A. Notes to the financial report for the fourth financial quarter ended 30 June 2012

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 30th 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 30th 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 will not have significant impact or not results in changes to the existing accounting policies.

1. Basis of preparation-*continued*

Malaysian Financial Reporting Standards

In November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") framework. The issuance was made in conjunction with the MASB's plan to converge with International Financial Reporting Standards ("IFRS") in 2012. The MFRS framework is a fully IFRS-compliant framework and equivalent to IFRSs. It comprises standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012 and also amended/revised/new standards recently issued by the IASB that will be effective after 1 January 2012.

The MFRS framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15 *Agreements for Construction of Real Estate*, including their parents, significant investors and venturers ("Transitioning Entities"). Transitioning Entities will be allowed to defer adoption of the MFRS framework to annual periods beginning on or after 1 January 2014.

Being a Transitioning Entity as defined above, the Group and the Company have elected to continue preparing their financial statements in accordance with the existing FRS framework for the financial years ending 30 June 2013 and 2014 and will first adopt the MFRS framework for the financial year ending 30 June 2015. Management is currently examining the financial impacts of transition to the MFRS framework.

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, amounted to RM1,347,051 was paid on 29th February 2012 (30.06.2011 : 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.

Current Period ended 30/06/12	**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	22088	59888	15037	971	213	98197	-	98197
Intersegment revenue	131	84	82	121	5137	5555	-5555	
Interest revenue	71	756	7	1	817	1652		1652
Interest expense	16	12	288	-	-	316	-284	32
Depreciation and amortisation	462	3708	733	228	312	5443	-	5443
Tax expense	380	1974	-102	34	1163	3449	705	2744
Reportable segment profit after taxation	-1737	5797	-1922	-302	984	2820	-1479	1341
Reportable segment assets	12862	81291	19056	20918	94975	229102	-58558	170544
Expenditure for non-current assets	573	5255	474	907	5139	12348	-	12348
Reportable segment liabilities	5225	10808	10069	8092	4757	38951	-18253	20698

7. Segment Information-*continued*

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 :

	30.06.2012 (RM'000)
Malaysia	56165
China	10802
Singapore	18663
Europe	2176
United Kingdom	1607
United States of America	5650
Other Asia Pacific Countries	3134
Total	98197

Current Period ended 30/06/11	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	30662	67730	8183	4613	28	111216	-	111216
Intersegment revenue	376	29	6	240	9689	10340	-10340	-
Interest revenue	72	592	11	1	1059	1735	-383	1352
Interest expense	-	-	156	85	-	241	-241	-
Depreciation and amortisation	511	4364	691	53	312	5931	-150	5781
Tax expense	614	2644	-157	-	2013	5114	-2013	3101
Reportable segment profit after taxation	85	9435	-858	-3341	8450	13771	-3989	9782
Reportable segment assets	17151	83319	15262	14737	96247	226716	-56819	169897
Expenditure for non-current assets	317	5852	759	5953	14	12895	-26	12869
Reportable segment liabilities	5169	11191	4353	10185	4822	35720	-16336	19384

7. Segment Information-*continued*

<u>Segment information by geographical regions</u>

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

	30.06.2011 (RM'000)
Malaysia	63444
China	14819
Singapore	15408
Europe	1479
United Kingdom	893
United States of America	4933
Other Asia Pacific Countries	10240
Total	111216

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

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

10. Changes in the composition of the group

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

Other than the above, there were no major changes in the composition of the Group since the last quarter announcement.

11. Contingent assets and contingent liabilities

Save for the financial guarantee entered into on 18th May 2012 to provide corporate guarantee to OCBC Bank (Malaysia) for a credit facilities granted to a wholly-owned subsidiary up to a limit of USD10.00 million, the Company do not aware of any contingent assets or liabilities as at the date of the report. (30.06.2011: RM Nil).

12. Material related party transaction

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

13. Capital Commitments

Authorised capital commitments not recognized in the interim financial statement as at 30 June 2012 are as follows : -

Property,plant & equipment	RM'000
Contracted	640
Not contracted	1,000
	1,640

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

1. Review of performance

For the quarter under review, the Group recorded revenue of RM24.36 million, with a loss after tax of RM1.46 million as compared to previous year corresponding quarter's loss of RM1.08 million.

