
A. Notes to the financial report for the fourth financial quarter ended 30 June 2014

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 ("FRS") 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 2013.

The auditors' report on the financial statements of the Group for the financial year ended 30th June 2013 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 2013 except for the adoption of the following Financial Reporting Standards ("FRS") and Amendments to FRSs :-

FRS 10 *Consolidated Financial Statements*

FRS 11 *Joint Arrangements*

FRS12 *Disclosure of Interest in Other Entities*

FRS 13 *Fair Value Measurement*

FRS 119 *Employees Benefits* (amended in 2011)

FRS 127 *Separate Financial Statements* (amended in 2011)

FRS 128 *Investments in Associates and Joint Ventures* (amended in 2011)

IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

Amendments to FRS 1 *Government Loans*

Amendments to FRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*

Amendments to FRS 10, FRS 11 and FRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2012)"

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.

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.

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").

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Transitioning Entities are allowed to continue applying the FRS framework for annual periods beginning on or after 1 January 2015.

Being a Transitioning Entity as defined above, the Group and the Company have elected to defer the adoption of the MFRS framework to the financial year ending 30 June 2016. 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. As for current financial year, there was a gain on disposal of factory property amounted to RM5.81 million.

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 (30.06.2013 : 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 & dies, design & manufacture of automated machines, semiconductor assembly and testing equipment.
- 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) Property Development – Property development
- e) Other operating segments – Include small operations related to food & beverage business, money lending, general trading and hotel operation.

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| Current Period ended 30/06/2014 | Precision Tooling & Equipment | Precision Metal Components | Metal Fabrication | Property Development | Other Operating Segments | Unallocated Non-Operating Segments | Eliminations | Total |
|---|-------------------------------|----------------------------|-------------------|----------------------|--------------------------|------------------------------------|--------------|----------|
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Revenue from external customer | 18,877 | 63,833 | 12,494 | - | 950 | 230 | - | 96,384 |
| Intersegment revenue | 228 | 35 | - | - | - | 2,373 | (2,636) | - |
| Interest income | 42 | 81 | 35 | - | - | 341 | - | 499 |
| Interest expense | - | 149 | - | - | 20 | - | (20) | 149 |
| Depreciation and amortisation | 339 | 3,981 | 643 | 13 | 243 | 285 | - | 5,505 |
| Tax expense | 347 | 1,522 | - | (15) | - | 127 | (746) | 1,235 |
| Reportable segment profit/(loss) after taxation | 746 | 5,263 | ▲6,124 | (355) | ■1,382 | (630) | (417) | 12,113 |
| Reportable segment assets | 10,152 | 71,399 | 14,998 | 31,396 | 6,726 | 100,152 | (68,770) | 166,053 |
| Expenditure for non-current assets | 156 | 8,590 | 943 | 14,530 | 26 | 23 | - | 24,268 |
| Reportable segment liabilities | 4,708 | 21,291 | 2,378 | 16,231 | 5,568 | 12,295 | (26,579) | 35,892 |

▲ Inclusive a gain on disposal of factory property amounted to RM5.81 million

■ Inclusive of bad debts recovered of RM1.43 million

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| Corresponding Period ended 30/06/2013 | Precision Tooling & Equipment | Precision Metal Components | Metal Fabrication | Property Development | Other Operating Segments | Unallocated Non-Operating Segments | Eliminations | Total |
|---|-------------------------------|----------------------------|-------------------|----------------------|--------------------------|------------------------------------|--------------|----------|
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Revenue from external customer | 21,583 | 55,472 | 12,935 | - | 927 | 246 | - | 91,165 |
| Intersegment revenue | 191 | 508 | 98 | - | 14 | 4,129 | (4,942) | - |
| Interest income | 46 | 311 | 25 | - | 2 | 844 | (203) | 1,025 |
| Interest expense | - | 19 | 141 | - | 62 | - | (203) | 19 |
| Depreciation and amortisation | 391 | 3,919 | 781 | - | 270 | 290 | (95) | 5,557 |
| Tax expense | 307 | 1071 | (13) | - | (25) | 442 | (591) | 1,190 |
| Reportable segment profit/(loss) after taxation | 294 | 3,604 | (2,326) | (35) | (431) | 280 | (841) | 545 |
| Reportable segment assets | 11,987 | 65,144 | 14,947 | 13,742 | 6,467 | 94,169 | (63,008) | 143,447 |
| Expenditure for non-current assets | 241 | 10,465 | 264 | - | 23 | 30 | (32) | 10,992 |
| Reportable segment liabilities | 4,779 | 17,129 | 1,451 | 3406 | 7,314 | 4,705 | (15,342) | 23,442 |

