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**A. Notes to the financial report for third financial quarter ended 31 March 2012**

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**1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with FRS 134 'Interim Financial Reporting' and Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30<sup>th</sup> June 2011.

The interim financial report has been prepared based on the accounting policies and methods of computation consistent with those adopted for the annual audited financial statements for the year ended 30<sup>th</sup> June 2011 except for the adoption of the following new/revised FRSs, amendments to FRSs and IC interpretations:

**(i) Adoption of New and Revised FRSs, IC Interpretations and Amendments**

Effective for annual financial period beginning on or after 1 January 2011

**Standard/Interpretation**

Amendments to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*

Amendments to FRS 1 *Additional Exemptions for First-time Adopters*

Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions*

Amendments to FRS 7 *Improving Disclosures about Financial Instruments*

Amendments to IC Interpretation 14 *Prepayments of a Minimum Funding Requirement*

Amendments to FRSs contained in the document entitled "*Improvements to FRSs (2010)*"

IC Interpretation 4 *Determining whether an Arrangement contains a Lease*

IC Interpretation 18 *Transfers of Assets from Customers*

IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

The adoption of the above FRSs, amendments and interpretations do not have significant impact on the financial statement of the Group.

**(ii) New and Revised FRSs, IC Interpretations and Amendments issued but are not yet effective for the Group's current quarter report**

IC Interpretation 15 *Agreements for the Construction of Real Estate*

FRS 124 *Related Party Disclosures (revised in 2010)*

The adoption of other New and Revised FRSs, IC Interpretations and Amendments do not have significant impact or not results in changes to the existing accounting policies.

**2. Seasonal or cyclical operations**

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

**3. 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 other events affecting the assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence during the current quarter under review.

**4. 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 estimates of amounts reported in prior interim periods of the current financial year or prior years, that have a material effect in the current quarter.

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

There were no issuance, cancellations, repurchase, resale and repayments of debts and equity securities for the current financial quarter.

**6. Dividend Paid**

A first and final tax exempt dividend of 2.0 sens per ordinary share, amounting to RM1,347,051 was paid on 29<sup>th</sup> February 2012 (31.3.2011 : RM1,010,288).

**7. Segment Information**

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

The Group's reportable operating segments are as follows:

- a) Precision Tooling & Automation – Manufacture of precision molds, tooling and dies, and design and manufacture of automated machines.
- b) Precision Metal Components – Manufacture of precision machined components, precision stamping, sheet metal parts and surface treatment.
- c) Metal Fabrication – Manufacture of metal works and structures, modules and parts for oil and gas production and extraction equipment.
- d) Other operating segments– Include small operations related to general trading, money lending, food & beverages, hotel operation, property development and oil and gas maintenance services.

**7. Segment Information-continued**

Current Period ended 31/03/12	Precision Tooling & Automation	Precision Metal Components	Metal Fabrication	Other Operating Segments	Unallocated Non-Operating Segments	Total	Eliminations	Total Equity
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue from external customer	17148	43751	12108	676	146	73829	-	73829
Intersegment revenue	117	8	40	121	4191	4478	-4478	
Interest revenue	39	573	6	1	589	1208		1,208
Interest expense	-	10	182	-	-	192	-178	14
Depreciation and amortisation	340	2769	549	162	216	4036	-	4036
Tax expense	355	1422		9	89	1875		1875
Reportable segment profit after taxation	-839	4121	111	-357	3057	6093	-3286	2807
Reportable segment assets	14406	77995	20867	20927	96519	230713	-61018	169696
Expenditure for non-current assets	52	2626	338	686	5123	8825	-	8825
Reportable segment liabilities	5543	9006	9847	8175	3992	36563	-18709	17854

**Segment information by geographical regions**

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

	<b>31.03.2012 (RM'000)</b>
Malaysia	41616
China	8514
Singapore	14658
Europe	1560
United Kingdom	1005
United States of America	4431
Other Asia Pacific Countries	2045
Total	73829

**KOBAY TECHNOLOGY BHD (Co. No. 308279-A)**
**7. Segment Information-continued**
**Information about major customer**

Revenue from a customer of Precision Metal Components segment contributed approximately RM7.5 million (10%) of the total Group's revenue.

