A. Notes to the financial report for the second financial quarter ended 31 December 2012

1. Basis of preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") 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 30th June 2012.

The auditors' report on the financial statements of the Group for the financial year ended 30th June 2012 was not subject to any qualification.

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 30th June 2012 except for the adoption of the following Financial Reporting Standards (“FRS”) and Amendments to FRSs :-

Amendments to FRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

Amendments to FRS 7 *Disclosures – Transfers of Financial Assets*

Amendments to FRS 101 *Presentation of Items of Other comprehensive Income*

Amendments to FRS112 *Deferred Tax : Recovery of Underlying Assets*

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

The adoption of the above amended/revised FRSs did not have any significant impact on the Group’s consolidated financial statements of the current quarter or the comparative financial statement

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS”) framework. The MFRS framework is to be applied by all entities other than private entities for the 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 ventures (“Transitioning Entities”). Transitioning Entities will be allowed to defer the adoption of the new MFRS framework to annual period beginning on or after 1 January 2014.

Being a Transitioning Entity as defined above, the Group has elected to continue preparing its financial statements in accordance with the existing FRS framework for the financial years ending 30 June 2013 and 30 June 2014 and will first adopt the MFRS framework for the financial year ending 30 June 2015.

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

Other than the selective capital reduction exercise undertaken by the Company's subsidiary, namely Lipo Corporation Berhad, which had caused significant cash outflow and corresponding increase in the equity attributable to owners of the parent, 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

There were no dividend paid for the quarter and financial period under review (31.12.2011 : Nil)

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 & Equipment – 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 and property development.

Current Period ended 31/12/2012	Precision Tooling & Equipment	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	12,750	26,232	7,599	510	115	47,206	-	47,206
Intersegment revenue	45	500	17	-	599	1,161	(1,161)	
Interest revenue	18	270	12	-	338	638	-	638
Interest expense	-	2	141	-	-	143	(141)	2
Depreciation and amortisation	201	1,878	371	120	144	2,714	-	2,714
Tax expense	241	581	-	-	28	850	-	850
Reportable segment profit/(loss) after taxation	911	1,385	(899)	(156)	33	1,274	(103)	1,171
Reportable segment assets	13,681	58,892	16,680	20,154	94,747	205,154	(65,478)	138,676
Expenditure for non-current assets	35	2,801	197	18	1	3,052	-	3,052
Reportable segment liabilities	5,159	16,197	1,757	7,483	4,785	35,381	(17,516)	17,865

Current Period ended 31/12/2011	Precision Tooling & Equipment	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	12,327	30,126	7,734	447	89	50,723	-	50,723
Intersegment revenue	100	-	40	91	2,809	3,040	(3,040)	-
Interest revenue	28	368	5	1	414	816	-	816
Interest expense	-	6	91	-	-	98	(88)	9
Depreciation and amortisation	224	1,872	364	86	144	2,690	-	2,690
Tax expense	327	1,121	-	-	47	1,495	-	1,495
Reportable segment profit/(loss) after taxation	(304)	3,278	(257)	118	2,187	5,022	(2,171)	2,851
Reportable segment assets	16,272	80,322	18,685	20,620	97,133	233,032	(58,772)	174,260
Expenditure for non-current assets	35	1,705	260	503	5,115	7,619	-	7,619
Reportable segment liabilities	6,531	9,599	8,033	8,182	4,118	36,463	(16,475)	19,988

Segment information by geographical regions

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

	31.12.2012 (RM'000)	**31.12.2011 (RM'000)**
Malaysia	26,517	23,255
China	2,810	6,561
Singapore	11,309	10,020
Europe	926	969
United Kingdom	732	604
United States of America	3,402	3,107
Other Asia Pacific Countries	1,510	6,207
Total	**47,206**	**50,723**

Information about major customer

There was no customer who contributed more than 10% of the total Group's revenues for the period under review.

8. 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.

9. Subsequent events

There were no other material events subsequent to the end of the reporting financial period except that the Company's employee's Shares Option Scheme which was established on 18 February 2003 has expired on 17 February 2013.

10. Changes in the composition of the group

There were no major changes in the composition of the Group during the financial period ended 31 st December 2012 except that a 53.16% owned subsidiary, Lipo Corporation Berhad ("Lipo"), has become a 100% owned subsidiary of Kobay Technology Bhd. subsequent to the completion of the proposed privatisation of Lipo by way of selective capital reduction and repayment exercise pursuant to Section 64 of the Companies Act, 1965 on 30th October 2012.

11. Contingent assets and contingent liabilities

There were no contingent assets or liabilities as at the date of the report. (31.12.2011: 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 31st December 2012 are as follows : -

Property, plant & equipment	RM'000
Contracted	800
Not contracted	6,579
	7.379

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 RM20.57 million, with a loss after tax of RM0.07 million as compared to profit after tax of RM1.71 million in the previous year corresponding quarter.

Overall, all operating segments performed unsatisfactory especially the precision metal components segment shown a drop in profit from RM1.65 million in previous year's corresponding quarter to RM0.20 million in current quarter. The China operation of this segment encountered significant drop in revenue due to decline in sales orders attributable to the uncertainty in global economy and failure in developing new customers.

