

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)
CONDENSED CONSOLIDATED INCOME STATEMENT
INTERIM REPORT FOR THE NINE MONTHS ENDED 31 MARCH 2007
(The figures have not been audited)

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	(Unaudited) Current Year quarter ended 31/3/2007 RM '000	Preceding Year Corresponding quarter ended 31/3/2006 RM '000	(Unaudited) Current Year todate 31/3/2007 RM '000	Preceding Year Corresponding period 31/3/2006 RM '000
Revenue	19,672	23,325	67,172	73,639
Operating expenses	(19,165)	(22,160)	(62,535)	(69,302)
Other operating income	375	391	851	1,231
Profit from operations	882	1,556	5,488	5,568
Finance costs	(270)	(261)	(889)	(760)
Share of profit of associated companies	467	119	1,591	518
Profit before tax	1,079	1,414	6,190	5,326
Tax expense	(405)	(587)	(980)	(1,135)
Profit For The Period	<u>674</u>	<u>827</u>	<u>5,210</u>	<u>4,191</u>
Attributable to :				
Equity holders of the parent	619	733	4,708	3,927
Minority interests	55	94	502	264
	<u>674</u>	<u>827</u>	<u>5,210</u>	<u>4,191</u>
Earnings per share (sen)				
- Basic	0.92	1.09	6.99	5.83
- 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 MARCH 2007

	(Unaudited) As at current quarter 31/3/2007 RM '000	Restated (Audited) As at preceding financial year 30/06/2006 RM '000
Assets		
Non-Current Assets		
Property, plant and equipment	19,118	19,500
Prepaid Lease Payments	4,957	5,048
Investment in associated companies	27,109	25,610
Long term investments	1,118	3,645
Goodwill on consolidation	-	78
Development Cost, at cost	514	512
	52,816	54,393
Current Assets		
Inventories	22,376	22,371
Trade receivables	21,221	25,194
Other receivables & prepaid expenses	2,464	1,279
Loan Receivables	2,614	610
Tax recoverable	1,845	1,671
Deposits	21,096	23,220
Cash and bank balances	4,740	3,277
	76,356	77,622
Total Assets	129,172	132,015
Equity		
Share capital	68,081	68,081
Reserves		
Share premium	1,680	1,680
Treasury shares	(888)	(888)
Capital reserve	-	1,609
Retained profit	32,471	28,511
Exchange fluctuation reserve	(25)	(74)
	33,238	30,838
Equity attributable to equity holders of the parent	101,319	98,919
Minority Interest	4,020	3,656
Total Equity	105,339	102,575
Non-Current Liabilities		
Deferred taxation	2,726	2,711
	2,726	2,711
Current Liabilities		
Trade payables	2,025	4,441
Other payables & accrued expenses	3,197	5,648
Short term borrowings	14,485	15,569
Tax liabilities	1,400	1,071
	21,107	26,729
Total Liabilities	23,833	29,440
Total Equity and Liabilities	129,172	132,015
Net assets per ordinary share attributable to equity holders of the parent(RM)	1.50	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 NINE MONTHS ENDED 31 MARCH 2007

	(Unaudited) Period ended 31/3/2007 RM '000	(Unaudited) Period Ended 31/3/2006 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,190	5,326
Adjustments for:		
- Non-cash items	1,367	1,658
- Share of profits in associated companies	(1,591)	(518)
- Non-operating items	253	2,946
Operating profit before changes in working capital	6,219	9,412
Changes in working capital:		
- Net change in current assets	605	(7,277)
- Net change in current liabilities	(4,538)	2,139
Net Cash generated from operating activities	2,286	4,274
CASH FLOWS FROM INVESTING ACTIVITIES		
Other investments	1,334	1,226
Net cash generated from investing activities	1,334	1,226
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest expense	(703)	(760)
Dividend paid	(2,495)	(2,157)
(Decrease)/Increase of hire-purchase and bank borrowings	(1,084)	3,294
Net cash generated from financing activities	(4,282)	377
Net Change in Cash & Cash Equivalents	(662)	5,877
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	25,832	21,795
CASH & CASH EQUIVALENTS AS AT END OF THE PERIOD	25,170	27,672

Note: Deposits amounting to RM665,605 (31.3.2006: RM664,502) have been pledged to local banks for bank guarantee facilities obtained by the Group as at 31 March 2007. 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)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
INTERIM REPORT FOR THE NINE MONTHS ENDED 31 MARCH 2007**