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 :

| | 30.06.2014 (RM'000) | 30.06.2013 (RM'000) |
|------------------------------|------------------------|------------------------|
| Malaysia | 54,136 | 51,223 |
| China | 7,930 | 7,807 |
| Singapore | 15,873 | 19,402 |
| Europe | 465 | 1,448 |
| United Kingdom | 2,497 | 1,429 |
| United States of America | 12,547 | 7,519 |
| Other Asia Pacific Countries | 2,936 | 2,337 |
| Total | 96,384 | 91,165 |

Information about major customer

Revenue from a customer of Precision Metal Components segment contributed approximately RM10.11 million (10.49%) of the total Group's revenues.

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.

10. Changes in the composition of the group

On 30th June 2014, Kobay SCM (S) Pte Ltd ("KSCM"), a 60% owned subsidiary, had acquired additional 49% of equity interest in Microhandling Asia Pte. Ltd. ("MHA") for a cash consideration of SGD288,623.00. Upon acquisition, MHA has become a 99.8% owned subsidiary of KSCM.

Save for the above, there were no major changes in the composition of the Group during the financial quarter ended 30th June 2014.

11. Contingent assets and contingent liabilities

There were no contingent assets or liabilities as at the date of the report. (30.06.2013: 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 30th June 2014 are as follows :-

| | |
|-----------------------------|--------------|
| Property, plant & equipment | RM'000 |
| Contracted | 1,400 |
| Not contracted | - |
| Total | 1,400 |

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 RM25.42 million, with a profit after tax of RM1.36 million as compared to loss after tax of RM0.60 million in the preceding year corresponding quarter.

The precision metal components segment grew 6.7% in revenue and 5.7% in profit after tax, supported by an increase in export demand.

The metal fabrication segment recorded improvement in revenue and profit after tax due to higher order since 2nd quarter of FYE2014.

Review of performance-continued

The precision tooling & equipment segment recorded a marginal improvement with profit after tax of RM0.05 million as compared to loss of RM0.31 million in the corresponding same quarter.

As for year to date, the Group registered revenue of RM96.38 million and profit after tax of RM12.11 million. All manufacturing segments in the group showed a positive growth in revenue and profit after tax as compared to previous financial year. The improved incoming order was the key factor for the better performance. Aside the contribution from manufacturing operations, the group has successfully recovered a bad debt of RM1.43 million and a gain on disposal of factory property of RM5.81 million for current financial year.

2. Comparison with preceding quarter's results

The Group reported a profit after tax of RM1.36 million during the quarter, which representing a growth of 64% should the gain on disposal of factory property of RM5.81 million in preceding quarter be excluded in the comparison.

The precision metal components segment reported a growth of 10.3% in revenue and 19.2% in profit after tax as compared to preceding quarter. The upturn was led by positive demand from overseas customers.

The performance for metal fabrication segment showed modest improvement, driven by increased orders and productivity during the quarter.

The precision tooling & equipment segment's performance has contracted during the quarter followed by shrinking orders and competitive pricing at domestic market.

3. Commentary on the prospects of the Group

In view of the volatile economic condition, the Group expects the performance to remain flat for the coming financial year.

The precision metal component segment is expected to sustain its earnings momentum with its high effort in business development activities to move on to high value products and improved overseas demand. However, it will be outweighed partly by the non-performing China operations.

The metal fabrication segment is expected to stay at a moderate growth. Consistency in productivity and incoming orders are the key factors that determine the success of this segment. As such, the management will focus on measures to uphold these key success factors.

Precision tooling & equipment segment operations will be stagnant. The segment will continue to look for breakthrough in product development to outweigh the underperformed business performance.

The Group has recently diversified into property development. Barring unforeseen circumstances, the management is hopeful to obtain approvals from relevant authorities for at least one of its projects to be launched by end of FYE 2015.

Commentary on the prospects of the Group-continued

Overall, the Group will continue its conservative stance in working capital management and taking new measures and strategies to ensure stability in all business segments.

