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**A. Notes to the financial report for the first financial quarter ended 30 September 2019**

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**1. Basis of preparation**

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board and Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to this interim financial report.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted by the Group in the audited financial statements for the year ended 30 June 2019, except for the adoption of new Malaysian Financial Reporting Standards ("MFRS"), namely MFRS 16, Amendments to MFRS 9, Amendments to MFRS119, Amendments to MFRS128, IC Interpretation 23, and Annual Improvements to MFRS Standards 2015-2017 Cycle which are effective for the financial period beginning on or after 1<sup>st</sup> January 2019. The adoption of new MFRSs did not result in any significant changes in the accounting policies of the Group except as follows:-

MFRS 16 Leases

MFRS 16, which replaces MFRS117 *Leases* and other related interpretations, eliminates the distinction between finance and operating leases for lessees. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

**2. Audit report of preceding annual financial statements**

The auditors' report on the financial statements of the Group for the financial year ended 30th June 2019 was not subject to any qualification.

**3. Seasonal or cyclical operations**

The business operations of the Group are subject to cyclical effects of the global electronics industries and volatility of property market.

**4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that unusual because of their nature, size or incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

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**A. Notes to the financial report for the first financial quarter ended 30 September 2019**

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**5. Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year, which give a material effect in the current interim period**

There were no significant changes in the estimates that have a material effect in the current quarter.

**6. Issuance, cancellations, repurchases, resale or repayments of debts and equity securities**

There were no issuance, repurchase and repayments of debts and equity securities during the current quarter under review.

**7. Dividend Paid**

There were no dividend paid for the quarter under review. (30.9.2018 : Nil)

**A. Notes to the financial report for the first financial quarter ended 30 September 2019**
**8. Segment Information**

For management purposes, the Group is organised into business units based on their nature of business and services.

The Group's reportable operating segments are as follows:

- Manufacturing – Manufacture of precision machined components, precision stamping, sheet metal parts, surface treatment, precision moulds, tooling & dies, semiconductor assembly and testing equipment, metal works and structures, modules and parts for oil and gas production and extraction equipment.
- Property Development - Property development and property management.
- Other operating segments – Include small operations related to property letting, hotel operation, money lending and supply of engineering parts.

Current period ended 30.9.2019	Manufacturing	Property Development	Other Operating Segments	Unallocated Non-Operating Segments	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customer	43,888	6,475	583	-	-	50,946
Intersegment revenue	2,528	-	394	8,115	(11,037)	-
Interest income	167	112	22	40	-	341
Interest expense	148	17	-	29	-	194
Depreciation and amortisation	1,364	61	122	24	-	1,571
Tax expense	2,057	170	9	25	-	2,261
Reportable segment profit after taxation	6,631	(1,661)	44	2,357	(2,995)	4,376
Reportable segment assets	139,697	91,965	14,605	152,177	(133,205)	265,239
Expenditure for non-current assets	6,227	2,423	-	31	-	8,681
Reportable segment liabilities	51,858	30,363	2,203	16,851	(18,415)	82,860

**A. Notes to the financial report for the first financial quarter ended 30 September 2019**

**8. Segment Information (cont'd)**

Current period ended 30.9.2018	Manufacturing	Property Development	Other Operating Segments	Unallocated Non-Operating Segments	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customer	30,827	5,119	1,021	-	-	36,967
Intersegment revenue	2,617	-	306	3,819	(6,742)	-
Interest income	131	139	16	32	-	318
Interest expense	38	-	-	74	-	112
Depreciation and amortisation	1,271	63	59	15	-	1,408
Tax expense	1,448	-	62	35	-	1,545
Reportable segment profit after taxation	4,646	33	110	1,399	(2,145)	4,043
Reportable segment assets	110,315	72,285	17,998	142,092	(123,484)	219,206
Expenditure for non-current assets	428	99	-	-	-	527
Reportable segment liabilities	24,128	13,163	3,482	24,694	(9,389)	56,078

**Segment information by geographical regions**

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services :

	<b>30.9.2019</b>	30.9.2018
	<b>RM'000</b>	RM'000
Malaysia	<b>30,714</b>	21,748
Singapore	<b>11,242</b>	8,208
United States of America	<b>5,500</b>	4,699
Others	<b>3,490</b>	2,312
	<b>50,946</b>	36,967

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**A. Notes to the financial report for the first financial quarter ended 30 September 2019**

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**8. Segment Information (cont'd)**

**Information about major customer**

For the financial period ended 30 September 2019, there was no customer who contributed more than 10% of the Group's total revenues for the period under review (30.9.2018: Nil).