Group	Attributable to equity holders of the parent					Retained profit	Total	Minority Interest	Total Equity
	Share capital	Treasury shares	Share premium	Reserve on consolidation	Translation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>CURRENT YEAR</u>									
As at 1 July, 2006									
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	-	-	-
As restated	68,081	(888)	1,680	-	(74)	30,120	98,919	3,656	102,575
Translation differences in foreign subsidiaries					49		49		49
Net profit for the year						4,708	4,708	502	5,210
Dividend						(2,357)	(2,357)	(138)	(2,495)
Balance as at 31 March, 2007	<u>68,081</u>	<u>(888)</u>	<u>1,680</u>	<u>-</u>	<u>(25)</u>	<u>32,471</u>	<u>101,319</u>	<u>4,020</u>	<u>105,339</u>

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

Group	← Attributable to equity holders of the parent →					Retained profit	Total	Minority Interest	Total Equity
	Share capital	Treasury shares	Share premium	Reserve on consolidation	Translation reserve				
<u>CURRENT PERIOD</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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					59		59		59
Net profit for the period						3,927	3,927	264	4,191
Dividend						(2,157)	(2,157)	(5)	(2,162)
Balance as at 31 March, 2006	<u>68,081</u>	<u>(888)</u>	<u>1,680</u>	<u>1,609</u>	<u>(11)</u>	<u>28,423</u>	<u>98,894</u>	<u>3,826</u>	<u>102,720</u>

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

A. Notes to the interim financial report for the third financial quarter ended 31 March 2007

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 1st 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 th 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 be more than its recoverable amount. If an asset 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

A final tax-exempt dividend of 3.5 sen per share, totaling RM2,357,339 in respect of the financial year ended 30 June 2006 was paid on 28 Feb 2007(31.03.2006 : RM2,020,577).

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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					Consolidated Amount
	Manufacturing	Trading	Holdings	Others	Eliminations	
REVENUE						
External sales	30,960	35,577	478	157		67,172
Inter-segment sales	3,363	1	3,294	1,036	(7,694)	0
	34,323	35,578	3,772	1,193	(7,694)	67,172
RESULTS						
Profit/(loss) from operations	5,048	1,508	2,590	(584)	(3,074)	5,488
Finance costs	(349)	(1,079)	0	0	539	(889)
Share of profit of associated co	0	0	0	0	1,591	1,591
Profit/(loss) before tax	4,699	429	2,590	(584)	(944)	6,190
Income tax expense	(893)	(161)	(71)	(88)	233	(980)
Profit/(loss) after tax	3,806	268	2,519	(672)	(711)	5,210
OTHER INFORMATION						
Capital additions	1,173	0	81	0	(4)	1,250
Depreciation and amortisation	1,097	0	85	185	0	1,367
SEGMENTAL ASSETS						
Segments assets	43,834	23,348	60,371	23,875	(51,210)	100,218
Investment in associated co	0	0	22,964	0	4,286	27,109
Income tax assets	409	0	1,314	122	0	1,845
Consolidated total assets	44,243	23,348	84,649	23,997	(46,924)	129,172
SEGMENTAL LIABILITIES						
Segment liabilities	16,732	18,955	4,146	11,988	(32,114)	19,707
Income tax liabilities	1,453	23	0	2,472	178	4,126
Consolidated total liabilities	18,185	18,978	4,146	14,460	(31,936)	23,833

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:

	31/3/2007
	RM'000
Malaysia	54,865
Europe	5,907
United State of America	1,387
Asian Countries	5,013
	<u>67,172</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 :

	Carrying amount of segment assets	Capital additions
	31/3/07	31/3/07
	RM'000	RM'000
Malaysia	97,641	1,223
China	2,532	27
Philippines	45	0
Thailand	0	0
	<u>100,218</u>	<u>1,250</u>

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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 (30.6.2006: RM 13.76 million). There is no contingent asset for the current quarter and financial year-to-date.

13. Capital Commitments

Capital commitments not provided for in the interim financial report is as follows: -

	Current Period	
	As at 31/3/2007	As at 30/6/2006
	RM '000	RM '000
Property, plant & equipment		
Authorised and contracted for	<u>7,920</u>	<u>nil</u>

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

1. Review of performance

The Group's revenue and profit before tax stood at RM19.67 million and RM1.07 million for the current quarter as compared to previous corresponding quarter of RM23.32 Million and RM1.41 Million respectively.

