

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)
CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009
(The figures have not been audited)

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2009 RM '000 (Unaudited)	Preceding Year Corresponding quarter ended 31/12/2008 RM '000 (Unaudited)	Current Year to date 31/12/2009 RM '000 (Unaudited)	Preceding Year Corresponding period 31/12/2008 RM '000 (Unaudited)
Continuing Operations				
Revenue	17,810	16,784	31,592	28,520
Operating expenses	(17,058)	(17,646)	(30,981)	(28,154)
Other operating income/(losses)	228	964	686	650
Profit from operations	980	102	1,297	1,016
Investment revenue	457	326	769	555
Finance costs	-	(27)	-	(45)
Share of profit of associated companies	-	-	-	424
Profit before tax	1,437	401	2,066	1,950
Tax expense	(389)	(151)	(440)	(569)
Profit for the period from continuing operations	1,048	250	1,626	1,381
Discontinued Operation				
Loss for the period from discontinued operation	-	(16)	-	(58)
Profit for the period	1,048	234	1,626	1,323
Attributable to :				
Equity holders of the Company	202	196	489	1,633
Minority interests	846	38	1,137	(310)
	1,048	234	1,626	1,323
Earnings per share (sen)				
- Basic / diluted				
Continuing operations	0.30	0.30	0.73	2.46
Discontinued operation	-	(0.01)	-	(0.04)
	0.30	0.29	0.73	2.42

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2009)

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

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2009

	(Unaudited) As at current quarter 31/12/2009 RM '000	(Audited) As at preceding financial year 30/06/2009 RM '000
Assets		
Non-Current Assets		
Property, plant and equipment	52,326	51,304
Prepaid lease payments	14,508	14,629
Other investments	2,883	2,967
Intangible assets	208	-
Goodwill	307	-
Deferred tax assets	331	331
Loan receivables	-	34
	70,563	69,265
Current Assets		
Inventories	8,842	8,457
Trade and other receivables	16,521	12,295
Loan receivables	2,362	148
Tax assets	1,222	2,716
Deposits	52,017	52,312
Cash and bank balances	8,253	8,289
	89,217	84,217
Total Assets	159,780	153,482
Equity		
Share capital	68,081	68,081
Reserves		
Share premium	1,706	1,680
Treasury shares	(888)	(888)
Retained profit	37,252	36,526
Exchange fluctuation reserve	187	900
	38,257	38,218
Equity attributable to equity holders of the Company	106,338	106,299
Minority interest	35,208	33,998
Total Equity	141,546	140,297
Non-Current Liabilities		
Deferred income on government grant	198	27
Deferred taxation	4,246	4,201
	4,444	4,228
Current Liabilities		
Trade and other payables	13,560	8,809
Tax liabilities	230	148
	13,790	8,957
Total Liabilities	18,234	13,185
Total Equity and Liabilities	159,780	153,482
Net assets per ordinary share attributable to equity holders of the Company(RM)	1.58	1.58

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2009)

KOBAY TECHNOLOGY BHD

(Co. No. 308279-A)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	(Unaudited) Period Ended	(Unaudited) Period Ended
	31/12/2009	31/12/2008
	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax from :		
Continuing operations	2,066	1,950
Discontinued operation	-	(58)
Adjustments for:		
- Non-cash items	3,184	898
- Share of profits in associated companies	-	(424)
- Non-operating items	(391)	1,677
Operating profit before changes in working capital	4,859	4,043
Changes in working capital:		
- Net change in current assets	(5,807)	3,424
- Net change in current liabilities	4,250	5,847
Net Cash generated from operating activities	3,302	13,314
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary companies, net of cash acquired	(50)	17,876
Purchase of additional shares from Minority interest	(163)	-
Other investments	(3,280)	(3,811)
Net cash generated from / (used in) investing activities	(3,493)	14,065
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest expense	-	(45)
Dividend paid	(140)	0
Decrease in bank borrowings	-	(301)
Net cash generated from financing activities	(140)	(346)
Net Change in Cash & Cash Equivalents	(331)	27,033
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	60,291	24,139
CASH & CASH EQUIVALENTS AS AT END OF THE PERIOD	59,960	51,172

