
A. Notes to the financial report for the third financial quarter ended 31 March 2015

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 2014.

The auditors' report on the financial statements of the Group for the financial year ended 30th 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 30th 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

A first and final single tier exempt dividend of 3.0 sen per ordinary share in respect of financial year ended 30.6.14 was paid on 20th January 2015. (31.3.2014 : 2.0 sen)

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 31/3/2015	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	15,371	49,734	15,919	2	5,226	-	-	86,252
Intersegment revenue	480	14	-	-	295	4,515	(5,304)	-
Interest income	45	43	19	1	13	238	-	359
Interest expense	-	117	-	-	-	7	(7)	117
Depreciation and amortisation	246	2,540	496	-	363	48	-	3,693
Tax expense	204	1,999	-	-	178	-	-	2,381
Reportable segment profit/(loss) after taxation	634	4,881	1,876	(446)	652	1,879	(3,217)	6,259
Reportable segment assets	11,105	74,785	19,026	35,645	19,522	89,864	(71,926)	178,022
Expenditure for non-current assets	792	4,143	112	677	2,070	7	-	7,801
Reportable segment liabilities	5,244	22,767	4,530	20,800	10,579	9,197	(29,855)	43,262

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Corresponding Period ended 31/3/2014	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	13,231	47,669	9,258	-	626	172	-	70,956
Intersegment revenue	87	24	-	-	-	1,2606	(1,371)	-
Interest income	28	55	35	-	1	337	-	456
Interest expense	-	113	-	-	20	-	(20)	113
Depreciation and amortisation	263	3,113	568	-	180	214	-	4,338
Tax expense	250	1,171	-	-	-	40	-	1,462
Reportable segment profit/(loss) after taxation	692	3,805	▲5,939	(67)	●1,371	(364)	(623)	10,753
Reportable segment assets	11,001	55,075	21,997	28,517	19,682	91,201	(74,571)	152,902
Expenditure for non-current assets	56	6,652	367	14,530	18	14	-	21,689
Reportable segment liabilities	4,368	19,117	2,562	13,666	4,956	2,902	(24,430)	23,141

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

● Inclusive of a bad debt recovered of RM 1.44 million

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 :

	31.3.2015 (RM'000)	31.3.2014 (RM'000)
Malaysia	50,907	39,720
Singapore	13,061	11,220
United States of America	12,073	9,723
China	3,319	5,510
United Kingdom	3,731	2,302
Other Asia Pacific Countries	3,161	2,481
Total	86,252	70,956

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 18th May 2015, Kobay Systems Sdn Bhd ("Ksys"), a wholly owned subsidiary of Kobay, has entered into a Joint Development Agreement ("JDA") with two individuals for the development of Lot 57472, Mukim Batu, Kuala Lumpur, Wilayah Persekutuan under Geran Mukim Hakmilik No.9112 measuring approximately 0.6802 Hectare. Ksys has also entered into an Arrangement Agreement with Messrs. G Capital Sdn Bhd, a Company that has initiated and negotiated for the JDA, to lay down the Arranger's entitlement.

On the even date, Kobay has acquired two dormant companies, namely Upfront Project Sdn Bhd and Ultimate Sanctuary Sdn Bhd, for cash consideration of RM1,790 each. Following the acquisitions, both companies become wholly owned subsidiary companies of Kobay.

Save for 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

On 13th February 2015, Kobay has acquired additional 30% equity interest in Kobay Systems Sdn Bhd ("KSys") from an individual for a cash consideration of RM30,000.00. Subsequent to the acquisition, Ksys has become a 100% owned subsidiary of Kobay.

Other than the above, there were no major changes in the composition of the Group during the financial quarter ended 31st March 2015.

11. Contingent assets and contingent liabilities

There were no contingent assets or liabilities as at the date of the report. (31.3.2014: 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 31st March 2015.

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

1. Review of performance

The Group recorded revenue of RM 32.72 million, with a profit after tax of RM 3.31 million for current quarter. As compared to preceding year corresponding period, the revenue increased by 45.6% but profit after tax decreased by 50.1%. The reduction in profit after tax was due to inclusion of gain on disposal of factory property of RM 5.81 million in preceding corresponding period. Should the said gain be excluded from the comparison, the preceding corresponding quarter recorded a profit of RM 0.82 million compared to profit of RM 3.31 million for the current quarter, represented an increase of profit by RM2.5 million in current quarter.

The precision metal components segment has recorded revenue of RM16.44 million and profit after tax of RM2.22 million for current quarter, which represented 12.1% increase in revenue and 81.9% increase in profit after tax as compared to preceding corresponding quarter. The favorite variance mainly driven by growth in high-value added products in aerospace business, expanded external market, disposal of a loss making China subsidiary and currency gain from weakening Ringgit.

The metal fabrication segment has recorded revenue of RM 6.67 million and profit after tax of RM 1.09 million, represented an increase of 154% in revenue and 183% in profit after tax, should the gain on disposal of factory property of RM 5.81 million in preceding corresponding quarter be excluded from comparison. The high incoming orders in past quarters has caused the performance to double up as compared to Quarter 3 2014.

The precision tooling & equipment segment has maintained its performance at breakeven. No significant breakthrough as compared to preceding corresponding quarter.

