803</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

23. Non-controlling interests ("NCI")

Group

	Accumulated NCI		Profit/(Loss) allocated to NCI	
	2021 RM	2020 RM	2021 RM	2020 RM
Wirama Progresif Sdn. Bhd.	0	12,220	0	0
Micro Surface Treatment Sdn. Bhd.	606,476	555,594	173,382	175,129
Gen Plus Technologies Sdn. Bhd.	(851)	0	(900)	0
	<u>605,625</u>	<u>567,814</u>	<u>172,482</u>	<u>175,129</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
		2021	2020	
Gen Plus Technologies Sdn. Bhd.	Malaysia	49%	0%	Inactive
Micro Surface Treatment Sdn. Bhd.	Malaysia	10%	10%	Precision plating and surface treatment
Wirama Progresif Sdn. Bhd.	Malaysia	0%	30%	Dissolved in March 2021

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.

24. Revenue

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Revenue from contracts with customers:-				
- Sale of goods	132,261,364	177,975,544	0	0
- Rendering of services	8,942,793	7,087,124	2,962,776	2,540,773
- Property development	7,702,911	6,244,708	0	0
- Sale of completed development units	6,347,265	5,659,210	0	0
	<u>155,254,333</u>	<u>196,966,586</u>	<u>2,962,776</u>	<u>2,540,773</u>
Other sources of revenue:-				
- Dividend income	0	54,070	32,572,171	15,447,697
- Operating lease income	1,736,475	503,779	0	0
	<u>1,736,475</u>	<u>557,849</u>	<u>32,572,171</u>	<u>15,447,697</u>
	<u>156,990,808</u>	<u>197,524,435</u>	<u>35,534,947</u>	<u>17,988,470</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

24. Revenue (cont'd)

Disaggregation of revenue from contracts with customers

Group

	Operating segments (Note 33)			Total RM
	Manufacturing RM	Property development RM	Other operating segments RM	
2021				
Major products/services:-				
- Precision tooling and equipment	4,294,384	0	0	4,294,384
- Precision components and mechatronic	131,806,840	0	0	131,806,840
- Metal fabrications	4,094,658	0	0	4,094,658
- Properties under development	0	7,702,911	0	7,702,911
- Completed development units	0	6,347,265	0	6,347,265
- Others	614,489	0	393,786	1,008,275
	140,810,371	14,050,176	393,786	155,254,333
Geographical areas:-				
- Malaysia	91,970,371	14,050,176	393,786	106,414,333
- Singapore	21,966,862	0	0	21,966,862
- Others	26,873,138	0	0	26,873,138
	140,810,371	14,050,176	393,786	155,254,333
Timing of revenue recognition:-				
- Over time	8,555,191	7,702,911	387,602	16,645,704
- At a point in time	132,255,180	6,347,265	6,184	138,608,629
	140,810,371	14,050,176	393,786	155,254,333
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	6,140,325	6,310,708	880,799	13,331,832
- At a point in time	177,631,058	5,659,210	344,486	183,634,754
	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 2021

24. Revenue (cont'd)

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

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.

25. Impairment losses on financial assets

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Trade receivables from contracts with customers	591,939	0	0	0
Amounts due from subsidiaries	0	0	0	3,909
	<u>591,939</u>	<u>0</u>	<u>0</u>	<u>3,909</u>

26. Profit before tax

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	220,500	201,000	42,500	33,000
- Prior year	16,520	(1,500)	8,000	4,500
Depreciation of investment properties	33,795	7,357	0	0
Depreciation of property, plant and equipment	7,040,113	6,966,699	96,402	97,337
Depreciation of right-of-use assets	478,926	228,222	0	0
Development costs written off	0	1,693,356	0	0
Employee benefits expense (Note 27)	39,329,810	51,697,964	3,915,309	4,336,139
Fee expense for financial instruments not measured at fair value through profit or loss	124,648	262,202	5,497	8,238
Impairment loss on investment property ^(a)	0	63,100	0	0
Interest expense for financial liabilities not measured at fair value through profit or loss	1,106,683	1,016,215	47,031	119,305
Inventories written down	2,991	2,195,000	0	0
Lease expense relating to:-				
- Short-term leases	592,895	541,575	149,490	149,490
- Leases of low-value assets (other than short-term leases)	11,649	13,100	0	0
Loss on disposal of subsidiary	0	0	0	4,854
Loss on foreign exchange:-				
- Realised	286,216	0	0	0
- Unrealised	0	21,823	0	0
Property, plant and equipment written off	55,808	199,878	9	14