Current Period ended 31/03/11	Precision Tooling & Automation	Precision Metal Components	Metal Fabrication	Other Operating Segments	Unallocated Non-Operating Segments	Total	Eliminations	Total Equity
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue from external customer	24079	48409	5594	4408	1	82491	-	82491
Intersegment revenue	272	7	7	205	7851	8341	-8341	-
Interest revenue	55	420	9	-	453	937	-	937
Interest expense	-	-	120	85	-	205	-205	-
Depreciation and amortisation	365	3289	506		239	4399	-	4399
Tax expense	439	1654	-	1	1184	3278	-1072	2206
Reportable segment profit after taxation	1355	6941	-906	-819	8565	15136	-4261	10875
Reportable segment assets	19386	80500	14342	20362	94312	228902	-59018	169884
Expenditure for non-current assets	21	2393	249	5117	10	7790	-	7790
Reportable segment liabilities	5284	11064	3481	13299	2867	35995	-17345	18650

**Segment information by geographical regions**

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

	31.03.2011 (RM'000)
Malaysia	54405
China	1476
Singapore	5167
Europe	1129
United Kingdom	480
United States of America	3719
Other Asia Pacific Countries	16115
Total	82491

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

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

**9. Subsequent events**

On 16<sup>th</sup> April 2012, the Company had acquired the remaining 15% of equity interests in Polytool Integration Sdn Bhd ("PIN") from two individual for a total consideration of RM0.22 million. Upon completion of the acquisition, PIN will become a 100% owned subsidiary of Kobay.

There were no other material events subsequent to the end of the reporting financial period.

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

There were no major changes in the composition of the Group since the last quarter announcement.

**11. Contingent assets and contingent liabilities**

There were no contingent assets or liabilities as at the date of the report. (31.3.2011: RM Nil).

**12. Material related party transaction**

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

**13. Capital Commitments**

There were no material capital commitments to the end of the reporting financial period.

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

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**1. Review of performance**

For the quarter under review, the Group recorded revenue of RM23.10 million, with a loss after tax of RM0.04 million as compared to previous corresponding quarter's profit of RM4.52 million.

An exceptional gain on disposal of a subsidiary amounted to RM3.86 million in previous corresponding quarter was the primary cause for the material difference between the two comparing quarters.

On top of the exceptional gain as above, the major manufacturing segments have recorded decline in profit after tax as compared to previous corresponding quarter.

Precision metal components segment shown a drop in profit from RM1.98 million in previous corresponding quarter to RM0.84 million in current quarter. The China operation encountered significant drop in revenue due to significant decline in sales orders contributed by the uncertainty in global economy. In addition, the China operation has ceased to produce one of its main products due to consecutively price down from its customer. The loss incurred by the newly setup surface treatment subsidiary was also a contributor to the unfavourable performance.

Precision tooling and automation segments which recorded negative results of loss of RM0.18 million in previous corresponding quarter has suffered loss of RM0.53 million in current quarter. In current quarter, automation business has encountered one of the lowest sales over the past few years.

Moving away the negative contribution of metal fabrication segment to the Group in the past few quarters, the segment has reported positive results of RM0.36 million following a significant increase in revenue by RM3.0 million in this quarter.

For Year-to-date, the Group recorded revenue of RM73.82 million, down from previous corresponding period of RM82.49 million. Profit after tax also dropped significantly from RM10.87 million to RM2.80 million in current period.

Apart from the exceptional gain on disposal of a subsidiary and factory building was totalling RM5.3 million as reported in previous corresponding period, majority of the manufacturing segments shown unfavourable performance in current period.

Precision tooling and automation segment was hit severely by the uncertain global economic condition. Revenue dropped significantly from RM24.0 million to RM17.14 million as customers placing orders on a minimal need-only-basis. The segment was also facing narrow margin due to market competitiveness. Furthermore, there was inventory written down of RM1.10 million on certain slow moving inventory.

