

**KOBAY TECHNOLOGY BHD (Co. No. 308279-A)**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DEC 2006**  
**(The figures have not been audited)**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	(Unaudited) Current Year quarter ended 31/12/2006 RM '000	Preceding Year Corresponding quarter ended 31/12/2005 RM '000	(Unaudited) Current Year todate 31/12/2006 RM '000	Preceding Year Corresponding period 31/12/2005 RM '000
Revenue	22,236	26,792	47,500	50,314
Operating expenses	(20,528)	(25,087)	(43,370)	(47,142)
Other operating income	220	665	476	840
Profit from operations	1,928	2,370	4,606	4,012
Finance costs	(332)	(284)	(619)	(499)
Share of profit/(losses) of associated companies	1,016	374	1,364	533
Profit before tax	2,612	2,460	5,351	4,046
Taxation				
- The Company and its subsidiaries	(202)	(392)	(575)	(548)
- Associated companies	(166)	(123)	(240)	(134)
Profit For The Period	<u>2,244</u>	<u>1,945</u>	<u>4,536</u>	<u>3,364</u>
Attributable to :				
Shareholders of the company	2,061	1,861	4,089	3,194
Minority interests	183	84	447	170
	<u>2,244</u>	<u>1,945</u>	<u>4,536</u>	<u>3,364</u>
Earnings per share (sen)				
- Basic	3.06	2.76	6.07	4.74
- Diluted	- *	- *	- *	- *

\*Antidiluted

**(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2006)**

**KOBAY TECHNOLOGY BHD**  
(Co. No. 308279-A)  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DEC 2006**

	(Unaudited) As at current quarter 31/12/2006 RM '000	<b>Restated</b> (Audited) As at preceding financial year 30/06/2006 RM '000
<b>Assets</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	18,553	19,500
Prepaid Lease Payments	4,992	5,048
Investment in associated companies	26,587	25,610
Long term investments	1,191	3,645
Goodwill on consolidation	-	78
Development Cost, at cost	514	512
	51,837	54,393
<b>Current Assets</b>		
Inventories	24,057	22,371
Trade receivables	22,408	25,194
Other receivables & prepaid expenses	2,650	1,279
Loan Receivables	2,421	610
Tax recoverable	1,963	1,671
Deposits	24,760	23,220
Cash and bank balances	5,943	3,277
	84,202	77,622
<b>Total Assets</b>	136,039	132,015
<b>Equity</b>		
Share capital	68,081	68,081
Reserves		
Share premium	1,680	1,680
Treasury shares	(888)	(888)
Capital reserve	-	1,609
Retained profit	34,209	28,511
Exchange fluctuation reserve	(10)	(74)
	34,991	30,838
Equity attributable to equity holders of the parent	103,072	98,919
Minority Interest	4,103	3,656
<b>Total Equity</b>	107,175	102,575
<b>Non-Current Liabilities</b>		
Deferred taxation	2,740	2,711
	2,740	2,711
<b>Current Liabilities</b>		
Trade payables	3,404	4,441
Other payables & accrued expenses	4,166	5,648
Short term borrowings	16,911	15,569
Tax liabilities	1,643	1,071
	26,124	26,729
<b>Total Liabilities</b>	28,864	29,440
<b>Total Equity and Liabilities</b>	136,039	132,015
Net assets per ordinary share attributable to equity holders of the parent(RM)	1.53	1.47

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2006)

# KOBAY TECHNOLOGY BHD

(Co. No. 308279-A)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DEC 2006

	(Unaudited) Period ended 31/12/2006 RM '000	(Unaudited) Period Ended 31/12/2005 RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	5,351	4,046
Adjustments for:		
- Non-cash items	957	1,110
- Share of profits in associated companies	(1,364)	(533)
- Non-operating items	878	94
Operating profit before changes in working capital	<u>5,822</u>	<u>4,717</u>
Changes in working capital:		
- Net change in current assets	(2,082)	(3,077)
- Net change in current liabilities	(2,519)	1,567
Net Cash generated from operating activities	<u>1,221</u>	<u>3,207</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Other investments	<u>2,261</u>	<u>2,228</u>
Net cash generated from investing activities	<u>2,261</u>	<u>2,228</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest expense	(619)	(499)
Increase of hire-purchase and bank borrowings	<u>1,342</u>	<u>1,429</u>
Net cash generated from financing activities	<u>723</u>	<u>930</u>
Net Change in Cash & Cash Equivalents	4,205	6,365
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<u>25,832</u>	<u>21,795</u>
<b>CASH &amp; CASH EQUIVALENTS AS AT END OF THE PERIOD</b>	<u><u>30,037</u></u>	<u><u>28,160</u></u>

# Note: Deposits amounting to RM665,605 (31.12.2005: RM664,502) have been pledged to local banks for bank guarantee facilities obtained by the Group as at 31 Dec 2006. As such, these amount are not included as cash and cash equivalents as at the aforementioned dates.

