

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2011

(The figures have not been audited)

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 30/9/2011 RM '000	Preceding Year Corresponding quarter ended 30/9/2010 RM '000	Current Year to date 30/9/2011 RM '000	Preceding Year Corresponding period 30/9/2010 RM '000
Revenue	23,590	30,471	23,590	30,471
Cost of sales	(17,375)	(22,521)	(17,375)	(22,521)
Gross profit	6,215	7,950	6,215	7,950
Operating expenses	(4,770)	(4,388)	(4,770)	(4,388)
Finance cost	(7)	-	(7)	-
Other income	532	795	532	795
Profit before tax	1,970	4,357	1,970	4,357
Tax expense	(832)	(780)	(832)	(780)
Profit for the period	1,138	3,577	1,138	3,577
Other comprehensive income :-				
Available-for-sale financial assets	(4)	-	(4)	-
Currency translation differences for foreign operations	82	(133)	82	(133)
Reclassification adjustment on :-				
Derecognition of available-for-sale financial assets	(4)	-	(4)	-
Total comprehensive income for the period	1,212	3,444	1,212	3,444
Profit for the period attributable to :-				
Owners of the parent	723	2,058	723	2,058
Non-controlling interest	415	1,519	415	1,519
	1,138	3,577	1,138	3,577
Total comprehensive income attributable to :				
Owners of the parent	753	1,961	753	1,961
Non-controlling interest	459	1,483	459	1,483
	1,212	3,444	1,212	3,444
Earnings per share (sen)				
- Basic / diluted	1.07	3.06	1.07	3.06

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30th June 2011)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

	(Unaudited) As at current financial year 30/9/2011 RM '000	(Audited) As at preceding financial year 30/06/2011 RM '000
Assets		
Non-Current Assets		
Property, plant and equipment	58,993	58,588
Land held for property development	12,443	7,114
Available-for-sale financial assets	2,110	1,862
Intangible assets	224	219
	73,770	67,783
Current Assets		
Inventories	13,960	10,892
Trade and other receivables	22,037	27,107
Financial assets at fair value through profit or loss	-	2
Loan receivables	1,113	1,104
Tax assets	1,294	1,412
Cash & cash equivalents	61,105	61,596
	99,509	102,113
Total Assets	173,279	169,896
Equity		
Share capital	68,081	68,081
Reserves		
Treasury shares	(888)	(888)
Share premium	1,680	1,680
Fair value reserve	65	73
Currency translation reserve	93	55
Retained profit	43,503	42,780
	44,453	43,700
Equity attributable to owners of the parent	112,534	111,781
Non controlling interest	39,313	38,731
Total Equity	151,847	150,512
Non-Current Liabilities		
Hire purchase creditors	189	-
Deferred income on government grant	113	123
Deferred taxation	3,446	3,437
	3,748	3,560
Current Liabilities		
Trade and other payables	17,131	15,125
Hire purchase creditors	96	-
Financial liabilities at fair value through profit or loss	44	-
Tax liabilities	413	699
	17,684	15,824
Total Liabilities	21,432	19,384
Total Equity and Liabilities	173,279	169,896
Net assets per ordinary share attributable to owners of the Parent(RM)	1.67	1.66

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30th June 2011)

KOBAY TECHNOLOGY BHD

(Co. No. 308279-A)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011**

	(Unaudited) Period Ended 30/9/2011 RM '000	(Unaudited) Period Ended 30/9/2010 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,970	4,357
Adjustments for:		
- Non-cash items	1,766	1,678
- Non-operating items	439	(39)
Operating profit before changes in working capital	4,175	5,996
Changes in working capital:		
- Net change in current assets	1,294	(2,010)
- Net change in current liabilities	1,326	1,345
Net cash generated from operating activities	6,795	5,331
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal/(acquisition) of subsidiary companies	-	(67)
Purchase of additional shares from non-controlling interest	(10)	-
Purchase of land held for property development	(5,329)	-
Purchase of property, plant and equipment	(1,692)	(1,000)
Other investments	(253)	24
Net cash used in investing activities	(7,284)	(1,043)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(30)	(24)
Share application money from non-controlling interest	-	145
Capital repayment to non-controlling interest	-	(76)
Net cash generated from financing activities	(30)	45
Currency translation differences	27	(36)
Net Change in Cash & Cash Equivalents	(492)	4,297
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	61,215	48,716
CASH & CASH EQUIVALENTS AS AT END OF THE PERIOD	60,723	53,013

Note: Deposits amounting to RM381,524 (30.9.2010: RM392,935) have been pledged to local banks for bank guarantee facilities obtained by the Group as at 30th September 2011. As such, these amounts are not included as cash and cash equivalents as at the aforementioned dates.