**9. Valuation of property, plant and equipment**

The valuation of property, plant and equipment has been brought forward without any amendment from the previous annual report.

**10. Subsequent events**

On 4 November 2019, Kobay SCM (S) Pte Ltd, a wholly owned subsidiary, was struck off from the Register of Accounting and Corporate Regulatory Authority ("ACRA") under Section 344 of the Singapore Companies Act, Chapter 60.

Other than the above, there were no material events subsequent to the end of the reporting period that have not been reflected in the financial statements.

**11. Changes in the composition of the group**

On 5 July 2019, Kobay has increased its equity interest in The 12 Avenue Sdn Bhd from 70% to 100% by acquiring an additional 30% from an individual shareholder for a cash consideration of RM12,000.00.

Other than the above, there were no major changes in the composition of the Group during the period ended 30 September 2019.

**12. Contingent assets and contingent liabilities**

The Group has issued corporate guarantees to financial institutions for banking facilities granted to certain subsidiaries up to a limit of RM38.27 million of which RM16.33 million has been utilized as at 30.9.2019.

**13. Material related party transaction**

There were no material transaction entered by the group with any related party.

**A. Notes to the financial report for the first financial quarter ended 30 September 2019**

**14. Capital Commitments**

Authorised capital commitments not recognised in the interim financial statement as at 30 September 2019 were as follows: -

	<b>30.9.2019</b>	30.9.2018
	<b>RM'000</b>	RM'000
<b>Authorised but not contracted for :-</b>		
Property, Plant and Equipment	-	14,400
<b>Contracted but not provided for :-</b>		
Property, Plant and Equipment	<b>7,337</b>	-
Development land	<b>300</b>	-
Landowners' entitlement for joint development projects	<b>12,985</b>	13,030
	<b>20,622</b>	13,030

**B. Additional information required by the Listing Requirements of Bursa Securities**

**1. Review of performance**

	<u>INDIVIDUAL PERIOD</u>			<u>CUMULATIVE PERIOD</u>		
	<b>Current quarter ended</b>	Preceding corresponding quarter	Variance	<b>Current Year todate</b>	Preceding corresponding year	Variance
<b>Operating Segment</b>	<b>30.9.2019</b>	30.9.2018		<b>30.9.2019</b>	30.9.2018	
	<b>RM'000</b>	RM'000	%	<b>RM'000</b>	RM'000	%
<b>Revenue:-</b>						
Manufacturing	<b>43,888</b>	30,827	42.4%	<b>43,888</b>	30,827	42.4%
Property Development	<b>6,475</b>	5,119	26.5%	<b>6,475</b>	5,119	26.5%
Other operating segments	<b>583</b>	1,021	-42.9%	<b>583</b>	1,021	-42.9%
Unallocated non-operating segments	-	-		-	-	
	<b>50,946</b>	36,967	37.8%	<b>50,946</b>	36,967	37.8%
<b>Profit before tax:-</b>						
Manufacturing	<b>8,688</b>	6,094	42.6%	<b>8,688</b>	6,094	42.6%
Property Development	<b>(1,491)</b>	33	-4618.2%	<b>(1,491)</b>	33	-4618.2%
Other operating segments	<b>53</b>	172	-69.2%	<b>53</b>	172	-69.2%
Unallocated non-operating segments	<b>2,382</b>	1,434	66.1%	<b>2,382</b>	1,434	66.1%
	<b>9,632</b>	7,733		<b>9,632</b>	7,733	
Consolidation adjustments and eliminations	<b>(2,994)</b>	(2,145)		<b>(2,994)</b>	(2,145)	
	<b>6,638</b>	5,588	18.8%	<b>6,638</b>	5,588	18.8%

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**B. Additional information required by the Listing Requirements of Bursa Securities**

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**Statement of Profit & Loss and Other Comprehensive Income**

The Group reported a revenue of RM50.94 million and profit before tax of RM6.63 million for current quarter, representing an increase of 37.8% and 18.8% respectively compared to preceding year's corresponding quarter mainly due to higher revenue contribution from manufacturing division.

