

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)
CONDENSED CONSOLIDATED INCOME STATEMENTS
INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2008
(The figures have not been audited)

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2008 RM '000 (Unaudited)	Preceding Year Corresponding quarter ended 31/12/2007 RM '000 (Restated)	Current Year todate 31/12/2008 RM '000 (Unaudited)	Preceding Year Corresponding period 31/12/2007 RM '000 (Restated)
Continuing Operations				
Revenue	16,784	11,048	28,520	18,904
Operating expenses	(17,646)	(11,237)	(28,154)	(18,926)
Other operating income	1,290	320	1,205	621
Profit from operations	428	131	1,571	599
Finance costs	(27)	-	(45)	-
Share of profit of associated companies	-	755	424	1,000
Profit before tax	401	886	1,950	1,599
Tax expense	(151)	(211)	(569)	(572)
Profit for the period from continuing operations	250	675	1,381	1,027
Discontinued Operation				
(Loss) / Profit for the period from discontinued operation	(16)	497	(58)	651
Profit for the period	234	1,172	1,323	1,678
Attributable to :				
Equity holders of the Company	196	1,147	1,633	1,738
Minority interests	38	25	(310)	(60)
	234	1,172	1,323	1,678
Earnings per share (sen)				
- Basic / diluted				
Continuing operations	0.30	1.32	2.46	1.89
Discontinued operation	(0.01)	0.39	(0.04)	0.69
	0.29	1.70	2.42	2.58

Consequent to the proposed voluntary winding up of its 55% owned subsidiary, namely Elite Paper Trading Sdn Bhd ("Elite") as disclosed in Note 8 of section B, the post-tax profit / (loss) of this subsidiary has been presented separately on the consolidated income statements as discontinued operation. The corresponding comparatives for the previous reporting quarters and preceding year corresponding period have been restated to reflect the change.

On 17 September 2008, the Company acquired additional equity interest of 1.3% in Lipo Corporation Berhad ("Lipo") and thereby resulting Lipo in becoming a 50.29% owned subsidiary of the Company. Consequently, Lipo's financial result has been consolidated into the Company's Income statements for the current quarter ended 31 December 2008.

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2008)

KOBAY TECHNOLOGY BHD

(Co. No. 308279-A)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2008

	(Unaudited) As at current quarter 31/12/2008 RM '000	(Audited) As at preceding financial year 30/06/2008 RM '000
Assets		
Non-Current Assets		
Property, plant and equipment	54,464	20,801
Prepaid lease payments	14,699	9,214
Investment in associated companies	-	31,434
Other investments	4,544	1,090
Goodwill	250	-
Deferred tax assets	31	331
Loan receivables	-	29
	<u>73,988</u>	<u>62,899</u>
Current Assets		
Inventories	15,717	12,387
Trade and other receivables	22,493	17,301
Loan receivables	462	477
Tax assets	4,966	2,717
Deposits	43,784	20,929
Cash and bank balances	7,691	3,493
	<u>95,113</u>	<u>57,304</u>
Total Assets	<u><u>169,101</u></u>	<u><u>120,203</u></u>
Equity		
Share capital	68,081	68,081
Reserves		
Share premium	1,680	1,680
Treasury shares	(888)	(888)
Retained profit	37,797	36,449
Exchange fluctuation reserve	1,583	(38)
	<u>40,172</u>	<u>37,203</u>
Equity attributable to equity holders of the Company	108,253	105,284
Minority interest	35,097	2,383
Total Equity	<u><u>143,350</u></u>	<u><u>107,667</u></u>
Non-Current Liabilities		
Deferred income on government grant	40	-
Long term borrowings	1,125	1,125
Deferred taxation	4,046	1,930
	<u>5,211</u>	<u>3,055</u>
Current Liabilities		
Trade and other payables	20,002	8,818
Short term borrowings	304	605
Tax liabilities	234	58
	<u>20,540</u>	<u>9,481</u>
Total Liabilities	<u><u>25,751</u></u>	<u><u>12,536</u></u>
Total Equity and Liabilities	<u><u>169,101</u></u>	<u><u>120,203</u></u>
Net assets per ordinary share attributable to equity holders of the Company(RM)	1.60	1.56

On 17 September 2008, the Company acquired additional equity interest of 1.3% in Lipo Corporation Berhad ("Lipo") and thereby resulting Lipo in becoming a 50.29% owned subsidiary of the Company. Consequently, Lipo's financial position has been consolidated into the Company's Balance Sheets as of 31 December 2008.