**1. Review of performance-continued**

Precision metal components segment reported revenue of RM43.75 million against last corresponding period of RM48.40 million. The business operations in China have posted a losses which caused by margin pressure due to heightened competition. The new set up surface treatment operation in China also reported unfavourable performance due to lower revenue reported.

Despite the adverse performance by other manufacturing segments, the metal fabrication segment has shown a leap in its revenue which pulls the results to positive position. However the contribution was insufficient to offset with the unfavourable performance of other segments.

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

The Group reported revenue of RM23.10 million and loss after tax of RM0.04 million for the quarter as compared to last quarter's revenue of RM27.13 million and profit after tax of RM1.71 million.

Both the Precision tooling & automation segment and precision metal components encountered lower revenue and correspondingly drop in performance.

Metal fabrication segment has shown positive contribution with the improvement in revenue. However the contribution was insufficient to offset with the unfavourable performance of other segments.

Other than the above, the preceding quarter showed better results due to a recovery of non-performing loan of RM0.58 million by a money lending subsidiary.

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

Given the uncertainties in global economy and margin pressure due to heightened competition, the Group foresees that the performance for the remaining quarter to be challenging.

The metal fabrication segment will continue to improve its production efficiency and output to stay positive in the coming months.

Precision tooling and automation segments will continue to strive for more orders by improving its business development activity.

As for Precision metal component segment, the Malaysia operations is expected to remain profitable for the remaining quarter with its high effort pour in business development activities to bring in high value products. For China operations, the performance is expected to be unsatisfactory due to continuing margin pressure and profit erosion.

The Group will continue its conservative stance in working capital management and adhere to stringent cost control, apart from tackling the underperformed business segments.

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

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

**KOBAY TECHNOLOGY BHD (Co. No. 308279-A)**
**5. Profit for the period**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended	Preceding Year Corresponding period	Current Year to date	Preceding Year Corresponding period
<b>Group</b>	31/03/2012 RM '000	31/03/2011 RM '000	31/03/2012 RM '000	31/03/2011 RM '000
Profit for the period is arrived at after (crediting)/charging :-				
Interest income	(392)	(320)	(1,208)	(937)
Interest expenses	4	-	14	-
Depreciation of property, plant and equip.	1,346	1,202	4,036	4,399
Inventories written down	313	750	1,339	1,501
Receivable written back	-	-	(617)	13
(Gain)/loss on disposal of property, and equipment/investment	10	(452)	126	(1,671)
Property, plant and equipment written off	42	43	54	199
Foreign exchange loss	449	172	342	344
Loss on derivatives	-	-	2	-

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

**6. Taxation**

Taxation comprises the following :-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended	Preceding Year Corresponding quarter ended	Current Year to date	Preceding Year Corresponding period
	31/03/2012 RM '000	31/03/2011 RM '000	31/03/2012 RM '000	31/03/2011 RM '000
Current tax	(408)	(535)	(1,952)	(1,923)
Deferred tax	28	(16)	77	(283)
	<b>(380)</b>	<b>(551)</b>	<b>(1,875)</b>	<b>(2,206)</b>



**6. Taxation-continued**

The effective tax rates for the quarter and period are higher than the statutory tax rate mainly due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries, and certain expenses which are not deductible for tax purposes.

**7. Status of corporate proposals**

On 22<sup>nd</sup> March 2012, the Company had issued a letter to the board of Lipo Corporation Berhad ("Lipo"), a 53.16% owned subsidiary, to privatise Lipo by way of selective capital reduction and repayment exercise ("Proposed SCR") under Section 64 of the Companies Act, 1965 to be undertaken by Lipo.

The Company obtained the approval of its shareholders for the Proposed SCR at the EGM convened on 24<sup>th</sup> May 2012. The completion of the Proposed SCR shall be subject to the fulfillment of all requisite conditions precedent including but not limited to :

- a) the approval of the shareholders of Lipo at an extraordinary general meeting to be convened;
- b) the grant of an order of the High Court of Malaya; and
- c) the approval or consent of any other relevant regulatory authorities.

Save for the above, there were no corporate proposals announced as at the date of this interim report but pending completion.