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30th June 2011)

KOBAY TECHNOLOGY BHD

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011**

Group	Attributable to owners of the Parent						Sub-total RM'000	Non- controlling Interest RM'000	Total Equity RM'000
	Non-distributable			Distributable					
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair Value reserve RM'000	Translation reserve RM'000	Retained profit RM'000			
CURRENT PERIOD									
As at 1 July, 2011	68,081	(888)	1,680	73	55	42,780	111,781	38,731	150,512
Total comprehensive income for the period	-	-	-	(8)	38	723	753	459	1,212
Transactions with owners									
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(30)	(30)
Issuance of shares to non-controlling interest of subsidiary company	-	-	-	-	-	-	-	-	-
Acquisition of subsidiary companies	-	-	-	-	-	-	-	153	153
Balance as at 30 September, 2011	<u>68,081</u>	<u>(888)</u>	<u>1,680</u>	<u>65</u>	<u>93</u>	<u>43,503</u>	<u>112,534</u>	<u>39,313</u>	<u>151,847</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010**

Group	Attributable to owners of the Parent						Sub-total RM'000	Non- controlling Interest RM'000	Total Equity RM'000
	Non-distributable			Distributable					
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair Value reserve RM'000	Translation reserve RM'000	Retained profit RM'000			
CURRENT PERIOD									
As at 1 July, 2010	68,081	(888)	1,680	27	267	36,786	105,953	36,706	142,659
Total comprehensive income for the period	-	-	-	-	(97)	2,058	1,961	1,483	3,444
Transactions with owners									
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(24)	(24)
Acquisition of a subsidiary company	-	-	-	-	-	-	-	71	71
Capital repayment to non-controlling interest	-	-	-	-	-	-	-	(76)	(76)
Balance as at 30 September, 2010	<u>68,081</u>	<u>(888)</u>	<u>1,680</u>	<u>27</u>	<u>170</u>	<u>38,844</u>	<u>107,914</u>	<u>38,160</u>	<u>146,074</u>

 (The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30th June 2011)

A. Notes to the financial report for first financial quarter ended 30 September 2011

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 financial year ended 30th June 2011.

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 30th June 2011 except for the adoption of the following new/revised FRSs, amendments to FRSs and IC interpretations:

(i) Adoption of New and Revised FRSs, IC Interpretations and Amendments

Effective for annual financial period beginning on or after 1 January 2011

Standard/Interpretation

Amendments to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*

Amendments to FRS 1 *Additional Exemptions for First-time Adopters*

Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions*

Amendments to FRS 7 *Improving Disclosures about Financial Instruments*

Amendments to IC Interpretation 14 *Prepayments of a Minimum Funding Requirement*

Amendments to FRSs contained in the document entitled "*Improvements to FRSs (2010)*"

IC Interpretation 4 *Determining whether an Arrangement contains a Lease*

IC Interpretation 18 *Transfers of Assets from Customers*

IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

The adoption of the above FRSs, amendments and interpretations do not have significant impact on the financial statement of the Group.

(i) New and Revised FRSs, IC Interpretations and Amendments issued but are not yet effective for the Group's current quarter report

IC Interpretation 15 *Agreements for the Construction of Real Estate*

FRS 124 *Related Party Disclosures (revised in 2010)*

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. (30.9.2010 : Nil).

7. Segment Information

For management purposes, the Group is organised into business units based on their products and services.

The Group's reportable operating segments are as follows:

- a) Precision Tooling & Automation – Manufacture of precision molds, tooling and dies, and design and manufacture of automated machines.
- b) Precision Metal Components – Manufacture of precision machined components, precision stamping, sheet metal parts and surface treatment.
- c) Metal Fabrication – Manufacture of metal works and structures, modules and parts for oil and gas production and extraction equipment.
- d) Other operating segments– Include small operations related to general trading, money lending, food & beverages, hotel operation, property development and oil and gas maintenance services.

