

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)
CONDENSED CONSOLIDATED INCOME STATEMENT
INTERIM REPORT FOR THE TWELVE MONTHS ENDED 30 JUNE 2007
(The figures have not been audited)

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	(Unaudited) Current Year quarter ended 30/6/2007 RM '000	(Restated) Preceding Year Corresponding quarter ended 30/6/2006 RM '000	(Unaudited) Current Year todate 30/6/2007 RM '000	(Restated) Preceding Year Corresponding period 30/6/2006 RM '000
Revenue	26,240	21,765	93,412	95,404
Operating expenses	(29,883)	(22,514)	(92,418)	(91,816)
Other operating income	1,896	635	2,747	1,866
(Loss)/Profit from operations	(1,747)	(114)	3,741	5,454
Finance costs	(296)	(169)	(1,185)	(929)
Share of profit/(Loss) of associated companies	406	(138)	1,997	380
(Loss)/Profit before tax	(1,637)	(421)	4,553	4,905
Tax expense	(239)	385	(1,219)	(750)
(Loss)/Profit For The Period	<u>(1,876)</u>	<u>(36)</u>	<u>3,334</u>	<u>4,155</u>
Attributable to :				
Equity holders of the parent	(1,751)	(34)	2,957	3,893
Minority interests	(125)	(2)	377	262
	<u>(1,876)</u>	<u>(36)</u>	<u>3,334</u>	<u>4,155</u>
Earnings per share (sen)				
- Basic	(2.60)	(0.05)	4.39	5.78
- 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 30 JUNE 2007

	(Unaudited) As at current quarter 30/6/2007 RM '000	Restated (Audited) As at preceding financial year 30/06/2006 RM '000
Assets		
Non-Current Assets		
Property, plant and equipment	13,641	12,191
Prepaid Lease Payments	9,288	5,048
Investment Properties	7,147	7,309
Investment in associated companies	27,365	25,610
Long term investments	1,190	3,645
Goodwill on consolidation	-	78
Development Cost, at cost	404	512
	59,035	54,393
Current Assets		
Inventories	18,515	22,371
Trade receivables	26,886	25,194
Other receivables & prepaid expenses	2,769	1,279
Loan Receivables	466	610
Tax recoverable	1,953	1,671
Deposits	13,585	23,220
Cash and bank balances	7,844	3,277
	72,018	77,622
Total Assets	131,053	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	30,720	28,511
Exchange fluctuation reserve	(87)	(74)
	31,425	30,838
Equity attributable to equity holders of the parent	99,506	98,919
Minority Interest	3,861	3,656
Total Equity	103,367	102,575
Non-Current Liabilities		
Deferred taxation	2,801	2,711
	2,801	2,711
Current Liabilities		
Trade payables	2,134	4,441
Other payables & accrued expenses	6,097	5,648
Short term borrowings	16,386	15,569
Tax liabilities	268	1,071
	24,885	26,729
Total Liabilities	27,686	29,440
Total Equity and Liabilities	131,053	132,015
Net assets per ordinary share attributable to equity holders of the parent(RM)	1.48	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 TWELVE MONTHS ENDED 30 JUNE 2007

(Restated)

	(Unaudited)	(Audited)
	Period ended	Period Ended
	30/6/2007	30/6/2006
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,553	4,905
Adjustments for:		
- Non-cash items	1,875	2,012
- Share of profits in associated companies	(1,997)	(380)
- Non-operating items	1,587	3,477
Operating profit before changes in working capital	6,018	10,014
Changes in working capital:		
- Net change in current assets	818	(8,473)
- Net change in current liabilities	(1,858)	4,182
Net Cash generated from operating activities	4,978	5,723
CASH FLOWS FROM INVESTING ACTIVITIES		
Other investments	(8,769)	56
Net cash generated from investing activities	(8,769)	56
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest expense	(1,185)	(929)
Dividend paid	(2,510)	(2,157)
(Decrease)/Increase of hire-purchase and bank borrowings	817	1,344
Net cash generated from financing activities	(2,878)	(1,742)
Net Change in Cash & Cash Equivalents	(6,669)	4,037
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	25,832	21,795
CASH & CASH EQUIVALENTS AS AT END OF THE PERIOD	19,163	25,832