**Statement of Financial Position**

The Group's total assets stood at RM265.23 million and total liabilities stood at RM82.86 million as at 30.9.2019. Higher property, plant and equipment were reported due to renovation works on new factory building by a wholly owned subsidiary of RM2.8 million and purchase of machineries of RM3.2 million. Receivables and payables were increased as well due to the upsurge in revenue for the quarter. Shareholders' equity increased by RM4.32 million mainly contributed by the profits generated from the period.

**Statement of Cash Flow**

The Group's cash and cash equivalents stood at RM43.39 million as at 30.9.2019. Net cash flow from operating activities amounted to RM7.94 million as compared to the preceding year's corresponding period of RM3.40 million due to increase in sales collections. Capital investments for current period amounted to RM 8.68 million, mainly for factory renovation of RM2.74 million, machinery acquisition of RM3.51 million and additional acquisition of development land of RM2.43 million.

**1.1 Segmental Analysis**

**Manufacturing**

The manufacturing segment posted a profit before tax of RM8.68 million on revenue of RM43.88 million. The segment outperformed by 42% in revenue and profit as compared to preceding year's corresponding period mainly due to higher sales orders from key multinational customers of precision components & mechatronic and metal fabrication business segments.

**Property Development**

The property development division recorded a revenue of RM6.47 million for current quarter, with a loss reported of RM1.49 million for current quarter. The loss recorded was mainly due to write off of certain development costs of RM1.75 million as a result of change in development plan.

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**B. Additional information required by the Listing Requirements of Bursa Securities**


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**2. Comparison with preceding quarter's results**

<u>Operating Segment</u>	<b>Current Year quarter ended 30.9.2019 RM'000</b>	Preceding quarter ended 30.6.2019 RM'000	Variance %
<b>Revenue:-</b>			
Manufacturing	<b>43,888</b>	35,380	24.0%
Property Development	<b>6,475</b>	13,003	-50.2%
Other operating segments	<b>583</b>	1,369	-57.4%
Unallocated non-operating segments	-	-	
	<b>50,946</b>	49,752	2.4%
<b>Profit before tax:-</b>			
Manufacturing	<b>8,688</b>	5,364	62.0%
Property Development	<b>(1,491)</b>	2,092	-171.3%
Other operating segments	<b>53</b>	30	76.7%
Unallocated non-operating segments	<b>2,382</b>	5,248	-54.6%
	<b>9,632</b>	12,734	
Consolidation adjustments and eliminations	<b>(2,994)</b>	(5,702)	
	<b>6,638</b>	7,032	-5.6%

The Group reported a revenue of RM50.94 million and profit before tax of RM6.63 million for current quarter, compared to revenue of RM49.75 million and profit before tax of RM7.03 million in Q4 FYE2019. The robust growth in manufacturing division was offset by the decline in revenue and losses recorded by its property development division.

**Manufacturing**

The segment continued to show a positive growth in terms of revenue and profit before tax compared to Q4 FY2019, contributed by higher delivery from oil and gas and semiconductor equipment business units. Besides, the softer earnings performance for preceding quarter was largely due to impairment loss on property, plant and equipment of RM0.83 million.

**Property Development**

The division reported an unfavorable performance for current quarter mainly due to low sales and revenue recorded, coupled with write off of certain development costs of RM1.75 million as a results of change in development plan.



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**B. Additional information required by the Listing Requirements of Bursa Securities**

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**3. Commentary on the prospects of the Group**

**Manufacturing**

The management anticipates that the performance for manufacturing segment to be favorable for the remaining quarters of FY2020 at the back of promising backlog of oil and gas business unit, and the precision components & mechatronics business units shall continue to uplift contribution from aerospace business and driven by steady improvement in the export-oriented industries.

**Property Development**

The management is expecting the housing market to remain challenging for FY2020. The management shall continue to strategise its marketing strategies to weather the downturn in property market.

In overall, barring any unforeseen circumstances, the management is of the view that the performance of the Group shall remain positive for the remaining quarters of FY2020.

**4. Variance on forecast profit/profit guarantee**

No profit forecast or profit guarantee was issued during the period.