Revenue dropped by 15.6% mainly due to the lower sales reported from the trading division. Whilst for profit before tax, the decline was due to the unfavorable profit margin earned from the tooling division.

The Group's revenue for 9 months ended 31st Mar 07 stood at RM67.17million, which was 8.7% lower as compared to RM73.63 million for corresponding period ended 31st Mar 06. However, profit before tax for the period has increased by 16.22% from RM5.32 Million to RM6.19 Million as compared to the corresponding period. The improvement in earning was attributable to higher profit contribution from the group's associated company.

2. Comparison with preceding quarter's results

As compared to previous quarter, total group revenue has decreased from RM22.23 Million to RM19.67 Million. Corresponding to the drop in revenue, profit before tax has also decreased 55.9% from RM2.44 Million in previous quarter to RM1.07 Million in the current quarter. The decline was due to less favorable performance recorded by manufacturing division during the third quarter.

3. Current year prospect

Barring any unforeseen circumstances, the Board expects that the group's performance to remain satisfactory in the remaining quarter of the financial year.

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 31/3/2007 RM '000	Preceding Year Corresponding quarter ended 31/3/2006 RM '000	Current Year to date 31/3/2007 RM '000	Preceding Year Corresponding period 31/3/2006 RM '000
Current year	(419)	(420)	(965)	(996)
Deferred tax	14	(167)	(15)	(139)
	<u>(405)</u>	<u>(587)</u>	<u>(980)</u>	<u>(1,135)</u>

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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 31/3/2007 RM '000	Preceding Year Corresponding quarter ended 31/3/2006 RM '000	Current Year todate 31/3/2007 RM '000	Preceding Year Corresponding period 31/3/2006 RM '000
(i) Total purchase	331	0	418	54
(ii) Total disposal	404	0	551	149
(iii) Profit on disposal	46	0	67	21

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

	RM '000
(i) At cost	251
(ii) At carrying value/book value	251
(iii) At market value	233

8. Status of corporate proposals

On 12 January 2007, Unetsys Sdn Bhd , a 60% owned subsidiary of Kobay, has entered into a Sale & Purchase Agreement with Applied Magnetics (M) Sdn Bhd (in liquidation) to acquire a piece of leasehold industrial land and building for a total consideration of RM7,920,000/=. The acquisition is pending completion as at the date of the report.

Save for the above, there were no corporate proposals announced as at the date of this interim report but pending completion.

9. Group borrowings

	Current Period As at 31/3/2007 RM '000	As at 30/6/2006 RM '000
Short term - secured	14,485	15,569
Long term - secured	-	-
	<u>14,485</u>	<u>15,569</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

The Board of Directors do not recommend any dividend for the current quarter and financial year-to-date. (31.03.2006: Nil)

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13. Earnings Per Share

(a) Basic earnings per share

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/3/2007 RM '000	Preceding Year Corresponding quarter ended 31/3/2006 RM '000	Current Year to date 31/3/2007 RM '000	Preceding Year Corresponding period 31/3/2006 RM '000
Profit attributable to ordinary equity holders of the parent	619	733	4,708	3,927
Issued ordinary shares at beginning of period	68,081	68,081	68,081	68,081
Effect of Shares Buy Back	(728)	(728)	(728)	(728)
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)	0.92	1.09	6.99	5.83

(b) Diluted earnings per share

The effects on the basic EPS for the year arising from the assumed exercise of the employee share options is anti-dilutive. Accordingly diluted EPS for the current period has not been presented.

14. 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 following are the financial assistance provided by the Group for the current financial period under review : -

	Current Period As at 31/3/2007 RM '000
Corporate Guarantee given to financial institutions for credit facilities granted to its non-wholly owned subsidiary	14,500
Loan given to a non-wholly owned subsidiary	3,600
Loan given by a licensed moneylending company within the Group to its subsidiary companies	5,553
Loan given by a licensed moneylending company within the Group to third parties	<u>2,547</u>
	<u>26,200</u>

The provision of the financial assistance does not have any impact on the issued and paid-up capital and substantial shareholders' shareholding of Kobay and would not have any material effect on the net assets, net tangible assets, gearing and earnings of the Group.

15. Authorisation for issuance of the interim financial statements

On 24 May 2007, the Board of Directors authorised the issuance of these interim financial statements.