4. Variance on forecast profit/profit guarantee

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

5. Profit for the period

| | <u>INDIVIDUAL PERIOD</u> | | <u>CUMULATIVE PERIOD</u> | |
|---|---------------------------------------|---|--------------------------------|---|
| | Current Year quarter ended 30/06/2014 | Preceding Year Corresponding quarter ended 30/06/2013 | Current Year todate 30/06/2014 | Preceding Corresponding Period 30/06/2013 |
| Group | RM'000 | RM'000 | RM '000 | RM '000 |
| Profit for the period is arrived at after (crediting)/charging :- | | | | |
| Interest income | (35) | (200) | (491) | (1,124) |
| Interest expenses | 36 | 17 | 149 | 19 |
| Depreciation of property, plant and equipment | 1,167 | 1,370 | 5,505 | 5,557 |
| Inventories written down | - | 20 | - | 132 |
| (Gain)/Loss on disposal of property, plant and equipment | (145) | (30) | (6,413) | (163) |
| (Gain)/Loss on forex | 375 | (146) | (50) | 143 |
| Bad debts recovered | - | - | (1,508) | - |
| Impairment loss on available for sales Financial assets | - | - | - | 47 |
| Impairment loss on property, plant and equipment | - | 486 | - | 564 |
| Property, plant and equipment written off | 49 | 115 | 57 | 203 |

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 30/06/2014 | Preceding Year Corresponding quarter ended 30/06/2013 | Current Year to date 30/06/2014 | Preceding Year Corresponding Period 30/06/2013 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Current tax | (99) | 43 | (1,290) | (1,107) |
| Deferred tax | 326 | (140) | 55 | (84) |
| | 227 | (97) | (1,235) | (1,191) |

The effective tax rates for current and cumulative period are lower than the statutory tax rate mainly due to utilisation of unabsorbed losses of certain subsidiaries, and the gain from disposal of factory property and bad debt recovered were not subject to taxes.

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

Particular of the loan and borrowing for the Group as at 30th June 2014:-

| <u>Short Term Loan & Borrowing</u> | Total Loan And Borrowing (RM'000) 30/06/2014 | Total Loan And Borrowing (RM'000) 30/06/2013 |
|---|--|--|
| Repayable within 12 months | 1,237 | 639 |
| Repayable more than 12 months | 11,152 # | 2,314 |
| Total | 12,389 | 2,954 |

There is a term loan of RM9.56 million which carries no finance cost as the loan is offset with equivalent cash deposit that available in the facility account.

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

| | 30/06/2014 RM'000 | 30/06/2013 RM'000 |
|---|----------------------|----------------------|
| <i>Total retained profits of the Company and its subsidiaries</i> | | |
| Realised | 63,993 | 52,261 |
| Unrealised | (1,049) | 638 |
| | <u>62,944</u> | <u>52,899</u> |
| Consolidation adjustments and eliminations | (5,556) | (4,610) |
| | <u>57,388</u> | <u>48,289</u> |

12. Material litigation

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 loan guarantor's application to set aside the bankruptcy notice was dismissed by the court on 05th August 2013. The loan guarantor has filed in his appeals and stay of execution but the appeal and stay of execution were finally dismissed by the Court on 30th July 2014 and 13th August 2014 respectively. The Court has fixed the hearing of creditor's petition on 27th August 2014.

13. Dividend

The Board of Directors recommends for a first and final dividend of 3.0 sen per ordinary share under the single-tier system in respect of financial year ended 30th June 2014. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting (30.06.2013 : 2.0 sen).

14. Earnings Per Share ("EPS")

Basic earning/(loss) per share

| | <u>INDIVIDUAL PERIOD</u> | | <u>CUMULATIVE PERIOD</u> | |
|---|---|---|---|--|
| | Current Year quarter ended 30/06/2014 RM '000 | Preceding Year Corresponding quarter ended 30/06/2013 RM '000 | Current Year to date 30/06/2014 RM '000 | Preceding Year Corresponding Period 30/06/2013 RM '000 |
| Profit/(loss) attributable to ordinary equity holders of the parent | 1,412 | (513) | 11,960 | (549) |
| Weighted average number of : - Issued ordinary shares at beginning of period | 68,081 | 68,081 | 68,081 | 68,081 |

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)**Earnings Per Share
("EPS")- Continued**

- 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> |

Earning/(loss) per share
(sen)

| | | | | |
|----------------------|--------------------|----------------------|---------------------|----------------------|
| Basic/diluted | <u>2.10</u> | <u>(0.76)</u> | <u>17.76</u> | <u>(0.81)</u> |
|----------------------|--------------------|----------------------|---------------------|----------------------|

The Group has no dilution in its earnings per ordinary share in the quarter under review and financial year to date as there are no dilutive potential ordinary shares.

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 2014:-

As at
30/06/2014

RM'000

Loan given by a licensed money lending subsidiary within the Group to third parties

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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 does 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 2013 were reported without any qualification.