The reported loss for current quarter mainly caused by the unfavorable performance from manufacturing segments, while the previous year corresponding quarter's loss was mainly caused by the debts provision of RM2.0 million from a money lending subsidiary under the other operating segments.

During the quarter, the metal fabrication segment reported a loss of RM2.0 million as a result of low margin sales mix, under-utilisation of capacity and inventory written down.

Precision metal components segment shown a drop in profit from RM2.54 million in previous year corresponding quarter to RM1.67 million in current quarter. The China operation of this segment encountered significant drop in revenue due to significant decline in sales orders contributed by the uncertainty in global economy and failure in developing new customers. The continuing loss incurred by the newly setup surface treatment subsidiary remained as one of the factor to the unfavourable performance.

The precision tooling and automation segment still encountered very low sales since the third quarter of FY2012, which reported a loss of RM0.92 million for current quarter.

However, the negative results from the above mentioned segments have been partially cushioned by the debts recovered from the money lending subsidiary of RM0.50 million.

For Year-to-date, the Group recorded revenue of RM98.19 million, down from previous corresponding period of RM111.21 million. Profit after tax also dropped significantly from RM9.78 million to RM1.34 million in current period.

Apart from the other income of RM5.3 million on disposal of a subsidiary and factory building which boosted the performance in previous corresponding year, majority of the manufacturing segments have shown unfavourable performance in current financial year.

1. Review of performance-*continued*

Precision tooling and automation segment was hit severely by the uncertain global economic condition. Revenue dropped significantly from RM30.66 million to RM22.08 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 RM2.28 million on certain slow moving inventory.

Precision metal components segment reported revenue of RM59.88 million against last corresponding year of RM67.73 million. The operations in China have suffered a loss 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.

The metal fabrication segment has shown improvement in revenue from RM8.18 million to RM15.03 million. However, the bottom line did not correlate to the improvement in revenue due to low margin sales mix and low sales backlog reported at end of quarter which caused the under-utilisation of capacity.

2. Comparison with preceding quarter's results

The Group reported revenue of RM24.36 million and loss after tax of RM1.46 million for the quarter as compared to preceding quarter's revenue of RM23.10 million and loss after tax of RM0.04 million. The losses were mainly arising from metal fabrication segment.

The metal fabrication segment did not sustain its positive performance as reported in Q3 of FY2012. The segment encountered low sales backlog which caused the under-utilised of capacity and inventory write down during the quarter.

The Precision tooling & automation segment remained at negative bottom line with low sales reported.

The precision metal components reported an increase in both its revenue and profit after tax. Although its China operation reported loss during the quarter, the Malaysia operation has performed well to cushion the losses. Moreover, during the quarter, the segment has benefited from the foreign exchange gain arising from the weakening of Ringgit Malaysia.

Setting off against the low performance from manufacturing segments, the money lending subsidiary managed to recover a non-performing loan of RM0.5 million during the quarter.

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 coming year to be challenging.

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

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

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

For Precision metal component segment, the Malaysia operations is expected to remain profitable for the coming year with its high effort 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. Barring unforeseen circumstances, we are foreseeing an improving results in coming financial year with the privatization of Lipo to become a 100% owned subsidiary. Lipo and Kobay will integrate into a single management team which shall have better synergies, increase product offering and scale of operations.

4. Variance on forecast profit/profit guarantee

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

5. Profit for the period

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended	Preceding Year Corresponding quarter period	Current Year to date	Preceding Year Corresponding period
Group	30/06/2012 RM '000	30/06/2011 RM '000	30/06/2012 RM '000	30/06/2011 RM '000
Profit for the period is arrived at after (crediting)/charging :-				
Interest income	(444)	(1,400)	(1,652)	(1,715)
Interest expenses	18	-	32	-
Depreciation of property, plant and equipment	1,407	1,527	5,443	5,781
Allowance for impairment of doubtful debts	364	2,394	428	2,424
Inventories written down	1,545	1,454	2,884	2,955
Receivable written back	(492)	(57)	(1,059)	(44)
(Gain)/loss on disposal of property and equipment/investment	410	(2,500)	536	(5,405)
Property, plant and equipment written off	94	22	148	221
Impairment loss on property, plant and equipment	599	189	599	189
Foreign exchange (gain)/loss	(176)	311	166	655
(Gain) on derivatives	(2)	(2)	-	(2)