**5. Profit for the period**

	<b>Current/ Cumulative quarter 30.9.2019 RM'000</b>
<b><u>Group</u></b>	
Profit for the period is arrived at after (crediting)/charging of :-	
Depreciation of property, plant and equipment	<b>1,571</b>
Interest expenses	<b>194</b>
Amortisation of deferred income on government grants	<b>(109)</b>
Gain on foreign exchange	<b>(55)</b>
Interest income	<b>(341)</b>

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Save as disclosed above, other items as required under Appendix 9B, Part A(16) of the Bursa Listing Requirements are not applicable.

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**B. Additional information required by the Listing Requirements of Bursa Securities**

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**6. Taxation**

Taxation comprises the following:-

	<u>INDIVIDUAL/CUMULATIVE PERIOD</u>	
	<b>Current Year</b>	Preceding
	<b>quarter ended</b>	corresponding
	<b>30.9.2019</b>	quarter period
	<b>RM'000</b>	30.9.2018
		RM'000
Current tax	<b>(2,230)</b>	(1,559)
Deferred tax	<b>(31)</b>	14
	<b><u>(2,261)</u></b>	<u>(1,545)</u>

The effective tax rates for the current quarter are higher than the statutory tax rate mainly due to the losses of certain subsidiaries cannot be set off against taxable profits made by other subsidiaries.

**7. Status of corporate proposals**

There were no corporate proposals announced as at the date of this interim report but pending completion.

**8. Trade receivables**

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

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

	<b>30.9.2019</b>
	<b>RM'000</b>
Not past due	<b>42,254</b>
Past due 1 to 30 days	<b>4,048</b>
Past due 31 to 120 days	<b>582</b>
Past due more than 120 days	<b>38</b>
	<b><u>46,922</u></b>

Trade receivables amounting to RM4.67 million that are past due and not impaired are creditworthy debtors.

**B. Additional information required by the Listing Requirements of Bursa Securities**

**9. Group borrowings and debts securities**

	<b>30.9.2019</b>	30.9.2018
	<b>RM'000</b>	RM'000
<b>Secured :-</b>		
Term loans <sup>(a)</sup>	<b>19,133</b>	10,301
Revolving credit	<b>10,774</b>	8,000
Bank Overdraft	-	3,002
<b>Unsecured :-</b>		
Revolving credit	-	205
	<b>29,907</b>	21,508
<b>Disclosed as : -</b>		
Current liabilities	<b>8,117</b>	14,182
Non-current liabilities	<b>21,790</b>	7,326
	<b>29,907</b>	21,508
<b>Currency Profile : -</b>		
Ringgit Malaysia	<b>25,913</b>	21,303
US Dollar	<b>3,994</b>	205
	<b>29,907</b>	21,508

<sup>(a)</sup>Included herein is a term loan of RM8.57 million (30.9.2018: RM9.24 million) which carries no finance cost as the loan is offset with equivalent cash deposit that is available in the facility account.

Secured term loans are secured against certain freehold and leasehold land, property and plant and equipment of the Group.

The effective interest rate of loans and borrowings as at 30 September 2019 ranged from 3.90% to 6.67% per annum (30.9.2018: 4.50% to 7.65%).

**10. Derivative Financial Instrument**

Derivatives consists of forward exchange contracts which are used to hedge the exposure to currency risk.

	<b>30.9.2019</b>	30.9.2018
	<b>RM'000</b>	RM'000
Forward exchange contracts - at fair value		
- Current assets	<b>47</b>	-
- Current liabilities	<b>(14)</b>	-
	<b>33</b>	-

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**B. Additional information required by the Listing Requirements of Bursa Securities**

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**11. Gain and losses arising from Fair Value Changes of Financial Liabilities**

There were no gain and losses arising from fair value changes of financial liabilities for current quarter.

**12. Material litigation**

There was no pending material litigation as at the date of this report.

**13. Dividend**

The Board of Directors does not recommends any dividend for the financial quarter ended 30 September 2019 (30.09.2018 : Nil).

**14. Earnings Per Share ("EPS")**

	INDIVIDUAL/CUMULATIVE PERIOD	
	<b>Current Year quarter ended 30/9/2019 RM '000</b>	Preceding Year Corresponding quarter ended 30/9/2018 RM '000
Profit attributable to ordinary equity holders of the Parent	<b>4,321</b>	4,005
Weighted average number of ordinary shares in issue ('000)	<b>102,104</b>	102,104
Basic earnings per share (sen)	<b>4.23</b>	3.92

Diluted earnings per share are not disclosed herein as it is not applicable to the Group.