Note: Deposits amounting to RM2,265,605 (30.6.2006: RM664,502) have been pledged to local banks for bank guarantee facilities obtained by the Group as at 30 June 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)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
INTERIM REPORT FOR THE TWELVE MONTHS ENDED 30 JUNE 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
CURRENT YEAR									
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					(13)		(13)		(13)
Net profit for the year						2,957	2,957	377	3,334
Dividend						(2,357)	(2,357)	(172)	(2,529)
Balance as at 30 June, 2007	<u>68,081</u>	<u>(888)</u>	<u>1,680</u>	<u>-</u>	<u>(87)</u>	<u>30,720</u>	<u>99,506</u>	<u>3,861</u>	<u>103,367</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
INTERIM REPORT FOR THE TWELVE MONTHS ENDED 30 JUNE 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				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT PERIOD									
As at 1 July, 2005									
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					(4)	(14)	(18)		(18)
Net profit for the period						3,893	3,893	262	4,155
Dividend						(2,021)	(2,021)	(173)	(2,194)
Balance as at 30 June, 2006	<u>68,081</u>	<u>(888)</u>	<u>1,680</u>	<u>1,609</u>	<u>(74)</u>	<u>28,511</u>	<u>98,919</u>	<u>3,656</u>	<u>102,575</u>

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

A. Notes to the interim financial report for the forth financial quarter ended 30 June 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
FRS 140	Investment Property

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, goodwill amounting RM725,736 has been charged to income statement as impairment for goodwill during the year.

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.

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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.

d) FRS 140 Investment Property

The adoption of FRS 140 has resulted in a change in the group's accounting policy for Investment Properties. Properties held for rental have been reclassified from property, plant and equipment to Investment Properties following the adoption of the revised FRS.

With the adoption of FRS 117 and 140 in the group's financial statements, 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 & 140 (RM'000)	As Restated (RM'000)
As at 30 th June 2006			
Property, Plant & Equipment	24,548	(12,357)	12,191
Prepaid Lease Payments	-	5,048	5,048
Investment Properties	-	7,309	7,309

e) 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 (30.06.2006 : 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 30/06/07 (RM'000)	Manufacturing	Trading	Investment Holdings	Others	Eliminations	Consolidated Amount
REVENUE						
External sales	41,423	51,081	749	159		93,412
Inter-segment sales	4,601	1	4,154	1,432	(10,188)	0
	46,024	51,082	4,903	1,591	(10,188)	93,412
RESULTS						
Profit/(loss) from operations	5,072	1,931	354	(1,771)	(1,845)	3,741
Finance costs	(501)	(1,398)	0	0	714	(1,185)
Share of profit of associated co	0	0	0	0	1,997	1,997
Profit/(loss) before tax	4,571	533	354	(1,771)	866	4,553
Income tax expense	(974)	(216)	(184)	(78)	233	(1,219)
Profit/(loss) after tax	3,597	317	170	(1,849)	1,099	3,334
OTHER INFORMATION						
Capital additions	3,052	0	106	8,208	(108)	11,258
Depreciation and amortisation	1,523	0	105	247	0	1,875
SEGMENTAL ASSETS						
Segments assets	45,062	25,221	52,695	22,667	(51,057)	94,588
Investment in associated co	0	0	22,813	0	4,552	27,365
Income tax assets	552	0	1,272	129	0	1,953
Consolidated total assets	45,614	25,221	76,780	22,796	(46,505)	123,906
SEGMENTAL LIABILITIES						
Segment liabilities	18,856	20,776	4,204	20,043	(39,262)	24,617
Income tax liabilities	1,470	27	0	1,394	178	3,069
Consolidated total liabilities	20,326	20,803	4,204	21,437	(39,084)	27,686

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:

	30/6/2007 RM'000
Malaysia	78,611
Europe	6,185
United State of America	1,501
Asian Countries	7,115
	<u>93,412</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 30/6/07 RM'000	Capital additions 30/6/07 RM'000
Malaysia	92,513	11,229
China	2,038	29
Philippines	37	0
	<u>94,588</u>	<u>11,258</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

The Group has increased its shareholding in an associate company, Lipo Corporation Berhad, from 45.3% to 47.23%. Kobay has acquired 970,600 ordinary shares of RM1.00 each in Lipo Corporation Berhad on 4th July, 5th July and 9th August 2007.

11. Changes in the composition of the group

On 29th June 2007, the group has disposed off its entire equity interest in its wholly-owned subsidiary, Polytool Industries Sdn. Bhd.(PISB), comprising of 1,000,000 ordinary shares of RM1.00 each, for a total cash consideration of RM2.00. Upon disposal, PISB ceased to be a subsidiary of Kobay.

On 27th April 2007, the group has entered into separate share sales agreement with 8 shareholders of Polytool Metal Sdn Bhd(PMSB) to purchase 800,000 shares of RM1.00 each in the company, equivalent to 40% equity interest in PMSB, for a total cash consideration of RM800,000.00. Upon the acquisition, PMSB becomes a wholly-owned subsidiary of Kobay.

Save for the above, there were no other changes in composition of the group for the period under review.