^(a) Included in administrative and general expenses

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

26. Profit before tax (cont'd)

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
and crediting:-				
Amortisation of deferred income on government grants	420,547	436,089	0	0
Fair value gains on financial instruments mandatorily measured at fair value through profit or loss	1,324,482	221,206	0	272,775
Gain on disposal of property, plant and equipment	70,410	213,158	0	0
Gain on disposal of subsidiary	0	72	0	0
Gain on dissolution of subsidiary	0	87,170	22,501	0
Gain on foreign exchange:-				
- Realised	0	90,247	0	0
- Unrealised	75,596	0	0	0
Interest income for financial assets measured at amortised cost	1,265,111	940,601	340,640	181,728
Operating lease income	1,875,618	525,521	0	0
Waiver of debts	0	15,351	0	0

27. Employee benefits expense (including directors' remuneration)

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Directors of the Company:-				
- Fees	22,500	22,500	22,500	22,500
- Other short-term employee benefits	823,385	1,195,107	786,942	1,158,664
- Defined contribution plans	32,543	80,696	31,103	79,256
	878,428	1,298,303	840,545	1,260,420
Directors of subsidiaries:-				
- Short-term employee benefits	1,109,247	1,112,861	1,109,247	1,112,861
- Defined contribution plans	144,353	126,641	144,353	126,641
	1,253,600	1,239,502	1,253,600	1,239,502
Other employees:-				
- Short-term employee benefits	35,154,198	46,142,733	1,623,035	1,644,836
- Defined contribution plans	3,351,159	3,768,887	198,129	191,381
- Termination benefits	140,727	2,619	0	0
- Government grants under Wage Subsidy Programme	(1,448,302)	(754,080)	0	0
	37,197,782	49,160,159	1,821,164	1,836,217
	39,329,810	51,697,964	3,915,309	4,336,139

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

28. Tax expense/(income)

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Tax based on results for the year:-				
- Current tax	9,273,666	9,902,083	40,000	31,000
- Deferred tax	(367,000)	128,000	0	0
	<u>8,906,666</u>	<u>10,030,083</u>	<u>40,000</u>	<u>31,000</u>
Tax (over)/under provided in prior year:-				
- Current tax	(710,082)	(199,818)	(7,801)	(77,630)
- Deferred tax	253,000	(176,000)	0	0
	<u>8,449,584</u>	<u>9,654,265</u>	<u>32,199</u>	<u>(46,630)</u>

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

	Group		Company	
	2021	2020	2021	2020
	%	%	%	%
Applicable tax rate	24.00	24.00	24.00	24.00
Non-deductible expenses	5.94	5.04	2.36	6.03
Non-taxable income	(3.18)	(0.89)	(26.03)	(29.22)
Tax incentives claimed	(1.25)	(0.88)	0.00	0.00
Effect of differential tax rates	0.00	0.92	0.00	0.00
(Decrease)/Increase in unrecognised deferred tax assets	(0.34)	1.52	(0.20)	(0.57)
Average effective tax rate	<u>25.17</u>	<u>29.71</u>	<u>0.13</u>	<u>0.24</u>

29. 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:-

	2021	2020 (restated)
Profit for the financial year attributable to owners of the Company (RM)	<u>26,760,741</u>	<u>23,925,944</u>
Number of shares in issue as at 1 July	102,093,601	102,093,601
Effect of shares purchased	(306,736)	0
Effect of bonus issue	<u>203,573,730</u>	<u>204,187,202</u>
Weighted average number of shares in issue	<u>305,360,595</u>	<u>306,280,803</u>
Basic earnings per share (sen)	<u>8.76</u>	<u>7.81</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

