
A. Notes to the financial report for the third financial quarter ended 31 March 2016

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 2015.

The auditors' report on the financial statements of the Group for the financial year ended 30th June 2015 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 June 2015.

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 the Construction of Real Estate*, including their parents, significant investors and joint venturers ("Transitioning Entities"). As announced by the MASB on 8 September 2015, Transitioning Entities are allowed to defer the adoption of the MFRS Framework to annual periods beginning on or after 1 January 2018.

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 2019. 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.

A. Notes to the financial report for the third financial quarter ended 31 March 2016

3. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that unusual because of their nature, size or incidence

Kobay, via its wholly owned subsidiary, Ultimate Sanctuary Sdn Bhd ("USSB"), intended to enter into a joint development project with the landowner of a piece of land located in the Selangor state ("the Landowner"). The Solicitor who claimed to be the solicitor cum stakeholder acting for the Landowner ("The Stakeholder") requested USSB to place a sum of RM3,400,000 ("the stakeholder sum") with the said Stakeholder as proof of funds, pending execution of the joint development agreement. On 9 September 2015, USSB vide its appointed legal counsel, paid the said stakeholder sum on condition and with the Stakeholder's undertaking not to release the stakeholder sum until execution of the joint development agreement ("JDA"). The JDA shall be finalized and executed on or before 31 October 2015, failing which, the Stakeholder shall refund the stakeholder sum together with interest.

The JDA did not materialize by 31 October 2015 but the Stakeholder failed to refund the said stakeholder sum according to the undertakings. Thereafter, the Stakeholder provided numerous written undertakings and promises to refund the stakeholder sum but failed.

On 27 November 2015, the Company had lodged a police report against the Stakeholder and the case is investigated under Section 420 of the Penal Code.

On 21 March 2016, the Stakeholder's firm gave an undertaking letter to USSB committed to refund the stakeholder sum by 31 March 2016, but again the undertaking was not fulfilled on the due date. Subsequently, there were active follow up and communications with the Stakeholder and a few more undertakings were provided by the Stakeholder.

As the recoverability of the stakeholder sum is in doubt, the Company has made a full impairment on the receivable in the current quarter.

Save for the above, there were no unusual items affecting assets, liabilities, equity, net income or cash flows 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 the estimates that have a material effect in the current quarter under review.

A. Notes to the financial report for the third financial quarter ended 31 March 2016

5. Issuance, cancellations, repurchases, resale or repayments of debts and equity securities

During the quarter under review, the Company resold its treasury shares of 198,500 shares at an average price of RM2.06 per share.

Other than the above, there were no issuance, cancellations, repurchase and repayments of debts and equity securities during the current quarter under review.

6. Dividend Paid

A first and final single tier exempt dividend of 3.0 sen per ordinary share in respect of financial year ended 30.6.15 was paid on 20th January 2016. (31.3.2015 : 3.0 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.

A. Notes to the financial report for the third financial quarter ended 31 March 2016

7. Segment Information (cont'd)

Current Period ended 31.3.2016	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	9,131	50,515	12,381	-	2,068	-	-	74,095
Intersegment revenue	466	301	-	-	865	7,674	(9,306)	-
Interest income	33	84	58	9	19	44		247
Interest expense	-	64	-	173	-	48	(179)	106
Depreciation and amortisation	205	3,048	526	20	379	71		4,249
Tax expense	15	1,416	7	-	251	7	-	1,696
Reportable segment profit/(loss) after taxation	18	5,842	1,118	(1,437)	612	# 3,332	(7,160)	2,325
Reportable segment assets	8,862	74,238	15,781	49,121	17,509	100,760	(93,080)	173,191
Expenditure for non-current assets	250	4,242	91	6,337	18	335	-	11,273
Reportable segment liabilities	2,621	18,361	1,874	10,267	2,399	16,673	(17,727)	34,468

Inclusive of the impairment loss on loan and receivable amounted to RM3.4 million as stated in Part A(3).

A. Notes to the financial report for the third financial quarter ended 31 March 2016

7. Segment Information (cont'd)

Corresponding 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)	178,021
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

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 :

	Current Year todate 31.3.2016 RM'000	Preceding Corresponding Period 31.3.2015 RM'000
Malaysia	40,816	50,907
United States of America	13,945	12,073
Singapore	11,979	13,061
United Kingdom	2,952	3,731
Europe	447	193
Other Foreign Countries	3,956	6,287
	<u>74,095</u>	<u>86,252</u>

A. Notes to the financial report for the third financial quarter ended 31 March 2016

7. Segment Information (cont'd)

Information about major customer

For the financial quarter ended 31 March 2016, 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 material events subsequent to the end of the reporting period that have not been reflected in the financial statements.