Note: Deposits amounting to RM309,950 (31.12.2008: RM302,987) have been pledged to local banks for bank guarantee facilities obtained by the Group as at 31st December 2009. 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 2009)

KOBAY TECHNOLOGY BHD

(Co. No. 308279-A)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

Group	Attributable to equity holders of the Company						Minority Interest	Total Equity
	Share capital	Treasury shares	Share premium	Translation / Capital Reserve	Retained profit	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT PERIOD								
As at 1 July, 2009	68,081	(888)	1,680	900	36,526	106,299	33,998	140,297
Acquisition of a subsidiary company	-	-	26	-	-	26	613	639
Accretion arising from acquisition of shares from minority interest	-	-	-	-	237	237	(400)	(163)
Dividend paid to minority shareholders of subsidiary companies	-	-	-	-	-	-	(140)	(140)
Currency translation differences	-	-	-	(713)	-	(713)	-	(713)
Net profit for the period	-	-	-	-	489	489	1,137	1,626
Total recognised income and expenses	-	-	-	(713)	489	(224)	1,137	913
Balance as at 31, December, 2009	68,081	(888)	1,706	187	37,252	106,338	35,208	141,546

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

Group	Attributable to equity holders of the Company						Minority Interest	Total Equity
	Share capital	Treasury shares	Share premium	Translation reserve	Retained profit	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT PERIOD								
As at 1 July, 2008	68,081	(888)	1,680	(38)	36,449	105,284	2,383	107,667
Acquisition of a subsidiary company	-	-	-	-	-	-	33,024	33,024
Currency translation differences	-	-	-	1,621	-	1,621	-	1,621
Net profit for the period	-	-	-	-	1,633	1,633	(310)	1,323
Total recognised income and expenses	-	-	-	1,621	1,633	3,254	(310)	2,944
Transfer from reserve	-	-	-	-	(285)	(285)	-	(285)
Balance as at 31 December, 2008	68,081	(888)	1,680	1,583	37,797	108,253	35,097	143,350

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2009)

A. Notes to the interim financial report for the period ended 31 December 2009

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 2009.

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 2009 except for the adoption of the new FRS 8 Operating Segments, which took effect from 1st July 2009.

2. Seasonal or cyclical operations

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

3. 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 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.

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 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.

5. 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

6. Dividend Paid

There were no dividend paid during the quarter under review. (31.12.2008 : Nil).

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)
7. Segment Information

The Group has adopted FRS 8, Operating Segments with effect from 1st July 2009. The new FRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Executive Officer in order to allocate resources to the segments and to assess their performance. The Group's primary reporting format are based on business segment. Adoption of this new standard did not have any material effect on the financial position or performance of the Group.

The Group's reportable segments are as follows :

- a) Precision tooling & mould – Manufacture of machinery parts, tools, dies and moulds.
- b) Precision components – Manufacture of precision machined components, precision stamping and sheet metal parts .
- c) Automation & Metal Work – Design and manufacture of automated machines, development of automation software and manufacture of all types of metal plates, modules and parts for oil and gas production.
- d) Investment & property management & Others– Includes investment holding, property management, trading and money lending.

Current Period ended 31/12/09	Investment & Property Management	Precision Tooling & Mould	Precision Components	Automation & Metal Work	Total	Eliminations	Total Equity
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue from external customer	32	5807	18821	6932	31592		31592
Intersegment revenue	1811	348	13	871	3043	(3043)	
Interest revenue	455	30	222	62	769		769
Depreciation and amortisation	194	315	2353	321	3184		3184
Income tax expenses	2	(37)	(405)		(440)		(440)
Reportable segment profit/(loss) after tax	1112	366	1550	(126)	2902	(1276)	1626
Reportable segment assets	99522	11288	76012	23322	210144	(50364)	159780
Expenditure for non-current assets	42	42	417	3110	3611		3611
Reportable segment liabilities	12596	3260	8118	4545	28519	(10284)	18234

b) Segment information by geographical regions

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

	31.12.2009 (RM'000)
Malaysia	20210
China	1214
Thailand	1091
United States of America	1354
Europe	945
Other Asian Countries	6778
Total	31592