12. Contingent assets and contingent liabilities

The contingent liabilities of the Company comprises of :

- a) Corporate guarantees issued by the Company to financial institutions for financing facilities granted to its subsidiary companies which amounting to RM14.5 Million(30.6.2006: RM 13.76 million).
- b) A former employee of the company had brought an action under Section 20 of the Industrial Relation Act, 1967, seeking for reinstatement and other consequential reliefs against the company. The probable ultimate financial outcome(including court costs, legal fees etc) in the event that the decision is against the company(not a certainty) will most probably not exceed RM400,000.

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

1. Review of performance

Revenue for the current quarter stood at RM26.24 million, an increase of RM4.49 Million from previous corresponding quarter of RM21.76 Million. The group recorded a loss before tax of RM1.637 Million as compared to previous corresponding quarter of RM0.42Million. The loss was mainly due to goodwill impairment for investment in a subsidiary of RM0.7 Million and provision for doubtful debts of RM2.0 Million made by one of the subsidiaries. The loss was reduced by gain on disposal of a subsidiary, PISB of RM1.046Million.

The Group's revenue for 12 months ended 30th June 07 stood at RM93.41million, which was 2.1% lower as compared to RM95.40 million for corresponding period ended 30th June 06. Profit before tax for the period has decreased by 8.2% from RM4.90Million to RM4.55 Million. The decline in earning was attributed to goodwill impairment for investment in a subsidiary and provision for doubtful debts made by one of the subsidiaries. The loss was reduced by gain on disposal of a subsidiary, PISB of RM1.046 Million.

2. Comparison with preceding quarter's results

As compared to previous quarter, total group revenue has increased from RM19.67 Million to RM26.24 Million. However, profit before tax has decreased from RM1.079 Million in previous quarter to a loss of RM1.637 Million in the current quarter. The decline was due to goodwill impairment for investment in a subsidiary and provision of doubtful debts of RM2.0 Million by one of the subsidiaries. The loss was offset by gain on disposal of a subsidiary, PISB of RM1.046 Million.

3. Current year prospect

Barring any unforeseen circumstances, the Board expects that the group's performance to remain satisfactory for the coming quarters.

4. Variance on forecast profit/profit guarantee

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

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5. Taxation

Taxation comprises the following :-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		(Restated)		(Restated)
	Current Year quarter ended 30/6/2007 RM '000	Preceding Year Corresponding quarter ended 30/6/2006 RM '000	Current Year to date 30/6/2007 RM '000	Preceding Year Corresponding period 30/6/2006 RM '000
Current year	(164)	430	(1,129)	(566)
Deferred tax	(75)	(45)	(90)	(184)
	<u>(239)</u>	<u>385</u>	<u>(1,219)</u>	<u>(750)</u>

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 except for the following :

The group has recorded a gain of RM1,045,877 from disposal of its entire equity interest in one of the wholly-owned subsidiary, Polytool Industries Sdn Bhd(PISB), with a total cash consideration of RM2.00. Upon the disposal, PISB ceased to be a subsidiary of Kobay.

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	
		Preceding Year (Restated)		Preceding Year (Restated)
	Current Year quarter ended 30/6/2007 RM '000	Corresponding quarter ended 30/6/2006 RM '000	Current Year to date 30/6/2007 RM '000	Corresponding period 30/6/2006 RM '000
(i) Total purchase	290	24	708	78
(ii) Total disposal	284	215	835	364
(iii) Profit on disposal	18	(19)	85	2

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

	RM '000
(i) At cost	284
(ii) At carrying value/book value	284
(iii) At market value	267

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 30/6/2007 RM '000	As at 30/6/2006 RM '000
Short term - secured	16,386	15,569
Long term - secured	-	-
	<u>16,386</u>	<u>15,569</u>

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

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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 recommended the payment of first and final tax exempt dividend of 3.0% in respect of the financial year ended 30th June 2007. (30.06.2006: 3.5%)

13. Earnings Per Share

(a) Basic earnings per share

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	(Restated)		(Restated)	
	Current Year	Preceding Year	Current Year	Preceding Year
	quarter ended	Corresponding	Current Year	Corresponding
	30/6/2007	quarter ended	to date	period
	30/6/2007	30/6/2006	30/6/2007	30/6/2006
	RM '000	RM '000	RM '000	RM '000
Profit attributable to ordinary equity holders of the parent	(1,751)	(34)	2,957	3,893
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)	(2.60)	(0.05)	4.39	5.78

(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 30/6/2007
	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	8,535
Loan given by a licensed moneylending company within the Group to its subsidiary companies	2,000
Loan given by a licensed moneylending company within the Group to third parties	<u>2,422</u>
	<u>27,457</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 August 2007, the Board of Directors authorised the issuance of these interim financial statements.