Current Period ended 30/09/11	Precision Tooling & Automation	Precision Metal Components	Metal Fabrication	Other Operating Segments	Unallocated Non-Operating Segments	Total	Eliminations	Total Equity
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue from external customer	4911	15235	3271	154	20	23590		23590
Intersegment revenue	38			40	1481	1559	-1559	
Interest revenue	13	177	1	1	198	389		389
Interest expense	1	3	37			40	-34	7
Depreciation and amortisation	100	923	181	36	73	1312		1312
Tax expense	164	652			16	832		832
Reportable segment profit after taxation	-645	1627	372	-260	1174	2267	-1129	1138
Reportable segment assets	16138	79818	17807	21506	96428	231699	-58419	173279
Expenditure for non-current assets	26	1157	61	5767	10	7021		7021
Reportable segment liabilities	6008	11364	6527	9437	4438	37774	-16342	21432

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 :

	30.09.2011 (RM'000)
Malaysia	14430
China	3407
Singapore	717
Europe	370
United Kingdom	331
United States of America	1510
Other Asia Pacific Countries	2824
Total	23590

Information about major customer

Revenue from a customer of Precision Metal Components segment contributed approximately RM3.16 million (13%) of the total Group's revenue.

Segment Information-continued

Current Period ended 30/09/10	Precision Tooling & Automation	Precision Metal Components	Metal Fabrication	Other Operating Segments	Unallocated Non-Operating Segments	Total	Eliminations	Total Equity
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue from external customer	10792	15620	1889	2171		30471		30471
Intersegment revenue	159		7	80	1217	1462	-1462	
Interest revenue	26	131	42		165	364		364
Interest expense			45	35		80	-80	
Depreciation and amortisation	123	1314	153		88	1678		1678
Tax expense	94	719			8	820	-41	780
Reportable segment profit after taxation	1767	2684	-307	-429	673	4388	-812	3577
Reportable segment assets	24889	76734	14514	19508	98820	234464	-61355	173110
Expenditure for non-current assets	4	836	160			1000		1000
Reportable segment liabilities	8089	10985	3054	11735	11812	45675	-18612	27063

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 :

	30.09.2010 (RM'000)
Malaysia	16919
China	543
Singapore	4330
Europe	559
United Kingdom	376
United States of America	1409
Other Asia Pacific Countries	6336
Total	30471

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 reporting financial period.

10. Changes in the composition of the group

On 4th July 2011, the Group, through Lipo Corporation Berhad, incorporated a wholly-owned subsidiary Univex Metal Tech. Co. Ltd., in China.

On 20th July 2011, Kobay SCM (S) Pte. Ltd. ("KSS"), a 60% owned subsidiary of Kobay, acquired additional 40% equity interest in United Manufacturing Corporation Pte. Ltd. ("UMC") from an individual for a cash consideration of SGD4,000. Upon the acquisition, UMC has become a 100% owned subsidiary of KSS.

Polytool Automation Sdn. Bhd., a 85% owned subsidiary of Kobay, was voluntary wound up by the members on 9th September 2011.

Paradigm Precision Components (Thailand) Ltd., a 100% owned subsidiary of Lipo Corporation Berhad, had been dissolved on 11th July 2011.

On 19th September 2011, Kobay had acquired the remaining 40% equity interest in LD Global Sdn Bhd ("LD Global") from two individuals for a cash consideration of RM1/= each respectively. Upon the acquisition, LD Global has become a 100% owned subsidiary of Kobay. On the same date, Kobay had disposed off its entire 50% equity interest in L Dessert (S) Pte. Ltd. for cash consideration of SGD1/=.

Save for the above, there were no changes in composition of the Group for current quarter.

11. Contingent assets and contingent liabilities

There were no contingent assets or liabilities as at the date of the report. (30.9.2010: RM Nil).

12. Material related party transaction

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

13. Capital Commitments

Authorised capital commitments not recognized in the interim financial statements as at 30 September 2011 are as follows:

Contracted	RM'000
Property, plant & equipment	380

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

1. Review of performance

The Group recorded a revenue of RM23.59 million and profit before tax of RM1.97 million for the current quarter as compared to previous year corresponding quarter of RM30.47 million and RM4.35 million respectively. Revenue dropped by 22% mainly affected by lower sales reported by precision tooling and automation division and the disposal of a subsidiary on second quarter of FYE2011.

The Group's profit before tax dropped significantly by 55% due to lower sales reported by precision tooling and automation division and also low margin product mix for precision metal components division.

2. Comparison with preceding quarter's results

The Group reported revenue of RM23.59 million and profit before tax of RM1.97 million for the quarter as compared to last quarter's revenue of RM28.35 million and loss before tax of RM0.18 million.

Although profit before tax shown a positive results as compared to preceding quarter, the overall performance for the Group was unsatisfactory due to the adverse performance of Precision Tooling and Automation Division. Moreover, the loss reported for preceding quarter was due to allowance for non-performing loan receivable and inventories written down totaling RM2.75 million.