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2008)

KOBAY TECHNOLOGY BHD

(Co. No. 308279-A)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
INTERIM REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008**

	(Unaudited) Six months ended 31/12/2008 RM '000	(Unaudited) Six months ended 31/12/2007 (Restated) RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax from :		
Continuing operations	1,950	1,599
Discontinued operation	(58)	794
Adjustments for:		
- Non-cash items	898	1,099
- Share of profits in associated companies	(424)	(1,000)
- Non-operating items	1,677	815
Operating profit before changes in working capital	4,043	3,307
Changes in working capital:		
- Net change in current assets	3,424	1,830
- Net change in current liabilities	5,847	2,218
Net Cash generated from operating activities	13,314	7,355
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary companies, net of cash acquired	17,876	-
Other investments -continuing operations	(3,811)	(1,713)
Net cash generated from / (used in) investing activities	14,065	(1,713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest expense	(45)	(735)
Decrease in bank borrowings	(301)	(126)
Net cash generated from financing activities	(346)	(861)
Net Change in Cash & Cash Equivalents	27,033	4,781
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	24,139	19,225
CASH & CASH EQUIVALENTS AS AT END OF THE PERIOD	51,172	24,006

Note: Deposits amounting to RM302,987 (31.12.2007: RM603,872) have been pledged to local banks for bank guarantee facilities obtained by the Group as at 31 December 2008. As such, these amounts 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 2008)

KOBAY TECHNOLOGY BHD

(Co. No. 308279-A)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

Group	Attributable to equity holders of the Company					Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Translation / Capital Reserve RM'000	Retained profit RM'000			
CURRENT PERIOD								
As at 1 July, 2008	68,081	(888)	1,680	(38)	36,449	105,284	2,383	107,667
Translation differences in foreign subsidiaries	-	-	-	1,621	-	1,621	-	1,621
Acquisition of a subsidiary company	-	-	-	-	-	-	33,024	33,024
Transfer from Reserve	-	-	-	-	(285)	(285)	-	(285)
Net profit for the period	-	-	-	-	1,633	1,633	(310)	1,323
Balance as at 31 December, 2008	<u>68,081</u>	<u>(888)</u>	<u>1,680</u>	<u>1,583</u>	<u>37,797</u>	<u>108,253</u>	<u>35,097</u>	<u>143,350</u>

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2007**

Group	Attributable to equity holders of the Company					Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Translation reserve RM'000	Retained profit RM'000			
CURRENT PERIOD								
As at 1 July, 2007	68,081	(888)	1,680	(113)	30,686	99,446	3,856	103,302
Translation differences in foreign subsidiaries	-	-	-	80	-	80	-	80
Net profit for the period	-	-	-	-	1,738	1,738	(60)	1,678
Balance as at 31 December, 2007	<u>68,081</u>	<u>(888)</u>	<u>1,680</u>	<u>(33)</u>	<u>32,424</u>	<u>101,264</u>	<u>3,796</u>	<u>105,060</u>

A. Notes to the interim financial report for the second financial quarter ended 31 December 2008

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134 'Interim Financial Reporting' and Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2008.

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 2008.

2. Audit report of preceding annual financial statements

The Group's audited financial statements for the year ended 30 June 2008 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

On 17 September 2008, the Company acquired additional equity interest of 1.3% in its associated company, namely Lipo Corporation Berhad ("Lipo") and thereby resulting Lipo in becoming a 50.29% owned subsidiary of the Company. Consolidation of Lipo has caused the correspondence increase in assets, liabilities, equity and cash flow of the Group. In addition, the group has also recognized a gain of RM1.265 million arising from charge out of negative goodwill on consolidation in quarter ended 30 September 2009.

Save for the above, 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.

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. (31.12.2007 : RM Nil).

