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**A. Notes to the financial report for the second financial quarter ended 31 December 2014**

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**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 30<sup>th</sup> June 2014.

The auditors' report on the financial statements of the Group for the financial year ended 30<sup>th</sup> June 2014 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 30<sup>th</sup> June 2014 except for the adoption of the following Financial Reporting Standards ("FRS") and Amendments to FRSs :-

IC Interpretation 21 - *Levies*

Amendments to FRS 10 , FRS 12 and FRS 127 - *Investment Entities*

Amendments to FRS 119 - *Defined Benefit Plans : Employee Contributions*

Amendments to FRS 132 - *Offsetting Financial assets and Financial Liabilities*

Amendments to FRS 139 - *Novation of Derivatives and Continuation of Hedge Accounting*

Amendments to FRSs contained in the document entitled "*Annual Improvements to FRSs 2010-2012 Cycle*"

Amendments to FRSs contained in the document entitled "*Annual Improvements to FRSs 2011-2013 Cycle*"

The directors expect that the adoption of the above standards and interpretations will not have any significant impact on the financial statements of the Group and the Company in the period of initial application.

Malaysia 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.

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 are allowed to defer the adoption of the MFRS Framework for annual periods beginning on or after 1 January 2017.

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Being a Transitioning Entity as defined above, the Group and the Company have elected to continue preparing their financial statements in accordance with the FRS Framework and will first present the financial statements in accordance with the MFRS framework for the financial year ending 30 June 2018. 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**

There were no dividend paid for the quarter and financial period under review (31.12.2013 : 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 money lending, property letting, hotel operation and supply of engineering parts.

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Current Period ended 31/12/2014	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	10,230	33,294	9,242	-	756	2	-	53,524
Intersegment revenue	229	14	-	-	196	721	(1,160)	-
Interest income	30	24	13	1	10	234	-	312
Interest expense	-	68	-	-	-	5	(5)	68
Depreciation and amortisation	131	1,511	328	-	141	34	-	2,145
Tax expense	113	1,077	-	-	-	66	-	1,256
Reportable segment profit/(loss) after taxation	228	2,656	779	(228)	164	(917)	266	2,948
Reportable segment assets	9,865	70,852	17,912	32,225	18,807	91,583	(69,882)	171,362
Expenditure for non-current assets	389	871	92	-	2,071	1	-	3,424
Reportable segment liabilities	4,134	18,153	4,513	17,086	10,355	11,796	(27,956)	38,081

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Corresponding Period ended 31/12/2013	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	8,307	33,012	6,634	-	419	115	-	48,488
Intersegment revenue	78	-	-	-	-	826	(904)	-
Interest income	20	38	18	-	-	299	-	375
Interest expense	-	74	-	-	19	-	(19)	74
Depreciation and amortisation	178	1,952	381	-	122	142	-	2,775
Tax expense	86	725	-	-	-	27	-	837
Reportable segment profit/(loss) after taxation	252	2,582	516	(7)	1,420	303	(953)	4,114
Reportable segment assets	11,302	54,162	15,354	19,723	19,839	93,261	(66,963)	146,678
Expenditure for non-current assets	54	3,831	233	-	18	5	-	4,141
Reportable segment liabilities	4,071	20,090	1,341	4,810	5,064	3,005	(15,541)	22,840

**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 :

	31.12.2014 (RM'000)	31.12.2013 (RM'000)
Malaysia	31,609	28,103
Singapore	7,995	5,217
United States of America	6,555	6,709
China	3,173	3,442
United Kingdom	2,329	2,061
Other Asia Pacific Countries	1,863	2,956
<b>Total</b>	<b>53,524</b>	<b>48,488</b>

**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**

On 6<sup>th</sup> January 2015, Kobay entered into a Share Sale Agreement to dispose of its entire equity interest in Lipo Precision Industry (Suzhou) Co Ltd ("LPI") to a third party for approximately RMB9.8 million (approximately RM 5.42 million).

On 13<sup>th</sup> February 2015, Kobay has increased its equity participation in Kobay Systems Sdn Bhd ("KSys") from 70% to 100% by acquiring an additional 30% from a third party for a cash consideration of RM30,000.00.

On 16<sup>th</sup> February 2015, Kobay Project Venture Sdn Bhd ("KPV") , a wholly owned subsidiary of Kobay, has entered into a conditional joint venture agreement with option to purchase with a third party for the development of Lot 886 and Lot 42, Mukim 11, Seberang Perai Tengah, Pulau Pinang.

Other than the above, 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 during the financial quarter ended 31<sup>st</sup> December 2014.

## **11. Contingent assets and contingent liabilities**

There were no contingent assets or liabilities as at the date of the report. (31.12.2013: 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 capital commitments as at 31<sup>st</sup> December 2014.

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

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### **1. Review of performance**

The Group recorded revenue of RM 28.94 million, with a profit after tax of RM2.08 million for current quarter. As compared to preceding corresponding period, the revenue increased by 28% but profit after tax decrease by 34%. The reduction in profit after tax was due to inclusion of gain from bad debt recovered amounted to RM1.44 million in the preceding

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corresponding period. Should the bad debt recovered be excluded from the comparison, the profit after tax would have increased by 21%.

The precision metal components segment recorded revenue of RM17.39 million and profit after tax of RM1.81 million for current quarter, which represented 11% increase in revenue and 25% increase in profit after tax as compared to preceding corresponding quarter. The favorable variance mainly driven by expanded export market and growth in revenue derived from aerospace components business.