**8. Group borrowings and debts securities**

The were no borrowings and debts securities for the Group as at 31st March 2012 (31.03.2011: Nil) except the following :-

	<b>Total Hire Purchase</b>
	RM'000
Repayable within twelve months	98
Repayable more than twelve months	<u>139</u>
	<u><b>237</b></u>

**9. Derivative Financial Instrument**

There were no derivative financial instruments as at the date of this quarterly report.

**10. 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 the current quarter and current financial year to date.

**KOBAY TECHNOLOGY BHD (Co. No. 308279-A)**

**11. Breakdown of realised and unrealised profits or losses of the Group**

	31/03/2012 RM'000	30/06/2011 RM'000
<i>Total retained profits of the Company and its subsidiaries</i>		
Realised	61,141	59,920
Unrealised	<u>(2,659)</u>	<u>(2,718)</u>
	58,482	57,202
Consolidation adjustments and eliminations	<u>(16,001)</u>	<u>(14,422)</u>
	<b><u>42,481</u></b>	<b><u>42,780</u></b>

**12. Material litigation**

On 27 July 2007, Polytool Integration Sdn Bhd ("PIN", the "Plaintiff"), a subsidiary of the Company, commenced legal proceedings against Jerneh Insurance Berhad (the "Defendant") claiming the sum of RM705,000 for one of its damaged Dicing Saw Machine that was insured by the Defendant. The Penang High Court had on 24<sup>th</sup> February 2012 dismissed the claim and on 8<sup>th</sup> March 2012, PIN had filed a Notice of Appeal to Court of Appeal and the case is still pending hearing as at the date of report. The machine has been fully written down in 2009. In the event that PIN succeed in the Appeal, there will be a positive impact of RM705,000 to the Group's profit.

**13. Dividend**

The Board of Directors do not recommend any dividend for the financial quarter ended 31<sup>st</sup> March 2012 (31.3.2011: Nil).

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

(a) Basic earnings per share

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year quarter ended	Preceding Year Corresponding quarter ended	Current Year to date	Preceding Year Corresponding period
	31/03/2012 RM '000	31/03/2011 RM '000	31/03/2012 RM '000	31/03/2011 RM '000
Profit attributable to ordinary				
Equity holders of the Parent	(397)	3,887	1,048	8,140

## KOBAY TECHNOLOGY BHD (Co. No. 308279-A)

### 14. Earnings Per Share ("EPS")-continued

Weighted average number of :

#### Ordinary shares ('000)

- Issued ordinary shares at

Beginning of period	68,081	68,081	68,081	68,081
- Effect of Shares Buy Back	<u>(728)</u>	<u>(728)</u>	<u>(728)</u>	<u>(728)</u>
	<u><b>67,353</b></u>	<u><b>67,353</b></u>	<u><b>67,353</b></u>	<u><b>67,353</b></u>

Basic earnings per share (sen)

- Continuing operations	<u><b>(0.59)</b></u>	<u><b>5.77</b></u>	<u><b>1.56</b></u>	<u><b>12.09</b></u>
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#### (b) Diluted earnings per share

The effects on the basic EPS for the year arising from the assumed exercise of the employee share options is anti-dilutive. Accordingly the diluted EPS for the current period has not been presented.

### 15. Provision for Financial Assistance

Pursuant to Paragraph 8.23 and 10.08 of the Listing Requirements and Practice Note No. 11/2001 of the Bursa Malaysia Securities Berhad, the followings are the financial assistance provided by the Group as at 31<sup>st</sup> March 2012 :

	Current Period As at 31/03/2012 RM'000
Loan given to non-wholly owned subsidiaries	991
Loan given by a licensed money lending company within the Group to third parties	<u>478</u>
	<u><b>1,469</b></u>

The provision of the financial assistance does not have any effect on the issued and paid-up capital and substantial shareholders' shareholding of the Company and would not have any material impact on the net assets, net tangible assets, earnings and gearing of the Group.

### 16. Audit report of preceding annual financial statements

The Group's audited financial statements for the year ended 30<sup>th</sup> June 2011 were report without any qualification.