The other operating segments has recorded a profit after tax of RM 0.65 million in current quarter, mainly from rental income and sales from trading business.

For year to-date, the Group recorded revenue of RM 86.25 million, with a profit after tax of RM 6.25 million. Compared to preceding corresponding period, revenue increased by 21% and profit after tax decreased by 42%. Should the gain on disposal of factory property of RM 5.81 million and bad debts recovered of RM 1.41 million captured in preceding year corresponding period be excluded from comparison, the Group would have reported an improved profit after tax of 78% in current year to-date period.

In overall, all segments reported positive performance especially in Quarter 2 and Quarter 3 of FYE 2015 as compared to FYE 2014. The move towards expanded export markets and high value added products have driven significant growth for the precision metal components segment.

Meanwhile, the increase in revenue by 72% for metal fabrication segment and improvement in its productivity and efficiency has also contributed positive growth to the Group.

2. Comparison with preceding quarter's results

The Group reported revenue of RM 32.72 million and profit after tax of RM 3.31 million during the quarter, posted an increase of 13% in revenue and 63% in profit after tax as compared to preceding quarter.

The precision metal components segment remains its profit momentum in current quarter with slightly better results mainly contributed from currency gain from export sales, and the disposal of its loss making china operation which cut down the negative impact to the segment.

The enhanced production output and better margin sales mix for metal fabrication segments has contributed to the improved performance for the quarter. Both revenue and profit after tax had increased by 12% and 75% respectively as compared to preceding quarter.

Besides, the other operating segments have shown a positive turnaround results from the additional rental income and sales from its trading activities.

3. Commentary on the prospects of the Group

The Group is expected to sustain its positive results for the remaining quarter of the financial year.

Looking ahead, the precision metal component segment will focus on penetrating into export market on high value products for sectors in aerospace and medical.

The metal fabrication segment will continue to broaden its customer base and product range apart from enhancing the segment's productivity and quality.

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

The property development segment is hopeful to obtain approvals from relevant authorities for at least one of its projects by end of FYE 2015 and to be launched by 1st Quarter of FYE 2016.

Overall, the Group will continue to penetrate into higher value-added products, expanding overseas customer base, focus on operations reformation to ensure we stay 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.

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	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year quarter ended 31/3/2015	Preceding Year Corresponding quarter ended 31/3/2014	Current Year to date 31/3/2015	Preceding Corresponding Period 31/3/2014
Group	RM'000	RM'000	RM '000	RM '000
Profit for the period is arrived at after (crediting)/charging :-				
Interest income	(47)	(81)	(359)	(456)
Interest expenses	49	39	117	113
Depreciation of property, plant and equipment	1,547	1,563	3,693	4,338
Loss/(Gain) on disposal of property, plant and equipment	43	(6,152)	97	(6,268)
Gain on forex	(588)	(149)	(705)	(425)
Loss on derivatives	-	-	-	51
Bad debts recovered	(2)	(65)	(2)	(1,508)
Property, plant and equipment written off	-	4	10	8

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:-

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year quarter ended 31/3/2015	Preceding Year Corresponding quarter ended 31/3/2014	Current Year to date 31/3/2015	Preceding Year Corresponding Period 31/3/2014
	RM '000	RM '000	RM '000	RM '000
Current tax	(1,142)	(594)	(2,338)	(1,191)
Deferred tax	17	(31)	(43)	(271)
	<u>(1,125)</u>	<u>(625)</u>	<u>(2,381)</u>	<u>(1,462)</u>

The effective tax rates for the cumulative 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.

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7. Status of corporate proposals

On 6th January 2015, Kobay has entered into a Share Sale Agreement to dispose off its entire equity interest in Lipo Precision Industry (Suzhou) Co Ltd ("LPI") to a third party for RMB9.8 million. As at the date of reporting, the proposal still pending the final approval from the State Administration for Industry and Commerce of the People's Republic of China.

Other than 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

Particular of the loan and borrowing for the Group as at 31st March 2015:-

<u>Short Term Loan & Borrowing</u>	Total Loan And Borrowing (RM'000) 31/3/2015	Total Loan And Borrowing (RM'000) 31/3/2014
Repayable within 12 months	621	1,237
Repayable later than 12 months	10,818 #	10,326
Total	11,439	11,563

There is a term loan of RM9.02 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

	31/3/2015 RM'000	31/3/2014 RM'000
<i>Total retained profits of the Company and its subsidiaries</i>		
Realised	67,879	61,078
Unrealised	(1,161)	(3,982)
	<u>66,718</u>	<u>57,096</u>
Consolidation adjustments and eliminations	(5,574)	417
	<u>61,144</u>	<u>57,513</u>

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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 31st March 2015 (31.3.2014 : Nil).

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/3/2015 RM '000	Preceding Year Corresponding quarter ended 31/3/2014 RM '000	Current Year to date 31/3/2015 RM '000	Preceding Year Corresponding Period 31/3/2014 RM '000
Profit attributable to ordinary equity holders of the parent	3,083	6,567	6,076	10,548
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>
Earning per share (sen)				
Basic/diluted	<u>4.58</u>	<u>9.75</u>	<u>9.02</u>	<u>15.66</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.

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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 2015 :-

	As at 31/3/2015 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 30th June 2014 were reported without any qualification.