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2006)

**KOBAY TECHNOLOGY BHD**

(Co. No. 308279-A)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DEC 2006**

Group	Attributable to equity holders of the parent						Total	Minority Interest	Total Equity
	Share capital	Treasury shares	Share premium	Reserve on consolidation	Translation reserve	Retained profit			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>CURRENT YEAR</u></b>									
<b>As at 1 July, 2006</b>									
As previously reported	68,081	(888)	1,680	1,609	(74)	28,511	98,919	3,656	102,575
Effect of Adopting FRS 3				(1,609)		1,609	-		0
As restated	68,081	(888)	1,680	-	(74)	30,120	98,919	3,656	102,575
Translation differences in foreign subsidiaries					64		64		64
Net profit for the year						4,089	4,089	447	4,536
Balance as at 31 Dec, 2006	<u>68,081</u>	<u>(888)</u>	<u>1,680</u>	<u>-</u>	<u>(10)</u>	<u>34,209</u>	<u>103,072</u>	<u>4,103</u>	<u>107,175</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2006.)

**KOBAY TECHNOLOGY BHD**

(Co. No. 308279-A)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
INTERIM REPORT FOR THE THREE MONTHS ENDED 31 DECEMBER 2005**

<b>Group</b>	← <b>Attributable to equity holders of the parent</b> →						Total	Minority Interest	Total Equity
	Share capital	Treasury shares	Share premium	Reserve on consolidation	Translation reserve	Retained profit			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>CURRENT PERIOD</u></b>									
As at 1 July, 2005	68,081	(888)	1,680	1,609	(70)	26,653	97,065	3,567	100,632
Translation differences in foreign subsidiaries					70		70		70
Net profit for the period						3,194	3,194	170	3,364
Balance as at 31 DEC 2005	<u>68,081</u>	<u>(888)</u>	<u>1,680</u>	<u>1,609</u>	<u>-</u>	<u>29,847</u>	<u>100,329</u>	<u>3,737</u>	<u>104,066</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2005.)

## KOBAY TECHNOLOGY BHD (Co. No. 308279-A)

### A. Notes to the interim financial report for the second financial quarter ended 31 Dec 2006

#### 1. Basis of preparation

This interim financial report, which is unaudited has been prepared in accordance with FRS 134 'Interim Financial Reporting' and Chapter 9, Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), and should be read in conjunction with the Group's annual audited financial statements for the year ended 30 June 2006.

The interim financial report has been prepared based on the accounting policies and methods of computation consistent with those adopted for the annual audited financial statements for the year ended 30 June 2006 except for the adoption of the following new/revised FRS for the group's financial period beginning 1 July 2006 :

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 121	The effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of the above standards does not have significant financial impact on the Group except for the following :

##### a) FRS 3 Business Combinations

FRS 3 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses and prohibits the amortization of goodwill. Periodic impairment reviews are required under FRS 136 Impairment of Assets. Previously, the Group carried goodwill in its balance sheet at cost less accumulated amortization. Amortization was charged out over the estimated useful life of the goodwill, subject to the presumption that the maximum useful life of goodwill was 25 years. In accordance with the transitional rules of FRS 3, the Group has discontinued amortizing such goodwill and has tested the goodwill for impairment in accordance with FRS 136. As a result from the impairment test, the remaining amount of goodwill brought forward as at 1st July 2006 amounting RM78,203 has been charged to income statement as impairment for goodwill.

Under FRS 3, negative goodwill, which represents the excess in fair value of the net identifiable assets acquired over the cost of the acquisition, after reassessment, is now recognized immediately to the income statement. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1st July 2006 amounting RM1,609,000 was derecognized with a corresponding increase in retained earnings.

##### b) FRS 101 Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after tax results of associates and other disclosures. Minority interests are now presented within total equity in the consolidated balance sheet and as an allocation from net profit for the period in the consolidated income statement. The movement of minority interests is now presented in the consolidated statement of changes in equity. The presentation of the comparative financial statements of the Group has been restated to conform with the current period's presentation.

c) FRS 117 Leases

Prior to 1<sup>st</sup> July 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated amortization. The land was last revalued in year 1997. With the early adoption of FRS 117, the unamortized revalued amount will be reclassified as prepaid lease payments. Such prepaid lease payments will be amortized over the remaining lease term of the land.

The following comparative amounts have been restated due to the adoption of the revised FRS :

	As Previously Reported (RM'000)	Effect of adopting FRS 117 (RM'000)	As Restated (RM'000)
As at 30 <sup>th</sup> June 2006			
Property, Plant & Equipment	24,548	(5,048)	19,500
Prepaid Lease Payments	-	5,048	5,048

d) FRS 136 Impairment of Assets

With the adoption of FRS 136, an asset's carrying amount should not more than its recoverable amount. If an assets is carried more than its recoverable amount, the Standard requires the entity to recognize an impairment loss.

