
A. Notes to the financial report for the third financial quarter ended 31 March 2013

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 FRS 112 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 of the period, 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 quarter and period 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 (31.03.2012 : 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.

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Current Period ended 31/03/2013	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	16,549	40,326	10,978	689	173	68,714	-	68,714
Intersegment revenue	79	500	17	-	1,634	2,229	(2,229)	
Interest revenue	26	288	20	1	590	924	-	924
Interest expense	-	2	141	-	-	143	(141)	2
Depreciation and amortisation	297	2,928	557	188	217	4,187	-	4,187
Tax expense	361	768	-	(29)	69	1,169	(75)	1,094
Reportable segment profit/(loss) after taxation	609	2,222	(1,146)	(217)	345	1,813	(659)	1,154
Reportable segment assets	12,263	59,220	15,923	20,095	94,664	202,165	(65,359)	136,806
Expenditure for non-current assets	73	3,871	233	19	30	4,226	(29)	4,197
Reportable segment liabilities	4,400	15,692	1,246	7,486	4,620	33,444	(17,393)	16,051

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Current Period ended 31/03/2012	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	17,148	43,751	12,108	676	146	73,829	-	73,829
Intersegment revenue	117	8	40	121	4,191	4,478	(4,478)	-
Interest revenue	39	573	6	1	589	1,208	-	1,208
Interest expense	-	10	182	-	-	192	(178)	14
Depreciation and amortisation	340	2,769	549	162	216	4,036	-	4,036
Tax expense	355	1,422	-	9	89	1,875	-	1,875
Reportable segment profit/(loss) after taxation	(839)	4,121	111	(357)	3,057	6,093	(3,286)	2,807
Reportable segment assets	14,406	77,995	20,867	20,927	96,519	230,713	(61,018)	169,696
Expenditure for non-current assets	52	2,626	338	686	5,123	8,825	-	8,825
Reportable segment liabilities	5,543	9,006	9,847	8,175	3,992	36,563	(18,709)	17,854

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 :

	31.03.2013 (RM'000)	31.03.2012 (RM'000)
Malaysia	37,488	41,616
China	6,137	8,514
Singapore	15,812	14,658
Europe	1,262	1,560
United Kingdom	891	1,005
United States of America	5,164	4,431
Other Asia Pacific Countries	1,960	2,045
Total	68,714	73,829

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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 on 14th May 2013, the Group has acquired 70% equity interest of The 12 Avenues Sdn. Bhd. (formerly known as Skyhouse Sdn. Bhd.)(Company No. 1027688-A) of which comprises 70 ordinary shares of RM1.00 each for a cash consideration of RM70.00. On 16th May 2013, The 12 Avenues Sdn Bhd has entered into a Joint Venture Agreement with two individuals to develop a piece of land held under Geran Mukim Lot 244, Tempat Sungai Renggam, Mukim Damansara, Daerah Petaling, Negeri Selangor Darul Ehsan measuring approximately 0.5435 hectares equivalent to 58,501.893 square feet.

10. Changes in the composition of the group

There were no major changes in the composition of the Group during the financial period ended 31st March 2013.

11. Contingent assets and contingent liabilities

There were no contingent assets or liabilities as at the date of the report. (31.03.2012: 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 March 2013 are as follows :-

Property, plant & equipment	RM'000
Contracted	6,708
Not contracted	-
Total	6,708

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 RM21.50 million, with a marginal loss after tax of RM0.018 million as compared to loss after tax of RM0.044 million in the previous year corresponding quarter.

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Overall, most of the operating segments performed unsatisfactory. The precision metal components segment just managed to maintain its performance to be at par with previous year's corresponding quarter by recording a profit after tax of RM0.83 million. The China operation of this segment encountered significant drop in revenue due to decline in sales orders attributable to failure in developing new customers.

The metal fabrication segment reported a loss of RM0.24 million as a result of low margin sales mix, while precision tooling & automation segment reported a loss of RM0.30 million as result of low incoming orders.

For the year to date, the Group recorded a drop in revenue and profit after tax of 6.93% and 58.88% respectively. The poor performance was mainly due to under performance of precision metal components and metal fabrication segments.

The precision metal components segment shown significant drop in revenue and profit after tax from RM43.75 million and RM4.12 million to RM40.32 million and RM2.22 million respectively. Performance of China operation of this segment remained to be unfavourable due to decline in sales orders caused by the uncertainty in global economy and failure in developing new customers. Besides, the metal fabrication segment reported a loss of RM1.14 million as a result of low margin sales mix and low incoming orders.