The metal fabrication segment recorded revenue of RM 5.95 million and profit after tax of RM0.62 million. The strong incoming orders since 2<sup>nd</sup> half of 2014 has caused the revenue to double up as compared to Quarter 2 2014.

The precision tooling & equipment segment remained stagnant in its performance as compared to preceding corresponding quarter.

For year-to-date, the Group recorded revenue of RM 53.52 million and profit after tax of RM 2.94 million. Compared to preceding year's corresponding period, revenue increased by 10% while profit after tax declined by 28%. Should the bad debt recovered be excluded from the comparison, the profit after tax would have increased by 9%. The increase in performance was driven by expanded revenue from both Metal Fabrication and Precision Metal Components divisions.

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

The Group reported revenue of RM28.94 million and profit after tax of RM2.08 million during the quarter, showing a quantum jump of 115% in profit after tax as compared to preceding quarter.

The growth in profit after tax was driven by new revenue stream derived from the aerospace components business and improved export competitiveness in the precision metal components segment.

Higher incoming orders for metal fabrication segments and increase production output also contributing to the improved results in current quarter.

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

The Group is expected to sustain its positive performance for the coming quarters.

The precision metal component segment is expected to benefit from improved aerospace components business and its business penetration to high value products for sectors in medical, life science and motion control. Meanwhile, the disposal of its loss making subsidiary in China by Quarter 3 2015 will stop the negative impact to the Group performance in coming quarters.

The metal fabrication segment is expected to generate positive results in coming quarters. Greater efforts need to be focused on upholding the segment's productivity and incoming orders.

Besides, the precision tooling & equipment segment operation is expected to remain flat in its performance with no significant growth expected.

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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 for its property development segment.

Overall, the Group will continue to penetrate into new market, expanding overseas customer base and focus on operations reformation to remain focus on cost competitive, technical competency, manufacturing efficiency and pursue quality perfection.

### 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 31/12/2014	Preceding Year Corresponding quarter ended 31/12/2013	Current Year todate 31/12/2014	Preceding Corresponding Period 31/12/2013
<b><u>Group</u></b>	RM'000	RM'000	RM '000	RM '000
Profit for the period is arrived at after (crediting)/charging :-				
Interest income	(160)	(194)	(312)	(375)
Interest expenses	33	37	68	74
Depreciation of property, plant and equipment	921	1,425	2,146	2,775
(Gain)/Loss on disposal of property, plant and equipment	(71)	(104)	54	(116)
Gain on forex	(139)	(143)	(117)	(276)
Loss on derivatives	-	51	-	51
Bad debts recovered	-	(1,443)	-	(1,443)
Property, plant and equipment written off	3	-	10	4

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

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### 6. Taxation

Taxation comprises the following:-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2014	Preceding Year Corresponding quarter ended 31/12/2013	Current Year to date 31/12/2014	Preceding Year Corresponding Period 31/12/2013
	RM '000	RM '000	RM '000	RM '000
Current tax	(801)	(227)	(1,196)	(597)
Deferred tax	<u>(60)</u>	<u>(201)</u>	<u>(60)</u>	<u>(240)</u>
	<b><u>(861)</u></b>	<b><u>(428)</u></b>	<b><u>(1,256)</u></b>	<b><u>(837)</u></b>

The effective tax rates for the 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.

### 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 31<sup>st</sup> December 2014:-

<b><u>Short Term Loan &amp; Borrowing</u></b>	Total Loan And Borrowing (RM'000) 31/12/2014	Total Loan And Borrowing (RM'000) 31/12/2013
Repayable within 12 months	1,237	639
Repayable later than 12 months	10,326 #	2,629
<b>Total</b>	<b><u>11,563</u></b>	<b><u>3,268</u></b>

# There is a standby term loan of RM9.19 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.

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

	31/12/2014 RM'000	31/12/2013 RM'000
<i>Total retained profits of the Company and its subsidiaries</i>		
Realised	66,490	55,248
Unrealised	<u>(1,118)</u>	<u>(3,951)</u>
	65,372	47,106
Consolidation adjustments and eliminations	<u>(5,262)</u>	971
	<b><u>60,110</u></b>	<b><u>52,268</u></b>

**12. Material litigation**

There is no pending material litigation as at the date of this report.

**13. Dividend**

The Board of Directors does not recommend any dividend for the financial quarter ended 31<sup>st</sup> December 2014 (31.12.2013 : Nil).

**14. Earnings Per Share ("EPS")**
Basic earning per share

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year quarter ended 31/12/2014  RM '000	Preceding Year Corresponding quarter ended 31/12/2013  RM '000	Current Year to date 31/12/2014  RM '000	Preceding Year Corresponding Period 31/12/2013  RM '000
Profit attributable to ordinary equity holders of the parent	2,106	3,255	2,993	3,979
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>
	<b><u>67,353</u></b>	<b><u>67,353</u></b>	<b><u>67,353</u></b>	<b><u>67,353</u></b>
Earning per share (sen)				
<b>Basic/diluted</b>	<b><u>3.13</u></b>	<b><u>4.83</u></b>	<b><u>4.44</u></b>	<b><u>5.91</u></b>

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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 31<sup>st</sup> December 2014:-

	As at 31/12/2014 RM'000
Loan given by a licensed money lending subsidiary within the Group to third parties	2,008
Less : Impairment /written off of default loan receivables	<u>(2,008)</u>
Total	<u>-</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 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 30<sup>th</sup> June 2014 were reported without any qualification.