

KOBAY TECHNOLOGY BHD (Co. No. 308279-A)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

(The figures have not been audited)

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2011 RM '000	Preceding Year Corresponding quarter ended 31/12/2010 RM '000	Current Year to date 31/12/2011 RM '000	Preceding Year Corresponding period 31/12/2010 RM '000
Revenue	27,133	29,257	50,723	59,728
Cost of sales	(22,266)	(21,591)	(39,641)	(44,112)
Gross profit	4,867	7,666	11,082	15,616
Operating expenses	(3,995)	(6,321)	(8,765)	(10,709)
Finance cost	(3)	-	(10)	-
Other income	1,507	2,297	2,039	3,092
Profit before tax	2,376	3,642	4,346	7,999
Tax expense	(663)	(875)	(1,495)	(1,655)
Profit for the period	1,713	2,767	2,851	6,344
Other comprehensive income :-				
Available-for-sale financial assets	52	-	48	-
Currency translation differences for foreign operations	699	(411)	781	(544)
Reclassification adjustment on :-				
Derecognition of available-for-sale financial assets	(14)	-	(18)	-
Total comprehensive income for the period	2,450	2,356	3,662	5,800
Profit for the period attributable to :-				
Owners of the parent	722	2,195	1,445	4,253
Non-controlling interest	991	572	1,406	2,091
	1,713	2,767	2,851	6,344
Total comprehensive income attributable to :				
Owners of the parent	1,162	2,002	1,915	3,963
Non-controlling interest	1,288	354	1,747	1,837
	2,450	2,356	3,662	5,800
Earnings per share (sen)				
- Basic / diluted	1.07	3.26	2.15	6.31

(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 31 DECEMBER 2011

	(Unaudited) As at current financial year 31/12/2011 RM '000	(Audited) As at preceding financial year 30/06/2011 RM '000
Assets		
Non-Current Assets		
Property, plant and equipment	58,973	58,588
Land held for property development	12,435	7,114
Available-for-sale financial assets	1,914	1,862
Intangible assets	224	219
	73,546	67,783
Current Assets		
Inventories	11,739	10,892
Trade and other receivables	23,630	27,107
Financial assets at fair value through profit or loss	-	2
Loan receivables	488	1,104
Tax assets	1,245	1,412
Cash & cash equivalents	63,613	61,596
	100,715	102,113
Total Assets	174,261	169,896
Equity		
Share capital	68,081	68,081
Reserves		
Treasury shares	(888)	(888)
Share premium	1,680	1,680
Fair value reserve	104	73
Currency translation reserve	494	55
Retained profit	44,225	42,780
	45,615	43,700
Equity attributable to owners of the parent	113,696	111,781
Non controlling interest	40,577	38,731
Total Equity	154,273	150,512
Non-Current Liabilities		
Hire purchase creditors	164	-
Deferred income on government grant	103	123
Deferred taxation	3,388	3,437
	3,655	3,560
Current Liabilities		
Trade and other payables	15,767	15,125
Hire purchase creditors	97	-
Financial liabilities at fair value through profit or loss	-	-
Tax liabilities	469	699
	16,333	15,824
Total Liabilities	19,988	19,384
Total Equity and Liabilities	174,261	169,896
	-	
Net assets per ordinary share attributable to owners of the Parent(RM)	1.69	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 SIX MONTHS ENDED 31 DECEMBER 2011**

	(Unaudited) Period Ended 31/12/2011 RM '000	(Unaudited) Period Ended 31/12/2010 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4,346	7,999
Adjustments for:		
- Non-cash items	2,690	3,197
- Non-operating items	(796)	(1,730)
Operating profit before changes in working capital	6,240	9,466
Changes in working capital:		
- Net change in current assets	3,863	1,488
- Net change in current liabilities	(724)	(120)
Net cash generated from operating activities	9,379	10,834
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal/(acquisition) of subsidiary companies	-	89
Purchase of additional shares from non-controlling interest	(10)	(476)
Purchase of land held for property development	(5,321)	-
Purchase of property, plant and equipment	(2,298)	(3,067)
Proceeds from disposal of property, plant and equipment	-	2,940
Other investments	4	(584)
Net cash used in investing activities	(7,625)	(1,098)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(54)	(224)
Issuance of shares to non-controlling interest	-	145
Capital repayment to non-controlling interest	-	(123)
Net cash generated from financing activities	(54)	(202)
Currency translation differences	317	(261)
Net Change in Cash & Cash Equivalents	2,017	9,273
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	61,215	48,716
CASH & CASH EQUIVALENTS AS AT END OF THE PERIOD	63,232	57,989