3. Commentary on the prospects of the Group

The Board anticipates that the Group's performance will be affected by the negative impact of the global economic downturn. The Group will implement prudent spending and a more aggressive business plan to address the under-performed automation and metal fabrication division.

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 30/9/2011 RM '000	Preceding Year Corresponding quarter ended 30/9/2010 RM '000	Current Year todate 30/9/2011 RM '000	Preceding Year Corresponding period 30/9/2010 RM '000
Current tax	(823)	(868)	(823)	(868)
Deferred tax	(9)	88	(9)	88
	<u>(832)</u>	<u>(780)</u>	<u>(832)</u>	<u>(780)</u>

The effective tax rates for the quarter and period are higher than the statutory tax rate mainly due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries, and certain expenses which are not deductible for tax purposes

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

During the quarter under review, there were no profits or losses arise from sale of investments or properties.

7. Purchases and sales of quoted securities and unit trusts

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 30/9/2011 RM '000	Preceding Year Corresponding quarter ended 30/9/2010 RM '000	Current Year todate 30/9/2011 RM '000	Preceding Year Corresponding period 30/9/2010 RM '000
(i) Total purchase	351	337	351	337
(ii) Total disposal	94	363	94	363
(iii) Fair value changes	(13)	-	(13)	-
(iv) Profit on disposal	4	24	4	24

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

	RM '000
(i) At fair Value	239
(ii) At market value	239

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 exercise 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 and debts securities

The were no borrowings and debts securities for the Group as at 30 September 2011 (30.9.2010 : Nil) except the following :-

	Total Hire Purchase RM '000
Repayable within twelve months	96
Repayable more than twelve months	189
	<u>285</u>

10. Derivative Financial Instrument

Financial assets at fair value through profit or loss

During the quarter, The Group entered into the foreign exchange forward contract to hedge exposure to currency risk for receivables which are denominated in a currency other than the functional currency of the Group.

The outstanding of foreign exchange forward contract as at 30 September 2011 was as follows :

	Carrying Amount RM'000	Fair Value RM'000	Loss on Fair Value Changes RM'000
Foreign exchange forward contract	910	953	43

Forward foreign exchange contract is entered into with credit worthy financial institute to hedge part of the Group's sales from exchange rate movements. Given that the contract is entered into with credit worthy financial institute, credit risk for non-performance by the counterpart is minimal.

With the adoption of FRS 139, all derivative financial instruments held by the Group will be recognized as assets or liabilities in the balance sheets date, and will be classified as financial assets or financial liabilities at fair value through profit and loss. Derivative contracts is recognized and measured at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value recognized in the income statement at each reporting date.

11. Gain and losses arising from Fair Value Changes of Financial Liabilities

There were no gain and losses arising from fair value changes of financial liabilities for the current quarter and current financial year to date.

12. Breakdown of realised and unrealised profits or losses of the Group

	30/9/2011 RM'000	30/6/2011 RM'000
<i>Total retained profits of the Company and its subsidiaries</i>		
Realised	61,885	59,919
Unrealised	(2,772)	(2,718)
	<u>59,113</u>	<u>57,201</u>
Consolidation adjustments and eliminations	(15,610)	(14,421)
	<u>43,503</u>	<u>42,780</u>

13. Material litigation

The Group is not engaged in any material litigation as at the date of this report.

14. Dividend

The Board of Directors do not recommend any dividend for the financial quarter ended 30th September 2011 (30.9.2010: Nil).

15. Earnings Per Share ("EPS")

(a) Basic earnings per share

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 30/9/2011 RM '000	Preceding Year Corresponding quarter ended 30/9/2010 RM '000	Current Year to date 30/9/2011 RM '000	Preceding Year Corresponding period 30/9/2010 RM '000
Profit attributable to ordinary equity holders of the Parent	723	2,058	723	2,058
Weighted average number of ordinary shares ('000)				
- Issued ordinary shares at beginning of period	68,081	68,081	68,081	68,081
- Effect of Shares Buy Back	(728)	(728)	(728)	(728)
	<u>67,353</u>	<u>67,353</u>	<u>67,353</u>	<u>67,353</u>
Basic earnings per share (sen)				
- Continuing operations	<u>1.07</u>	<u>3.06</u>	<u>1.07</u>	<u>3.06</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.

16. 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 as at 30th September 2011:

	Current Period As at 30/9/2011 RM '000
Loan given to non-wholly owned subsidiaries	984
Loan given by a licensed moneylending company within the Group to third parties	<u>1,113</u>
	<u>2,097</u>

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

17. Audit report of preceding annual financial statements

The Group's audited financial statements for the year ended 30th June 2011 were reported without any qualification.