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 March 2016.

11. Contingent assets and contingent liabilities

There were no contingent assets or liabilities as at the date of the report. (31.3.2015 : 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 recognised in the interim financial statement as at 31 March 2016 were as follows :-

	31.3.2016 RM'000	31.3.2015 RM'000
Approved but not contracted :- Property, Plant and Equipment	-	-
Contracted but not provided for :- Property, Plant and Equipment	1,083	-

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

	INDIVIDUAL PERIOD			CUMULATIVE PERIOD		
	Current Year quarter ended	Preceding Year Corresponding quarter ended	Variance	Current Year todate	Preceding Corresponding Period	Variance
	31.3.2016	31.3.2015		31.3.2016	31.3.2015	
Operating Segment	RM'000	RM'000	%	RM'000	RM'000	%
Revenue:-						
Precision Tooling & Equipment	3,312	5,141	-35.6%	9,131	15,371	-40.6%
Precision Metal Components	15,970	16,440	-2.9%	50,515	49,734	1.6%
Metal Fabrication	2,758	6,677	-58.7%	12,381	15,919	-22.2%
Property Development	-	-	-	-	-	-
Other operating segments	992	4,470	-77.8%	2,068	5,226	-60.4%
Unallocated non-operating segments	-	-	-100.0%	-	2	-100.0%
	<u>23,032</u>	<u>32,728</u>		<u>74,095</u>	<u>86,252</u>	
(Loss)/Profit before tax:-						
Precision Tooling & Equipment	158	497	-68.2%	33	838	-96.1%
Precision Metal Components	1,807	3,147	-42.6%	7,258	6,880	5.5%
Metal Fabrication	190	1,097	-82.7%	1,125	1,876	-40.0%
Property Development	(649)	(218)	197.7%	(1,439)	(446)	222.6%
Other operating segments	302	666	-54.7%	863	830	4.0%
Unallocated non-operating segments	(1,146)	2,730	-142.0%	3,340	1,879	77.8%
	<u>662</u>	<u>7,919</u>		<u>11,180</u>	<u>11,857</u>	
Consolidation adjustments and eliminations	(3,200)	(3,483)		(7,159)	(3,217)	
	<u>(2,538)</u>	<u>4,436</u>		<u>4,021</u>	<u>8,640</u>	

The performance of all segments in the Group have dropped in current quarter as compared to preceding year corresponding quarter.

The precision metal components segment recorded a decrease in profit before tax of 42.6% for current quarter as compared to preceding year corresponding quarter. The strengthened of Malaysian Ringgit against the US dollar in the 3rd quarter of FYE 2016 have caused the exchange loss on proceeds from export market. However, for year to-date, the segment still outperformed as compared to preceding year mainly contributed from higher incoming orders from both existing and new customers, currency gain from weakening Ringgit in the first half of FYE 2016 and the disposal of its loss making China operation.

The metal fabrication segment recorded lower profit before tax for both current quarter and year to-date as compared to preceding corresponding period mainly due to drop in incoming orders. Oil price fell markedly since first half of FYE 2016, which caused severe impact to the oil and gas business.

The precision tooling & equipment segment recorded lower profit before tax for current quarter under review and current year to-date mainly due to shrinking of revenue and facing of price competition as compared to previous corresponding quarter.

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

The property development segment was still operating at losses pending for project kick off in coming 6 months.

The other operating segments have recorded an unfavorable profit before tax for current quarter under review mainly due to the underperformed of its hotel operations and supply of engineering services.

Under the unallocated non-operating segments, there was an impairment on loan and receivable of RM3.4 million on a stakeholder sum given to a joint development project. The detail as disclosed in Part A (3).

2. Comparison with preceding quarter's results

The precision metal components segment recorded a decrease in revenue and profit before tax by 10.2% and 44.6% respectively. The rebound of Ringgit Malaysia in current quarter has adversely impacted the profit margin for export market.

The precision tooling & equipment segment has slight improvement in current quarter mainly due to delivery of better margin project sales.