Note: Deposits amounting to RM381,524 (31.12.2010: RM392,935) have been pledged to local banks for bank guarantee facilities obtained by the Group as at 31st December 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 SIX MONTHS ENDED 31 DECEMBER 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	-	-	-	31	439	1,445	1,915	1,747	3,662
Transactions with owners									
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(54)	(54)
Issuance of shares to non-controlling interest of subsidiary company	-	-	-	-	-	-	-	-	-
Acquisition of subsidiary companies	-	-	-	-	-	-	-	153	153
Balance as at 31 December, 2011	68,081	(888)	1,680	104	494	44,225	113,696	40,577	154,273

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 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	-	-	-	-	(290)	4,253	3,963	1,837	5,800
Transactions with owners									
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(224)	(224)
Acquisition/Disposal of subsidiary company	-	-	-	-	-	-	-	(40)	(40)
Accretion arising from acquisition of shares from non-controlling interest	-	-	-	-	-	452	452	(789)	(337)
Issue of shares to non-controlling interest	-	-	-	-	-	-	-	145	145
Capital repayment to non-controlling interest	-	-	-	-	-	-	-	(123)	(123)
Balance as at 31 December, 2010	68,081	(888)	1,680	27	(23)	41,491	110,368	37,512	147,880

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

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

(ii) 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. (31.12.2010 : 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 31/12/11	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	12327	30126	7734	447	89	50723		50723
Intersegment revenue	100		40	91	2809	3040	-3040	
Interest revenue	28	368	5	1	414	816		816
Interest expense		6	91			98	-88	9
Depreciation and amortisation	224	1872	364	86	144	2690		2690
Tax expense	327	1121			47	1495		1495
Reportable segment profit after taxation	-304	3278	-257	118	2187	5022	-2171	2851
Reportable segment assets	16272	80322	18685	20620	97133	233032	-58772	174260
Expenditure for non-current assets	35	1705	260	503	5115	7619		7619
Reportable segment liabilities	6531	9599	8033	8182	4118	36463	-16475	19988

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 :

	31.12.2011 (RM'000)
Malaysia	23255
China	6561
Singapore	10020
Europe	969
United Kingdom	604
United States of America	3107
Other Asia Pacific Countries	6207
Total	50723

Information about major customer

Revenue from a customer of Precision Metal Components segment contributed approximately RM5.8 million (11%) of the total Group's revenue.

Segment Information-continued

Current Period ended 31/12/10	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	18344	32852	4316	4215		59728		59728
Intersegment revenue	171		7	170	2567	2915	-2915	
Interest revenue	39	294	6		278	617		617
Interest expense			84	85		170	-170	
Depreciation and amortisation	236	2464	331		166	3197		3197
Tax expense	307	1377			12	1696	-41	1655
Reportable segment profit after taxation	1535	4962	-321	-659	1749	7267	-923	6344
Reportable segment assets	21759	79185	14866	15796	100651	232257	-59898	172359
Expenditure for non-current assets	26	2422	236	379	4	3067		3067
Reportable segment liabilities	6652	11598	3419	8569	12422	42661	-18155	24506

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 :

	31.12.2010 (RM'000)
Malaysia	43073
China	1008
Singapore	5055
Europe	923
United Kingdom	610
United States of America	2667
Other Asia Pacific Countries	6392
Total	59728

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

There were no major changes in the composition of the Group since the last quarter announcement.

11. Contingent assets and contingent liabilities

There were no contingent assets or liabilities as at the date of the report. (31.12.2010: 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 31 December 2011 are as follows:

Contracted	RM'000
Property, plant & equipment	800

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

1. Review of performance

For the quarter under review, the Group generated a revenue of RM27.13 million, with a profit before tax of RM2.37 million as compared to a profit before tax of RM3.64 million in previous corresponding quarter.

The unfavourable performance on profit before tax was primarily due to narrow margins for metal fabrication segment as a consequence of inefficiency encountered on new product range.

Besides metal fabrication segment, precision metal components segment also recorded a lower profit before tax due to change of sales mix and losses incurred by a newly setup subsidiary in China.

However, the debts recovered of RM0.58 million from non-performing loan by money lending activity (under other operating segments) has cushioned out the significant negative impact from the abovementioned segments.

Other than the above, the preceding year's corresponding quarter showed better results due to a one off gain on disposal of a factory building amounting to RM1.68 million.

For Year-to-date, the Group recorded a revenue and profit before tax of RM50.72 million and RM4.34 million respectively. As compared to previous corresponding period, the unfavourable performance mainly contributed from precision tooling & automation segments and precision metal components.

The precision tooling & automation segments have faced lower sales orders. The uncertain global economic condition has resulted in down-stream customers placing orders on a minimal need-only basis and this has also led to the margin squeeze among competitors for the segments. While for precision metal components, the unfavourable results was due to cost down exercise by certain customers, increase in labour cost and losses incurred for a newly setup subsidiary in China.

2. Comparison with preceding quarter's results

The Group reported revenue of RM27.13 million and profit before tax of RM2.37 million for the quarter as compared to last quarter's revenue of RM23.59 million and profit before tax of RM1.97 million.

Both revenue and profit before tax shown a positive variance as compared to last quarter.