5. Profit for the period-*continued*

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
	30/06/2012 RM '000	30/06/2011 RM '000	30/06/2012 RM '000	30/06/2011 RM '000
Current tax	(489)	(1,432)	(2,441)	(3,355)
Deferred tax	(380)	537	(303)	254
	(869)	**(895)**	**(2,744)**	**(3,101)**

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

In regard to the proposed privatisation of Lipo Corporation Berhad ("Lipo"),a 53.16% owned subsidiary, by way of Selective Capital Reduction and Repayment Exercise pursuant to Section 64 of the Companies Act, 1965 ("Proposed SCR"), Lipo has obtained the approval of its shareholders for the Proposed SCR at the EGM convened on 10th August 2012. The completion of the Proposed SCR shall be subject to the grant of an order of the High Court of Malaya.

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 30th June 2012 (30.06.2011: Nil) except the following:-

	Total Hire Purchase
	RM'000
Repayable within twelve months	100
Repayable more than twelve months	114
	214

9. Derivative Financial Instrument

During the quarter, the Group entered into the foreign exchange forward contract to hedge exposure to currency risk for receivables which are dominated in a currency other than the functional currency to the Group.

The outstanding of foreign exchange forward contract as at 30 June 2012 are as follow:

	Notional Value RM'000	Fair Value RM'000	Gain on Fair Value Changes RM'000
Less than 1 year			
- US Dollar	953	951	2

Forward foreign exchange contract is entered into with worthy financial institute to hedge part of the Group's sales from exchange rate movements. Given that the contract is entered into with worthy financial institute, credit risk for non-performance by the counterparty is minimal.

With the adoption of FRS 139, all derivative financial instruments held by the Group will be recognized as assets or liabilities in the balance sheet date, and will be classified as financial assets or financial liabilities at fair value through profit and loss. Derivative contracts is recognized and measure at fair value on the date a derivative contract is entered into and are subsequently re-measured or fair value with changes in fair value recognized in the income statement at each reporting date.

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.

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

	30/06/2012 RM'000	30/06/2011 RM'000
Total retained profits of the Company and its subsidiaries		
Realised	56,181	59,920
Unrealised	(2,764)	(2,718)
	53,417	57,202
Consolidation adjustments and eliminations	(13,305)	(14,422)
	40,112	**42,780**

12. Material litigation

On 27th July 2007, Polytool Integration Sdn Bhd ("PIN", the "Plaintiff"), a subsidiary of the Company, commenced legal proceedings against a insurance company (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 24th February 2012 dismissed the claim and on 8th 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 to the Group's profit.

On 6th March 2012, Kewjaya Sdn Bhd ("Kewjaya", the "Plaintiff"), a subsidiary of the Company, had served a Bankruptcy Notice to a default loan guarantor of principal sum of RM2.0 million. The case was withdrawn and then re-filed when Kewjaya found out that the Receiving Order and Adjudication Order obtained by Pengurusan Danaharta Nasional Berhad against the defendant had been set aside. The case is still pending reinstatement application to the High Court as at the date of the report.

13. Dividend

The Board of Directors do not recommend any dividend for the financial year ended 30th June 2012 (30.06.2011: 2.0 sens).

14. Earnings Per Share ("EPS")

(a) Basic earnings per share

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended	Preceding Year Corresponding quarter ended	Current Year to date	Preceding Year Corresponding period
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM '000	RM '000	RM '000	RM '000
(Loss)/Profit attributable to ordinary equity holders of the parent	(2,275)	(1,594)	(1,227)	6,553
Weighted average number of				
- Issued ordinary shares at beginning of period	68,081	68,081	68,081	68,081
- Effect of Shares Buy Back	(728)	(728)	(728)	(728)
	67,353	**67,353**	**67,353**	**67,353**
Basic earnings per share (sen)				
- Continuing operations	**(3.38)**	**(2.37)**	**(1.82)**	**9.73**

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

(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 30th June 2012 :

	Current Period As at 30/06/2012 RM'000
Loan given to non-wholly owned subsidiaries	387
Loan given by a licensed money lending company within the Group to third parties	576
	963

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 30th June 2011 were report without any qualification.