The metal fabrication segment recorded a further decrease of 34.7% in revenue due to the significant drop in incoming orders arising from the cut down in crude oil production.

The unallocated non-operating segments recorded a loss before tax for current quarter, mainly due to an impairment loss on loan and receivable of RM3.4 million on a stakeholder sum given to a joint development project.

3. Commentary on the prospects of the Group

The precision metal component segment is expected to maintain its current performance for the coming quarters. The segment will continue to penetrate into export market on high value products for sectors in aerospace and medical.

The performance of metal fabrication segment is expected to be challenging in next quarter in view of the continuous low oil price that limit the oil production activities. However, the segment will continue its efforts to broaden its customer base and product range to overcome the downturn in oil & gas industry.

The performance of precision tooling & equipment segment is expected to remain flat in next quarter. Sales growth is expected to be slow due to cost control in semiconductor industry and price competitiveness in market.

The property development segment is expecting to kick off its project in coming 6 months with anticipation that it will help to mitigate the segment's losses.

Looking at the global headwinds and market volatility, the Group expects a less favorable performance in the second half and final quarter of FYE2016 but is cautiously optimistic to remain profitable in the current financial year.

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

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 31.3.2016	Preceding Year Corresponding quarter ended 31.3.2015	Current Year todate 31.3.2016	Preceding Corresponding Period 31.3.2015
Group	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after (crediting)/charging :-				
Interest income	(126)	(47)	(247)	(359)
Interest expenses	52	49	106	117
Depreciation of Property, plant and equipment	1,457	1,547	4,249	3,693
Impairment loss on loan and receivable	3,400	-	3,400	-
(Gain)/loss on disposal of property, plant and equipment	(7)	43	7	97
Property, plant and equipment written off	0	-	9	10
Loss/(Gain) on foreign exchange	829	(588)	(1,310)	(705)

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

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

6. Taxation

Taxation comprises the following:-

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year quarter ended 31.3.2016 RM'000	Preceding Year Corresponding quarter ended 31.3.2015 RM'000	Current Year todate 31.3.2016 RM'000	Preceding Corresponding Period 31.3.2015 RM'000
Current tax	342	(1,142)	(1,635)	(2,338)
Deferred tax	(312)	17	(61)	(43)
	<u>30</u>	<u>(1,125)</u>	<u>(1,696)</u>	<u>(2,381)</u>

The effective tax rate for the cumulative period is higher than the statutory tax rate mainly due to 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

On 29 December 2015, the Company announced the disposal of leasehold property by its wholly owned subsidiary, namely Paradigm Precision Machining Sdn Bhd. The proposed disposal is still pending completion as at the date of the report.

The leasehold property has been reclassified to non-current assets held for sale under the statement of financial positions.

8. Group borrowings and debts securities

Particular of the loans and borrowings for the Group as at 31 March 2016:-

	31.3.2016 RM'000	31.3.2015 RM'000
Repayable within 12 months	822	621
Repayable later than 12 months ^(a)	10,804	10,818
	<u>11,626</u>	<u>11,439</u>

^(a) Included herein is a term loan of RM9.36 million (31.3.2015: RM9.02 million) which carries no finance cost as the loan is offset with equivalent cash deposit that is available in the facility account.

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

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

	31.3.2016	31.3.2015
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realised	74,608	67,879
- Unrealised	(1,496)	(1,161)
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	73,112	66,718
Consolidation adjustments and eliminations	(6,920)	(5,574)
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	66,192	61,144
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12. Material litigation

There was 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 March 2016. (31.3.2015 : Nil).

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

14. Earnings Per Share ("EPS")

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year quarter ended 31.3.2016 RM'000	Preceding Year Corresponding quarter ended 31.3.2015 RM'000	Current Year todate 31.3.2016 RM'000	Preceding Corresponding Period 31.3.2015 RM'000
(Loss)/profit attributable to ordinary equity	(2,604)	3,083	2,316	6,076
Weighted average number of :				
- Issued ordinary shares at beginning of period	68,081	68,081	68,081	68,081
- Effect of Shares Buy Back	(182)	(728)	(182)	(728)
	67,899	67,353	67,899	67,353
(Loss)/earnings per Share (sen)	(3.84)	4.58	3.41	9.02

Diluted earnings per share are not disclosed herein as it is not applicable to the Group.

15. Audit report of preceding annual financial statements

The Group's audited financial statements for the year ended 30th June 2015 were reported without any qualification.