During the quarter under review, the Group does not make any provision for impairment loss on its investment in associates as the estimated value in use of the assets exceeds its carrying amount.

2. **Audit report of preceding annual financial statements**

The Group's audited financial statements for the year ended 30 June 2006 were reported without any qualification.

3. **Seasonal or cyclical operations**

The business operations of the Group are subject to cyclical effects of the global semiconductors and electronics industries.

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

There were no item affecting the assets, liabilities, equity, net income or cash flows of the Group that are unusual because of their nature, size or incidence during the current quarter under review.

5. **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.

6. **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

7. **Dividend Paid**

There were no dividend paid during the quarter under review and financial year to date (31.12.2005 : Nil).

**KOBAY TECHNOLOGY BHD (Co. No. 308279-A)**
**8. Segment report**

The segment information by activities and by geographical regions for the current finance year to date are as follows : -

**a) Segment information by activities**

Current Period Ended 31/12/06 (RM'000)	Investment				Eliminations	Consolidated Amount
	Manufacturing	Trading	Holdings	Others		
<b>REVENUE</b>						
External sales	23,657	23,379	380	84		47,500
Inter-segment sales	2,779	1	1,987	683	(5,450)	0
	<b>26,436</b>	<b>23,380</b>	<b>2,367</b>	<b>767</b>	<b>(5,450)</b>	<b>47,500</b>
<b>RESULTS</b>						
Profit/(loss) from operations	4,765	750	1,832	(733)	(2,008)	4,606
Finance costs	(218)	(726)	0	0	325	(619)
Share of profit of associated co	0	0	0	0	1,364	1,364
Profit/(loss) before tax	4,547	24	1,832	(733)	(319)	5,351
Income tax expense	(525)	(65)	(1)	(54)	(170)	(815)
Profit/(loss) after tax	4,022	(41)	1,831	(787)	(489)	4,536
<b>OTHER INFORMATION</b>						
Capital additions	134	0	67	0	(2)	199
Depreciation and amortisation	777	0	56	124	0	957
<b>SEGMENTAL ASSETS</b>						
Segments assets	46,276	25,782	62,294	22,166	(49,029)	107,489
Investment in associated co	0	0	22,964	0	3,623	26,587
Income tax assets	502	42	1,290	129	0	1,963
Consolidated total assets	46,778	25,824	86,548	22,295	(45,406)	136,039
<b>SEGMENTAL LIABILITIES</b>						
Segment liabilities	18,453	21,458	4,374	10,131	(29,935)	24,481
Income tax liabilities	1,735	0	0	2,469	179	4,383
Consolidated total liabilities	20,188	21,458	4,374	12,600	(29,756)	28,864

**b) Segment information by geographical regions**

The following is an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	<b>31/12/2006</b>
	<b>RM'000</b>
Malaysia	38,365
Europe	4,257
United State of America	1,235
Asian Countries	3,643
	<u>47,500</u>

The following is an analysis of the carrying amount of segment assets and capital additions by the geographical area in which the assets are located :

	<b>Carrying amount of segment assets 31/12/06 RM'000</b>	<b>Capital additions 31/12/06 RM'000</b>
Malaysia	104,757	189
China	2,694	10
Philippines	38	0
Thailand	0	0
	<u>107,489</u>	<u>199</u>



## KOBAY TECHNOLOGY BHD (Co. No. 308279-A)

### 9. Valuation of property, plant and equipment

The valuation of property, plant and equipment have been brought forward without any amendment from the previous annual report.

### 10. Subsequent events

There were no material events subsequent to the end of the reporting period.

### 11. Changes in the composition of the group

There were no changes in the composition of the Group during the quarter under review.

### 12. Contingent assets and contingent liabilities

The contingent liabilities of the Company amounting to RM14.5 million as at the date of this report, comprised of corporate guarantees issued by the Company to financial institutions for financing facilities granted to its subsidiary companies (31.12.2005: RM 12.55 million). There is no contingent asset for the current quarter and financial year-to-date.

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

### 1. Review of performance

Revenue of RM22.23 Million was 17% lower as compared to the preceding year corresponding quarter whilst profit before tax has increased 6.0% from RM2.46 Million to RM2.61 Million.

The Group's revenue for 6 months ended 31<sup>st</sup> Dec. 2006 stood at RM47.5million, 5.5% lower as compared to RM50.3 million for corresponding period ended 31<sup>st</sup> Dec 2005. Profit before tax for the period has increased by 32.2% from RM4.04 Million to RM5.35 Million as compared to the corresponding period.