30. Dividend

Group and Company

	2021 RM	2020 RM
Final single tier dividend of 3.0 sen per share in respect of the financial year ended 30 June 2019	0	3,062,808
Final single tier dividend of 6.0 sen per share in respect of the financial year ended 30 June 2020	6,125,616	0
	<u>6,125,616</u>	<u>3,062,808</u>

A final single tier dividend of 2.0 sen per share in respect of the financial year ended 30 June 2021 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

31. Notes to statements of cash flows

Short-term loans and borrowings

	Group	
	2021 RM	2020 RM
Balance at 1 July	15,886,564	3,122,863
Net cash flow changes	(6,497,021)	12,690,555
Currency translation differences	59,720	49,829
Other changes	(309)	23,317
Balance at 30 June	<u>9,448,954</u>	<u>15,886,564</u>
Represented by:-		
- Revolving credits (Note 20)	8,967,954	15,886,564
- Banker acceptance (Note 20)	481,000	0
	<u>9,448,954</u>	<u>15,886,564</u>

Term loans

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Balance at 1 July	26,369,301	18,941,144	7,791,119	8,821,144
Drawdowns	5,489,584	9,971,200	0	0
Repayments	(3,266,650)	(2,543,043)	(1,110,693)	(1,030,025)
Balance at 30 June (Note 20)	<u>28,592,235</u>	<u>26,369,301</u>	<u>6,680,426</u>	<u>7,791,119</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

32. Related party disclosures

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Key management personnel compensation:-				
- Short-term employee benefits	2,218,819	2,330,468	2,182,376	2,294,025
- Defined contribution plans	209,976	207,337	208,536	205,897
	2,428,795	2,537,805	2,390,912	2,499,922
Acquisition of property, plant and equipment from subsidiary	0	0	5,255	0
Acquisition of subsidiary from subsidiary	0	0	112,000	0
Acquisition of subsidiary from other related party ^(a)	750,000	0	750,000	0
Capital distribution from subsidiary	0	0	22,501	0
Disposal of property, plant and equipment to director	0	4,032	0	4,032
Dividends received from subsidiaries	0	0	32,572,171	15,393,627
Interest charged to subsidiaries	0	0	12,493	87,233
Purchase of consumables from subsidiary	0	0	800	0
Purchase of goods from other related party ^(b)	3,222,335	2,206,736	0	0
Receiving of services from other related party ^(b)	21,255	0	0	0
Redemption of shares by subsidiaries	0	0	1,320,000	0
Rendering of services to subsidiaries	0	0	2,962,776	2,540,773
Rental charged by other related parties ^(b)	390,333	247,698	149,490	149,490
Subscription for shares in subsidiaries	0	0	17,820,000	7,992,000
Waiver of debts by director	0	15,351	0	0

^(a) Being family member of certain directors

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

33. Segment reporting

Group

Operating segments

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

- (i) Manufacturing - Manufacture of precision machined components, precision stamping, sheet metal parts, surface treatment, precision moulds, tooling and dies, semiconductor assembly and testing equipment, metal works and structures, modules and parts for oil and gas production and extraction equipment
- (ii) Property development - Property development and property management

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

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 2021

33. Segment reporting (cont'd)

Operating segments (cont'd)