Precision tooling & automation segments recorded an increase in revenue by RM2.50 million and profit before tax by RM0.98 million as compared to preceding quarter. This was mainly due to pulling of orders from a customer in a subsidiary which overturned the negative impact in quarter 1 2012.

Precision metal components has performed stable, recorded a revenue and profit before tax of RM15.23 million and RM1.62 million respectively for the quarter, with no significant change as compared to preceding quarter.

The metal fabrication segment has recorded a loss of RM0.62 million over revenue of RM7.73 million. Despite the 36% increase in revenue, the segments reported a loss of RM0.62 million for the quarter mainly caused by narrow margin product coupled with inefficiency encountered for new product range.

Other than the major segments above, the money lending subsidiary under other operating segment has successfully recovered part of the non performing debts of RM0.58 million for the quarter under review.

3. Commentary on the prospects of the Group

Taking into consideration the uncertainties of global economy, the Group foresees that the performance for remaining financial quarters to be challenging.

Our precision tooling and automation segment that mainly serving the semiconductors industry has encountered significant drop in incoming orders since first half of the financial year, and is expected to continue its down trend in the second half.

The precision metal components segment (under Lipo Corporation Bhd Group) anticipates a softer performance in the second half of the financial year, largely due to the poor performance of China operations. Nevertheless, this division shall remain profitable for the remaining financial quarters.

For metal fabrication segment that provides heavy machining and fabrication to oil & gas industry, the division has recorded increment in orders and shall show improvement in the coming financial quarters.

For other operating segments, the contribution is not expected to be significance.

The Group will continue its conservative stance in working capital management and adhere to stringent cost control, apart from laying out plans to address the under performed business segments.

4. Variance on forecast profit/profit guarantee

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

5. Profit for the period

Group	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year	Preceding Year	Current Year	Preceding Year
	quarter ended 31/12/2011 RM '000	Corresponding quarter ended 31/12/2010 RM '000	todate 31/12/2011 RM '000	Corresponding period 31/12/2010 RM '000
Profit for the period is arrived at after (crediting)/charging :-				
Interest income	(427)	(253)	(816)	(617)
Interest expenses	3	-	10	-
Depreciation of property, plant and equip.	1,378	1,519	2,690	3,197
Inventories written down	381	751	1,026	751
Receivable written back	(599)	37	(617)	13
(Gain)/loss on disposal of property, plant and equipment/investment	(1)	(1,688)	132	(1,219)
Property, plant and equipment written off	4	150	9	156
Foreign exchange (gain)/loss	(113)	24	(100)	75
(Gain)/loss on derivatives	(43)	-	2	-

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Listing Requirement are not applicable.

6. Taxation

Taxation comprises the following :-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year	Preceding Year	Current Year	Preceding Year
	quarter ended 31/12/2011 RM '000	Corresponding quarter ended 31/12/2010 RM '000	todate 31/12/2011 RM '000	Corresponding period 31/12/2010 RM '000
Current tax	(721)	(520)	(1,544)	(1,388)
Deferred tax	58	(355)	49	(267)
	<u>(663)</u>	<u>(875)</u>	<u>(1,495)</u>	<u>(1,655)</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.

7. 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 subsidiary has been dissolved on 4th January 2012.

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

8. Group borrowings and debts securities

There were no borrowings and debts securities for the Group as at 31st December 2011 (31.12.2010 : Nil) except the following :-

	Total Hire Purchase RM '000
Repayable within twelve months	97
Repayable more than twelve months	164
	<u>261</u>

9. Derivative Financial Instrument

There were no derivative financial instruments as at the date of this quarterly report.

10. 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.

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

	31/12/2011 RM'000	30/6/2011 RM'000
<i>Total retained profits of the Company and its subsidiaries</i>		
Realised	63,664	59,920
Unrealised	(2,699)	(2,718)
	<u>60,965</u>	<u>57,202</u>
Consolidation adjustments and eliminations	(16,740)	(14,422)
	<u>44,225</u>	<u>42,780</u>

12. Material litigation

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

13. Dividend

The Board of Directors do not recommend any dividend for the financial quarter ended 31st December 2011 (31.12.2010: Nil).

14. Earnings Per Share ("EPS")

(a) Basic earnings per share

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year quarter ended 31/12/2011 RM '000	Preceding Year Corresponding quarter ended 31/12/2010 RM '000	Current Year to date 31/12/2011 RM '000	Preceding Year Corresponding period 31/12/2010 RM '000
Profit attributable to ordinary equity holders of the Parent	722	2,195	1,445	4,253
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>3.26</u>	<u>2.15</u>	<u>6.31</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.

15. 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 31st December 2011:

	Current Period As at 31/12/2011 RM '000
Loan given to non-wholly owned subsidiaries	994
Loan given by a licensed moneylending company within the Group to third parties	<u>488</u>
	<u>1,482</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.

16. 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.