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Period ended 31/12/08	Investment & Property Management	Precision Tooling & Mould	Precision Components	Automation & Metal Work	Total	Eliminations	Total Equity
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue from external customer	133	6897	10809	10680	28520		28520
Intersegment revenue	2388	1095	58	344	3885	(3885)	
Investment revenue	373	23	130	29	555		555
Depreciation and amortisation	185	359	1249	(300)	1493		1493
Income tax expenses	(37)	(205)	(131)	(300)	(673)	104	(569)
Reportable segment profit/(loss) after tax	1111	449	(96)	(226)	1238	143	1381
Reportable segment assets	107824	12324	77503	29993	227644	(58545)	169099
Expenditure for non-current assets	183	57	623	140	1004		1004
Reportable segment liabilities	22805	3242	10085	12260	48392	(22642)	25750

b) Segment information by geographical regions

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

	31.12.2008 (RM'000)
Malaysia	15477
United States of Americ	1425
Europe	2119
S. America	3195
Asian Countries	6304
Total	28520

8. 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.

9. 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.

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10. Changes in the composition of the group

On 9th September 2009, Kobay SCM (S) Pte Ltd ("KSS"), a 60% owned subsidiary, has entered into a Shareholders' Agreement with Mr Hubertus Benedikt Heigl, Dr. Helmuth Kurt Heigl and Mr Chai Meng Meng to subscribe for 50.8% equity interest in Microhandling Aisa Pte Ltd ("MHA") for SGD254,000.00. On 15th October 2009, MHA has become a 50.8% owned subsidiary of KSS.

On 4th November 2009, Lipo Corporation Berhad, a 52.09% owned subsidiary, has acquired a wholly owned subsidiary, namely Super Tropical Development Sdn Bhd for a cash consideration of RM2.00.

On 29th December 2009, the company entered into a Share Sale Agreement with Encik Ahmad Sabri Bin Md. Taha to acquire 509 ordinary shares of RM1.00 each in KWH Technologies Sdn Bhd ("KWH") for a cash consideration of RM200,000. As a result of the acquisition, KWH has become a 50.9% owned subsidiary of Kobay.

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

	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Net assets as of date of acquisition:		
Property, plant and equipment	41	41
Trade and other receivables	770	770
Intangible assets	208	208
Cash and bank balances	772	772
Trade and other payables	<u>(672)</u>	<u>(672)</u>
Net assets acquired	1,119	1,119
Minority interest	<u>(604)</u>	<u>(604)</u>
Share of net assets acquired	515	515
Cost of acquisition	<u>(822)</u>	
Goodwill on consolidation	<u><u>(307)</u></u>	
Cash flow arising on acquisition :		
Purchase consideration satisfied by cash	822	
Less : Cash and cash equivalents of subsidiary companies acquired	<u>(772)</u>	
Net cash outflow of the Group	<u><u>50</u></u>	

11. Contingent assets and contingent liabilities

There were no contingent assets or liabilities as at the date of the report.(31.12.2008: RM Nil).

12. Material related party transaction

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

13. Capital Commitments

Capital commitment contracted but not provided for in the financial statements as at 31.12.2009 are as follows :

Land held for property development	RM'000 <u>3,996</u>
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KOBAY TECHNOLOGY BHD (Co. No. 308279-A)

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

1. Review of performance

The Group recorded a revenue of RM17.81 million and profit before tax of RM1.43 million for the current quarter. The increase in revenue and profit before tax as compared to previous year's corresponding quarter were mainly contributed from the precision components division and a newly acquired subsidiary, which set off against the significant dropped in revenue from the metal works division.