2021

Statement of financial position

	Manufacturing RM	Property development RM	Other operating segments RM	Unallocated non-operating segments RM	Consolidation adjustments and eliminations RM	Total RM
Segment assets	148,926,727	96,044,889	24,833,263	170,826,065	(147,352,705)	293,278,239
Included in the measure of segment assets are:-						
- Additions to non-current assets	3,923,257	12,722	2,907,642	27,556	(2,432,122)	4,439,055
Segment liabilities	58,924,908	15,099,635	4,043,437	10,206,956	(5,021,768)	83,253,168
Statement of comprehensive income						
Segment profit	25,950,498	2,568,309	834,252	30,968,221	(33,388,057)	26,933,223
Included in the measure of segment profit are:-						
- External revenue	140,810,371	14,050,176	2,124,077	6,184	0	156,990,808
- Intersegment revenue	28,724,318	5,004,335	1,326,866	74,577,017	(109,632,536)	0
- Interest income	404,815	251,157	246,974	374,658	(12,493)	1,265,111
- Non-cash income	496,154	130,957	0	1,102,554	0	1,729,665
- Interest expense	1,013,275	46,644	12,226	47,031	(12,493)	1,106,683
- Depreciation	6,607,974	189,956	620,272	113,632	21,000	7,552,834
- Other non-cash expenses	699,650	29,033	1	9	0	728,693
- Share of joint venture's profit	0	0	0	0	3,218	3,218
- Tax expense	7,173,985	845,134	396,980	33,585	0	8,449,684

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

33. Segment reporting (cont'd)

Operating segments (cont'd)

2020

Statement of financial position

Segment assets	Manufacturing RM	Property development RM	Other operating segments RM	Unallocated non-operating segments RM	Consolidation adjustments and eliminations RM	Total RM
	156,826,731	89,018,822	18,975,461	156,489,497	(135,261,273)	286,049,238
Included in the measure of segment assets are:-						
- Additions to non-current assets	21,418,152	292,902	49,771	131,803	237,546	22,130,174
Segment liabilities	61,846,022	25,131,877	1,815,509	10,282,793	(11,901,740)	87,174,461
Statement of comprehensive income						
Segment profit/(loss)	26,879,054	(292,622)	325,039	13,430,575	(16,240,973)	24,101,073
Included in the measure of segment profit are:-						
- External revenue	183,771,383	11,969,918	1,729,064	54,070	0	197,524,435
- Intersegment revenue	25,544,106	2,375,119	543,755	37,558,514	(66,021,494)	0
- Interest income	442,126	251,001	126,412	208,295	(87,233)	940,601
- Non-cash income	436,089	15,351	0	516,951	(157,006)	811,385
- Interest expense	922,976	61,167	0	119,305	(87,233)	1,016,215
- Depreciation	6,384,075	181,085	531,291	105,827	0	7,202,278
- Other non-cash expenses	2,548,281	1,693,356	2,477	14	0	4,244,128
- Share of joint venture's profit	0	0	0	0	5,071	5,071
- Tax expense	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 2021

33. Segment reporting (cont'd)

Geographical information

The Group operates principally in Malaysia and generates revenue from the following geographical locations of customers:-

	External revenue	
	2021	2020
	RM	RM
Malaysia	107,676,089	134,092,312
Singapore	21,966,862	22,171,513
Others	27,347,857	41,260,610
	<u>156,990,808</u>	<u>197,524,435</u>

Major customers

For the financial year ended 30 June 2021, there was 1 (2020 : 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 RM33,555,788 (2020 : RM26,804,958).

34. Contractual commitments

Group

	2021	2020
	RM	RM
Acquisition of property, plant and equipment	<u>40,367,000</u>	<u>3,548,000</u>

35. 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 RM62,219,000 (2020 : RM52,836,000). The total utilisation of these credit facilities as at 30 June 2021 amounted to RM43,950,000 (2020 : RM27,948,000). 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 2.15. 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.

36. Financial risk management

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

36. Financial risk management (cont'd)

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 35.

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 12. 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	
	2021	2020
	RM	RM
Receivables	18,049,417	15,516,240
Cash and cash equivalents	2,695,720	2,426,024
Payables	(2,255,478)	(907,895)
Loans and borrowings	(6,467,954)	(5,386,564)
	<u>12,021,705</u>	<u>11,647,805</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

36. Financial risk management (cont'd)

Currency risk (cont'd)

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss (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	Increase/ (Decrease) in profit
	2021	2020
	RM	RM
Appreciation of USD against RM by 2% (2020 : 2%)	185,844	161,367
Depreciation of USD against RM by 2% (2020 : 2%)	<u>(185,844)</u>	<u>(161,367)</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		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Fixed rate instruments				
Financial assets	3,486,021	4,235,731	8,000	8,000
Financial liabilities	9,448,954	15,886,564	0	0
Floating rate instruments				
Financial assets	4,503,187	3,016,260	0	3,400,000
Financial liabilities	<u>31,592,315</u>	<u>26,369,301</u>	<u>9,680,506</u>	<u>7,791,119</u>