The improvement in earning was attributable to better sales mix and also improved share of profit from the group's associated company.

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

As compared to previous quarter, total group revenue has decreased from RM25.26Million to RM22.23 Million. Corresponding to the drop in revenue, profit before tax has also decreased 4.6% from RM2.73 Million in previous quarter to RM2.61Million in the current quarter.

### 3. Current year prospect

Barring any unforeseen circumstances, the Board are confident that the group will continue to perform satisfactory in the coming quarters.

### 4. Variance on forecast profit/profit guarantee

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

### 5. Taxation

Taxation comprises the following :-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2006 RM '000	Preceding Year Corresponding quarter ended 31/12/2005 RM '000	Current Year todate 31/12/2006 RM '000	Preceding Year Corresponding period 31/12/2005 RM '000
Current year	(210)	(374)	(546)	(576)
Deferred tax	8	(18)	(29)	28
	(202)	(392)	(575)	(548)
Share of tax in associated companies	(166)	(123)	(240)	(134)
	(368)	(515)	(815)	(682)

## KOBAY TECHNOLOGY BHD (Co. No. 308279-A)

### 6. Profit / (loss) on sale of investments and/or properties

There were no profits on sale of unquoted investments and/or properties for the current quarter

### 7. Purchases and sales of quoted securities and unit trusts

- (a) Total purchase or disposal of quoted securities and unit trusts, and profit therefrom for the current quarter and financial year-to-date are as follows :

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2006 RM '000	Preceding Year Corresponding quarter ended 31/12/2005 RM '000	Current Year todate 31/12/2006 RM '000	Preceding Year Corresponding period 31/12/2005 RM '000
(i) Total purchase	87	54	87	54
(ii) Total disposal	147	149	147	149
(iii) Profit on disposal	21	21	21	21

- (b) Total quoted investment as at end of the current quarter are as follows :

	RM '000
(i) At cost	325
(ii) At carrying value/book value	325
(iii) At market value	261

### 8. Status of corporate proposals

There were no corporate proposals announced as at the date of this interim report but pending completion.

### 9. Group borrowings

	Current Period As at 31/12/2006 RM '000	Preceding Year As at 31/12/2005 RM '000
Short term - secured	16,911	15,654
Long term - secured	-	-
	<u>16,911</u>	<u>15,654</u>

There were no foreign borrowings as at the date of this report.

### 10. Off balance sheet financial instruments

The Group did not enter into any off balance sheet financial instruments as at the date of this report.

### 11. Material litigation

The Group is not engaged in any material litigation as at the date of this report except for the claims against one of the shareholders of its subsidiary as reported in the previous quarters.

### 12. Dividend

At the Annual General Meeting held on 20<sup>th</sup> December 2006, the shareholders had approved the payment of first and final tax exempt dividend of 3.5% in respect of the financial year ended 30 June 2006. (31.12.2005 : First and final tax exempt dividend of 3%). The dividend will be paid on 28/02/2007.

**KOBAY TECHNOLOGY BHD (Co. No. 308279-A)**

**13. Earnings Per Share**

**(a) Basic earnings per share**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2006 RM '000	Preceding Year Corresponding quarter ended 31/12/2005 RM '000	Current Year to date 31/12/2006 RM '000	Preceding Year Corresponding period 31/12/2005 RM '000
Net profit after MI for the period	2,061	1,861	4,089	3,194
Issued ordinary shares at beginning of period	68,081	68,081	68,081	68,081
Effect of Shares Buy Back	(728)	(728)	(728)	(728)
Effect of bonus issue	0	0	0	0
Effect of exercise of ESOS	0	0	0	0
Weighted average number of ordinary shares	<u>67,353</u>	<u>67,353</u>	<u>67,353</u>	<u>67,353</u>
Basic earnings per share (sen)	3.06	2.76	6.07	4.74

**(b) Diluted earnings per share**

Net profit after MI for the period	2,061	1,861	4,089	3,194
Number of ordinary shares ('000)	67,353	67,353	67,353	67,353
Weighted average number of shares under option during this financial year ('000)	4,206	5,182	4,206	5,182
Average fair value of one ordinary share during the period (RM)	0.70	0.75	0.70	0.75
Exercise price for share under option during this financial year (RM)	1.20	1.20	1.20	1.20
Number of shares that would have been issued at fair value: (4,206,000 x 1.20)/0.70	(7,210)	(8,291)	(7,210)	(8,291)
Adjusted weighted average number of ordinary shares in issue and under option ('000)	64,349	64,244	64,349	64,244
Diluted earnings per share (sen)	- *	- *	- *	- *

\*Antidiluted

**14. Authorisation for issuance of the interim financial statements**

On 08 Feb 2007, the Board of Directors authorised the issuance of these interim financial statements.