2. Comparison with preceding quarter's results

The Group's revenue and loss after tax reported were at par with preceding quarter.

The precision metal components had shown slight improvement in performance with a profit after tax of RM0.83 million on revenue of RM14.09 million although its China operation remained underperform.

The precision tooling & equipment segment reported significant drop in revenue from RM5.67 million to RM3.79 million with loss after tax reported at RM0.30 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 RM0.24million.

3. Commentary on the prospects of the Group

Given the soft external demand, the Group foresees that the performance for the coming quarter remain challenging.

The metal fabrication, precision tooling and equipment segments are expected to remain unfavourable with no clear sign of recovery in the coming quarter.

For precision metal component segment, the Malaysia operation is expected to remain profitable for the coming quarter with its high effort in business development activities to bring in high value products. For China operations, although the performance is expected to be unsatisfactory, management will strive to bring in more orders by aggressively improving its business development activity.

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

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)**4. Variance on forecast profit/profit guarantee**

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

5. (Loss)/Profit for the period

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year quarter ended 31/03/2013	Preceding Year Corresponding quarter ended 31/03/2012	Current Year todate 31/03/2013	Preceding Corresponding Period 31/03/2012
Group	RM'000	RM'000	RM '000	RM '000
(Loss)/profit for the period is arrived at after (crediting)/charging :-				
Interest income	(286)	(392)	(924)	(1,208)
Interest expenses	-	4	2	14
Depreciation of property, plant and equipment	1,473	1,346	4,187	4,036
Inventories written down	-	313	112	1,339
(Gain)/loss on disposal of property, plant and equipment	(17)	10	(133)	126
Loss on forex	82	449	289	342
Loss on derivatives	-	-	2	2
Impairment loss on property, plant and equipment	7	-	78	-
Impairment loss on receivables	-	-	5	-
Impairment loss on available for sales Financial assets	-	-	47	-
Property, plant and equipment written off	37	42	88	54
Receivable written back	(4)	-	(34)	(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 31/03/2013 RM '000	Preceding Year Corresponding quarter ended 31/03/2012 RM '000	Current Year to date 31/03/2013 RM '000	Preceding Year Corresponding Period 31/03/2012 RM '000
Current tax	(319)	(408)	(1,150)	(1,952)
Deferred tax	75	28	56	77
	(244)	(380)	(1,094)	(1,875)

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 March 2013 :-

<u>Hire Purchase</u>	Total Hire Purchase (RM'000) 31/03/2013	Total Hire Purchase (RM'000) 31/03/2012
Repayable within twelve months	-	98
Repayable more than twelve months	-	139
Total	-	237

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**

	31/03/2013 RM'000	31/03/2012 RM'000
<i>Total retained profits of the Company and its subsidiaries</i>		
Realised	52,376	61,141
Unrealised	<u>(3,574)</u>	<u>(2,659)</u>
	48,402	54,482
Consolidation adjustments and eliminations	<u>400</u>	<u>(16,001)</u>
	<u>48,802</u>	<u>42,481</u>

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 fixed for case management on 23rd May 2013. 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 court decision on 23rd May 2013 for the loan guarantor's application to set aside Kewjaya's Bankruptcy Notice and Creditor's Petition.

13. Dividend

The Board of Directors do not recommend any dividend for the financial quarter ended 31st March 2013 (31.03.2012: Nil).

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

Basic (loss)/earnings per share

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year quarter ended 31/03/2013	Preceding Year Corresponding quarter ended 31/03/2012	Current Year to date 31/03/2013	Preceding Year Corresponding Period 31/03/2012
	RM '000	RM '000	RM '000	RM '000
(Loss)/profit attributable to ordinary equity holders of the parent	(25)	(397)	(36)	1,048

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Weighted average number of

- 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>67,353</u>	<u>67,353</u>	<u>67,353</u>	<u>67,353</u>
(Loss)/earnings per share (sen)				
Basic	<u>(0.04)</u>	<u>(0.59)</u>	<u>(0.05)</u>	<u>1.56</u>

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 March 2013:

	Current Period As at 31/03/2013 RM'000
Loan given to non-wholly owned subsidiaries	387
Loan given by a licensed money lending company within the Group to third parties	<u>17</u>
	<u>404</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 30th June 2012 were reported without any qualification.