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	Increase/ (Decrease) in profit	Increase/ (Decrease) in profit	Increase/ (Decrease) in profit
	2021	2020	2021	2020
	RM	RM	RM	RM
Increase in interest rates by 0* (2020 : 40) basis point(s)	0	(79,812)	0	(17,564)
Decrease in interest rates by 0* (2020 : 40) basis point(s)	<u>0</u>	<u>79,812</u>	<u>0</u>	<u>17,564</u>

* Using standard deviation to measure interest rate volatility for the past 12 months, the Group and the Company did not foresee any reasonably possible change in interest rate at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

36. Financial risk management (cont'd)

Other price risk

The Group's exposure to other price risk arises mainly from quoted investments.

The Group manages its investments on an individual basis by continuously evaluating the share price movements, investment returns and the general industrial conditions relevant to the investees.

The Group's quoted investments are listed on Hong Kong Exchanges and Clearing Limited and Nasdaq, Inc. Based on the assumption that the share prices of these investments moved in correlation with the relevant indices, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in the relevant indices that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	Increase/ (Decrease) in profit	Increase/ (Decrease) in profit
	2021	2020
	RM	RM
Increase in equity prices by 8%	167,367	0
Decrease in equity prices by 8%	(167,367)	0

37. 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	
	2021	2020	2021	2020
	RM	RM	RM	RM
Total interest-bearing debts	41,041,269	42,255,865	9,680,506	7,791,119
Total equity	210,025,071	198,874,777	156,928,594	142,263,921
Total capital	251,066,340	241,130,642	166,609,100	150,055,040
Debt-to-equity ratio	19.54%	21.25%	6.17%	5.48%

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

SHAREHOLDING STATISTIC

AS AT 20 OCTOBER 2021

Issued Share Capital	:	300,280,803 *
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	138	2.72	3,946	0.00
100 - 1,000	1,635	32.26	949,826	0.32
1,001 - 10,000	2,373	46.82	10,545,196	3.51
10,001 - 100,000	796	15.71	22,390,451	7.45
100,001 - 15,014,039 #	123	2.43	82,564,344	27.50
15,014,040 and above ##	3	0.06	183,830,040	61.22
TOTAL	5,068	100.00	300,280,803	100.00

SUBSTANTIAL SHAREHOLDERS' INTEREST

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Kobay Holdings Sdn. Bhd.	100,298,940	33.40	-	-
Norinv Kapital Sdn. Bhd.	59,714,100	19.89	-	-
Premiergrow Capital Sdn. Bhd.	23,817,000	7.93	-	-
Dato' Seri Koay Hean Eng	-	-	100,298,940^	33.40
Koay Cheng Lye	-	-	100,298,940^	33.40
Koay Ah Bah @ Koay Cheng Hock	-	-	100,298,940^	33.40

DIRECTORS' INTEREST

Name of Directors	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dato' Seri Koay Hean Eng	-	-	100,298,940^	33.40
Koay Cheng Lye	-	-	100,298,940^	33.40
Koay Ah Bah @ Koay Cheng Hock	-	-	100,298,940^	33.40
Puan Sharifah Faridah Binti Dato' Syed Mahadzah Jamalullil	-	-	-	-
Khaw Eng Peng	-	-	-	-

Notes:-

* The issued shares as per Record of Depositors as at 20 October 2021 excluding 6,000,000 shares held as treasury shares

Less than 5% of issued shares

5% and above of 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 20 OCTOBER 2021

THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders		No. of Shares Held	% Shareholding
1.	Kobay Holdings Sdn. Bhd.	100,298,940	33.40
2.	Norinv Kapital Sdn. Bhd.	40,050,900	13.34
3.	Premiergrow Capital Sdn. Bhd.	23,817,000	7.93
4.	Norinv Kapital Sdn. Bhd.	19,663,200	6.55
5.	CitiGroup Nominees (Tempatan) Sdn. Bhd. Exempt An for AIA BHD.	8,880,200	2.96
6.	Inna Capital Sdn. Bhd.	7,084,422	2.36
7.	Inna Capital Sdn. Bhd.	6,467,372	2.15
8.	CitiGroup Nominees (Tempatan) Sdn. Bhd. Urusharta Jamaah Sdn. Bhd. (Affin 2)	3,285,400	1.09
9.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd For Affin Hwang Aiiman Growth Fund (4207)	2,834,100	0.94
10.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd For Manulife Investment Shariah Progress Fund	2,746,900	0.91
11.	CitiGroup Nominees (Asing) Sdn. Bhd. Exempt An for Citibank New York (Norges Bank 14)	2,425,400	0.81
12.	Tokio Marine Life Insurance Malaysia Bhd. As Beneficial Owner (PF)	2,336,000	0.78
13.	Lai Chin Loy	2,189,700	0.73
14.	Tokio Marine Life Insurance Malaysia Bhd. As Beneficial Owner (TMEF)	1,958,000	0.65
15.	Cartaban Nominees (Tempatan) Sdn. Bhd. TMF Trustees Malaysia Berhad for Affin Hwang Wholesale Equity Fund 2	1,778,900	0.59
16.	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01)	1,596,100	0.53
17.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd. for Pertubuhan Keselamatan Sosial (UOB AMM6939-406)	1,500,000	0.50
18.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (Aberislamic)	1,462,700	0.49
19.	Maybank Nominees (Tempatan) Sdn. Bhd. Medical Fund (IFM AffinHwang) (410222)	1,391,600	0.46
20.	CIMB Group Nominees (Tempatan) Sdn. Bhd. Aiiman Asset Management Sdn. Bhd. for Lembaga Tabung Haji	1,189,400	0.39
21.	Citigroup Nominees (Tempatan) Sdn. Bhd. Urusharta Jamaah Sdn. Bhd. (Aberdeen 2)	1,041,400	0.35
22.	Tan Lai Hock	997,700	0.33
23.	UOBM Nominees (Tempatan) Sdn. Bhd. UOB Asset Management (Malaysia) Berhad for Gibraltar	868,400	0.29
24.	Amanaraya Trustees Berhad Affin Hwang Growth Fund	808,400	0.27
25.	Amanaraya Trustees Berhad PMB Shariah Growth Fund	800,000	0.27
26.	Go Hooi Meng	800,000	0.27
27.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (UOB AM SC EQ)	770,000	0.26
28.	CMY Incubator Sdn. Bhd.	740,000	0.25
29.	CitiGroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (Aiiman IS EQ)	724,000	0.24
30.	UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Life Berhad (Par Fund)	724,000	0.24
TOTAL :		241,230,134	80.33

LIST OF PROPERTIES

AS AT 30 JUNE 2021

Location	Description/ Existing use	Land Area (Built-up Area)	Date of Acquisition	Tenure (Age of Buildings)	Net Book Value @ 30.6.21 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/ (26 years)	6,474
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/ (21 years)	5,742
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/ (30 years)	4,817
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/ (28 years)	900
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/ (10 years)	4,564
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/ (39 years)	3,882
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/ (33 years)	23,639

LIST OF PROPERTIES (CONT'D)

AS AT 30 JUNE 2021

Location	Description/ Existing use	Land Area (Built-up Area)	Date of Acquisition	Tenure (Age of Buildings)	Net Book Value @ 30.6.21 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	1,485

Location	Land Area	Tenure	Advances to Landowners & Development Cost @ 30.6.21 RM'000
Development Land Under Landowner and Developer Agreement			
Seberang Perai Tengah, Pulau Pinang	309,463 sq. ft.	Freehold	4,574
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

Kobay Technology Bhd.

Company No : 199401022600 (308279-A)

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

Tel: 604-371 1338

Fax : 604-226 1363

www.kobaytech.com