Besides, the metal fabrication segment reported a loss of RM0.44 million as a result of low margin sales mix.

For the year to date, the Group recorded a drop in revenue and profit after tax of 6.93% and 58.92% respectively. The poor performance was mainly due to underperformed of precision metal components segment**.**

The precision metal components segment shown significant drop in revenue and profit after tax from RM30.12 million and RM3.27 million to RM26.23 million and RM1.38 million respectively. Performance of China operation of this segment remains to be unfavourable due to decline in sales orders caused by the uncertainty in global economy and failure in developing new customers

2. Comparison with preceding quarter's results

The Group reported revenue of RM20.57 million and loss after tax of RM0.07 million for the quarter as compared to preceding quarter's revenue of RM26.63 million and profit after tax of RM1.24 million.

The precision tooling & equipment segment reported a drop in revenue and profit after tax from RM7.07 million and RM0.68 million respectively to RM5.76 million and RM0.22 million. The decrease was due to decline in sale orders.

The metal fabrication segment still underperformed during the quarter with a loss after tax of RM0.44million.

The precision metal components also reported an unfavourable performance with a profit after tax of RM0.20 million on revenue of RM11.90 million. The losses reported from its China operation was the main factor to the underperformed.

3. Commentary on the prospects of the Group

Given the soft external demand and uncertainties in global economy, the Group foresees that the performance for the coming quarters to be challenging.

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

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

For precision metal component segment, the Malaysia operation is expected to remain profitable for the coming quarters 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 lower incoming orders.

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

Group hopes to achieve positive effect from the integration, but ultimately the performance of the global economy and industries where the Group relies upon shall prevail.

4. Variance on forecast profit/profit guarantee

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

5. (Loss)/Profit for the period

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2012	Preceding Year Corresponding quarter ended 31/12/2012	Current Year todate 31/12/2012	Preceding Corresponding Period 31/12/0211
Group	RM'000	RM'000	RM '000	RM '000
(Loss)/profit for the period is arrived at after (crediting)/charging :-				
Interest income	(240)	(427)	(638)	(816)
Interest expenses	-	3	2	10
Depreciation of property, plant and equipment	1,284	1,378	2,714	2,690
(Gain)/loss on disposal of property, plant and equipment	(113)	(1)	(113)	132
(Gain)/loss on forex	207	(113)	207	(100)
Impairment loss on property, plant and equipment	71	-	71	-
Impairment loss on receivables	5	-	5	-
Impairment loss on available for sales Financial assets	-	-	47	-
Property, plant and equipment written off	116	4	116	9
Receivable written back	(30)	(599)	(30)	(617)

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

6. Taxation

Taxation comprises the following:-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2012	Preceding Year Corresponding quarter ended 31/12/2011	Current Year to date 31/12/2012	Preceding Year Corresponding Period 31/12/2011
	RM '000	RM '000	RM '000	RM '000
Current tax	(234)	(721)	(831)	(1,544)
	-		-	-
Deferred tax	-	58	(19)	49
	(234)	**(663)**	**(850)**	**(1,495)**

The effective tax rates for the quarter and period 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, and certain expenses which are not deductible for tax purposes.

7. Status of corporate proposals

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

8. Group borrowings and debts securities

There were no borrowings and debts securities for the Group as at 31st December 2012 :-

Hire Purchase	**Total Hire Purchase (RM'000) 31/12/2012**	**Total Hire Purchase (RM'000) 31/12/2011**
Repayable within twelve months	-	97
Repayable more than twelve months	-	164
Total	**-**	**261**

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.

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

	31/12/2012 RM'000	31/12/2011 RM'000
Total retained profits of the Company and its subsidiaries		
Realised	52,073	64,664
Unrealised	(3,647)	(2,699)
	48,426	60,965
Consolidation adjustments and eliminations	400	(16,740)
	48,826	**44,225**

12. Material litigation

On 27th July 2007, Polytool Integration Sdn Bhd ("PIN", the "Plaintiff"), a subsidiary of the Company, commenced legal proceedings against an 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 to the Group's profit.

On 2nd November 2012, Kewjaya Sdn Bhd ("Kewjaya", the "Plaintiff"), a subsidiary of the Company, had served a Bankruptcy Notice to a default loan guarantor for the default loan of RM2.0 million and interests thereof. The case is fixed for hearing on 20th February 2013.

13. Dividend

The Board of Directors do not recommend any dividend for the financial quarter ended 31st December 2012 (31.12.2011: Nil).

14. (Loss)/earnings Per Share ("EPS")

(a) Basic (loss)/earnings per share

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2012	Preceding Year Corresponding quarter ended 31/12/2011	Current Year to date 31/12/2012	Preceding Year Corresponding Period 31/12/2011
	RM '000	RM '000	RM '000	RM '000
(Loss)/profit attributable to ordinary equity holders of the parent	(159)	722	(12)	1,445
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**
(Loss)/earnings per share (sen)				
Basic/diluted	**(0.24)**	**1.07**	**(0.02)**	**2.15**

(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 31st December 2012:

	Current Period As at 31/12/2012 RM'000
Loan given to non-wholly owned subsidiaries	387
Loan given by a licensed money lending company within the Group to third parties	67
	454

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 2012 were reported without any qualification.