Followed through the steep decline in sales order for the past two quarters, the Group has faced a slow pace of recovery in performance, especially the metal works and tooling division.

2. Comparison with preceding quarter's results

The Group reported a revenue of RM17.81 million and profit before tax of RM1.43 million as compared to previous quarter of RM13.78 million and RM0.63 million respectively.

The favourable results were mainly due to the positive contribution from precision components division and the newly acquired subsidiary. However, the metal works division still undergoes a weak incoming order which affected the overall performance of the Group.

3. Current year prospect

The Board anticipates that the performance of the Group for the coming quarters will remain challenging. The Group will continue to look for expansion plan for future growth.

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 31/12/2009 RM '000	Preceding Year Corresponding quarter ended 31/12/2008 RM '000	Current Year todate 31/12/2009 RM '000	Preceding Year Corresponding period 31/12/2008 RM '000
Continuing Operations				
Current tax	(344)	(151)	(395)	(269)
Deferred tax	(45)	-	(45)	(300)
	<u>(389)</u>	<u>(151)</u>	<u>(440)</u>	<u>(569)</u>

The effective tax rate of the Group was lower than statutory tax rate mainly due to tax incentive and tax losses 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.

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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 31/12/2009 RM '000	Preceding Year Corresponding quarter ended 31/12/2008 RM '000	Current Year todate 31/12/2009 RM '000	Preceding Year Corresponding period 31/12/2008 RM '000
(i) Total purchase	444	5,479	1,294	5,632
(ii) Total disposal	375	2,429	2,254	2,429
(iii) Profit on disposal	57	32	274	32

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

	RM '000
(i) At cost	606
(ii) At carrying value/book value	606
(iii) At market value	615

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

The Group has no borrowings as at 31st December 2009. (31.12.2008 : Nil)

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.

12. Dividend

The Board of Directors do not recommend any dividend payment for the financial quarter ended 31st December 2009 (31.12.2008: 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 31/12/2009 RM '000	Preceding Year Corresponding quarter ended 31/12/2008 RM '000	Current Year to date 31/12/2009 RM '000	Preceding Year Corresponding period 31/12/2008 RM '000
Profit from continuing operations attributable to ordinary equity holders of the Company	202	205	489	1,660
Loss from discontinued operation attributable to ordinary equity holders of the Company	0	(9)	0	(27)
Profit attributable to ordinary equity holders of the Company	<u>202</u>	<u>196</u>	<u>489</u>	<u>1,633</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	0.30	0.73	2.46
- Discontinued operation	0.00	(0.01)	0.00	(0.04)
	<u>0.30</u>	<u>0.29</u>	<u>0.73</u>	<u>2.42</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 31/12/2009 RM '000
Loan given to non-wholly owned subsidiaries	5,513
Loan given by a licensed moneylending company within the Group to third parties	<u>2,362</u>
	<u>7,875</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 asset: 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 31/12/2009 RM '000	Preceding Year Corresponding quarter ended 31/12/2008 RM '000	Current Year todate 31/12/2009 RM '000	Preceding Year Corresponding period 31/12/2008 RM '000
Revenue	-	-	-	-
Operating expenses	-	(42)	-	(86)
Other operating income	-	26	-	28
Profit from operations	-	(16)	-	(58)
Investment revenue	-	-	-	-
Finance cost	-	-	-	-
Profit before tax	-	(16)	-	(58)
Tax expense	-	-	-	-
Net profit for the period	-	(16)	-	(58)

Cash Flow attributable to discontinued operation

	Quarter Ended 31/12/2009 RM '000	Quarter Ended 31/12/2008 RM '000
Operating cash flows	-	(1,054)
Investing cash flows	-	-
Financing cash flows	-	(10)
Net cash attributable to discontinued operation	-	(1,064)

16. Audit report of preceding annual financial statements

The Group's audited financial statements for the year ended 30 June 2009 were reported without any qualification.

17. Authorisation for issuance of the interim financial statements

On 25th February 2010, the Board of Directors authorised the issuance of these interim financial statements.