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

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

a) Segment information by activities

Current Period	Investment					Consolidated
Ended 31/12/08 (RM'000)	Manufacturing	Trading	Holdings	Others	Elimination	Amount
REVENUE						
External sales	28,402	55	20	43		28,520
Inter-segment sales	1,497	0	1,903	485	(3,885)	-
	29,899	55	1,924	528	(3,885)	28,520
RESULTS						
Profit from operation	848	18	983	167	(445)	1,571
Finance costs						(45)
Share of profit of associated company						424
Profit before tax						1,950
Income tax expense						(569)
Profit for the period from continuing operations						1,381
Loss for the period from discontinued operation						(58)
Profit for the period						1,323

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:

	31/12/2008
	RM'000
Malaysia	15,477
United States of America	1,425
South America	3,195
Europe	2,119
Asian Countries	6,304
	<u>28,520</u>

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 current quarter that have not been reflected in the interim financial statement.

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)**11. Changes in the composition of the group**

On 31 December 2008, the Company has acquired additional 312,000 shares in Lipo Corporation Berhad ("Lipo") , which resulted the increase in its equity shareholding in Lipo from 50.29 % to 50.92%.

On 29 October 2008, the Company acquired additional equity interest of 81% in Maker Technologies Sdn Bhd ("Maker") , thereby resulting in Maker becoming a 100% owned subsidiary of Kobay.

The effect of the acquisition of Maker on the financial position of the Group during the quarter are as follows:

	recognised on acquisition RM'000	carrying amount RM'000
Net assets as of date of acquisition :		
Property, plant and equipment	34	34
Inventories	104	104
Trade and other receivable	220	220
Short Term Deposit	40	40
Cash and bank balances	1,092	1,092
Trade and other payables	(329)	(329)
Deferred Taxation	(6)	(6)
Tax Liabilities	(1)	(1)
Net assets acquired	<u>1,154</u>	<u>1,154</u>
Minority interest	-	-
Share of net assets acquired	<u>1,154</u>	
Cost of acquisition / investment	<u>(1,404)</u>	
Goodwill on consolidation	<u>(250)</u>	
	RM'000	
Purchase considerations satisfied by :		
Cash	1,000	
Previously held under other investment	404	
Total cost of acquisition	<u>1,404</u>	
Cash flow arising on acquisition :		
Purchase consideration satisfied by cash	(1,000)	
Less : Cash and cash equivalents of subsidiary company acquired	1,132 *	
Net cash inflow of the Group	<u>132</u>	
*Cash and bank balances	1,092	
Deposits with licensed bank	<u>40</u>	
Cash and cash equivalents acquired	<u>1,132</u>	

12. Contingent assets and contingent liabilities

The contingent liabilities of the Company comprises of corporate guarantees issued by the Company to financial institutions for financing facilities granted to its subsidiary company which amounting to RM1.43 million(30.6.2008: RM1.73 million).

13. Material related party transaction

There was no material transaction entered by the group with any related party.

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

1. Review of performance

Revenue for continuing operations for the current quarter was RM16.78 million as compared to previous year's corresponding quarter of RM11.04 million. The significant increase in revenue was mainly due to the consolidation of Lipo Group's revenue during the quarter.

Profit before tax for the current quarter decreased by 54% to RM0.4 million as compared to corresponding quarter. The unfavorable variance was due to the downturn in the Group's Tooling business that are highly correlated to semiconductor industry and minor loss contributed from Lipo Group.

For year-to-date performance, the revenue and profit before tax stood at RM28.52 million and RM1.95 million respectively. As compared to preceding year corresponding period, revenue increased by 51% and profit before tax increased by 21%.

The consolidation of Lipo's results has resulted increase in revenue. However, the improved in profit before tax were mainly contributed by the Metal Works Division and income recognized from negative goodwill, which offset by the unfavorable results in Tooling Division and higher provision for slow moving inventories.

2. Comparison with preceding quarter's results

Revenue increased by 43% from RM11.73 million to RM16.78 million as compared to previous quarter. The improved revenue was due to the consolidation of Lipo Group's revenue during the quarter under review.

Notwithstanding with the improvement in revenue, profit before tax has dropped significantly from RM1.54 million to RM0.4 million in current quarter. All the divisions in the Group have underperformed as a result of the global economic downturn.

3. Current year prospect

Barring any unforeseen circumstances, the Board anticipates that the group's outlook for the remaining quarters to remain challenging in view of the inevitable slowdown of global economy.

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 31/12/2008 RM '000	Preceding Year Corresponding quarter ended 31/12/2007 RM '000	Current Year todate 31/12/2008 RM '000	Preceding Year Corresponding period 31/12/2007 RM '000
Continuing Operations				
Current tax	(151)	(211)	(269)	(572)
Deferred tax	-	-	(300)	-
	<u>(151)</u>	<u>(211)</u>	<u>(569)</u>	<u>(572)</u>
Discontinued Operation				
Current tax	-	(89)	-	(143)
Deferred tax	-	-	-	-
	<u>-</u>	<u>(89)</u>	<u>-</u>	<u>(143)</u>

The current year todate effective tax rate of the group was lower than statutory tax rate mainly due to tax incentives available in certain subsidiaries.

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.

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)**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 31/12/2008 RM '000	Preceding Year Corresponding quarter ended 31/12/2007 RM '000	Current Year todate 31/12/2008 RM '000	Preceding Year Corresponding period 31/12/2007 RM '000
(i) Total purchase	5,479	-	5,632	104
(ii) Total disposal	2,429	82	2,429	82
(iii) Profit on disposal	32	18	32	18

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

	RM '000
(i) At cost	3,646
(ii) At carrying value/book value	3,529
(iii) At market value	3,077

8. Status of corporate proposals

On 15th January 2009, the Company announced the appointment of liquidator for members' voluntary winding up of its 55% owned subsidiary company, namely Elite Paper Trading Sdn Bhd. The proposal is still pending completion as at the date of this 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 Year As at 31/12/2008 RM '000	As at 30/6/2008 RM '000
	Continuing Operations	
Short term - unsecured	1,125	1,125
Long term - unsecured	304	605
	<u>1,429</u>	<u>1,730</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 does not recommended any dividend for the period under review. (31.12.2007: Nil %)

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)**13. Earnings Per Share ("EPS")****(a) Basic earnings per share**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2008 RM '000	Preceding Year Corresponding quarter ended 31/12/2007 RM '000	Current Year todate 31/12/2008 RM '000	Preceding Year Corresponding period 31/12/2007 RM '000
Profit from continuing operations attributable to ordinary equity holders of the Company	205	886	1,660	1,270
(Loss) / Profit from discontinued operation attributable to ordinary equity holders of the Company	(9)	261	(27)	468
Profit attributable to ordinary equity holders of the Company	<u>196</u>	<u>1,147</u>	<u>1,633</u>	<u>1,738</u>
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)				
- Continuing operations	0.30	1.32	2.46	1.89
- Discontinued operation	(0.01)	0.39	(0.04)	0.69
	<u>0.29</u>	<u>1.70</u>	<u>2.42</u>	<u>2.58</u>

(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 the 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 followings are the financial assistance provided by the Group for the current financial period under review :-

	Current Period As at 31/12/2008 RM '000
Loan given to non-wholly owned subsidiaries	5,023
Loan given by a licensed moneylending company within the Group to third parties	<u>2,444</u>
	<u>7,467</u>

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

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)**15. Discontinued Operation**

An analysis of the results of discontinued operation is as follows :

Results of discontinued operation

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2008 RM '000	Preceding Year Corresponding quarter ended 31/12/2007 RM '000	Current Year todate 31/12/2008 RM '000	Preceding Year Corresponding period 31/12/2007 RM '000
Revenue	-	12,507	-	30,162
Operating expenses	(42)	(11,951)	(86)	(28,985)
Other operating income	26	396	28	352
Profit from operations	(16)	952	(58)	1,529
Finance cost	-	(366)	-	(735)
Profit before tax	(16)	586	(58)	794
Tax expense	-	(89)	-	(143)
Net profit for the period	(16)	497	(58)	651

Cash Flow attributable to discontinued operation

	Quarter ended 31/12/2008 RM '000	Quarter Ended 31/12/2007 RM '000
Net cash (used in)/from operating activities	(1,054)	1,568
Net cash used in financing activities	(10)	(2,162)
Net cash attributable to discontinued operation	(1,064)	(594)

16. Authorisation for issuance of the interim financial statements

On 26th February 2008, the Board of Directors authorised the issuance of these interim financial statements.