

**A. NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2003**

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**1. Accounting policies and methods of computation**

The interim financial report, which is unaudited and has been prepared in accordance with MASB 26, 'Interim Financial Reporting' and Chapter 9, Appendix 9B of the Listing Requirement of the Malaysia Securities Exchange Berhad, and should be read in conjunction with the Group's annual audited financial statements for the year ended 30 June 2003.

The interim financial report has been prepared based on accounting policies and methods of computation that are consistent with those adopted in the preparation of annual financial statements for the year ended 30 June 2003.

**2. Audit report of preceding annual financial statement**

The Group's audited financial statements for the year ended 30 June 2003 were reported without any qualification.

**3. Seasonal or cyclical operations**

The performance of the Group is generally dependent on the performance of the global electronics and telecommunication industries.

**4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence**

There were no unusual items during the reporting quarter which affecting assets, liabilities, equity, net income or cashflow of the Group.

**5. Nature and amount of changes in estimates of amount 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 affect in the current quarter.

**6. Issuances, cancellations, repurchases, resale and repayments of debt and equity security**

Detail of share options exercised during the financial year :

ESOS	As at 01/7/2003 '000	Exercise '000	Cancelled / Lapsed	As at 31/12/2003 '000	Subscription Price (RM)	Date of expiry
1 <sup>st</sup> Option	2,053	18	-	2,035	1.49	17/2/2013
2 <sup>nd</sup> Option	155	-	-	155	1.53	17/2/2013

## 7. Dividends

No interim dividend has been declared for the current quarter and financial year-to-date (31 December 2002 : Nil).

## 8. Group segment reporting

The disclosure of segmental reporting is based on geographical region.

<u>For Six Months/Current Period Ended 31/12/03</u>	<u>Malaysia (RM'000)</u>	<u>China (RM'000)</u>	<u>Thailand (RM'000)</u>	<u>Eliminations (RM'000)</u>	<u>Consolidated Amount (RM'000)</u>
<b>REVENUE</b>					
External sales	12,356	679	739	-	13,774
Inter-segment sales	1,877	-	-	(1,877)	-
	<b>14,233</b>	<b>679</b>	<b>739</b>	<b>(1,877)</b>	<b>13,774</b>
<b>RESULT</b>					
Segmental result	1242	(40)	(108)	-	1,094
Unallocated corporate expenses					(528)
Profit from operation					566
Finance cost					(228)
Profit before taxation					338
Taxation					(57)
Profit after taxation					281
Minority Interest ("MI")					(30)
<b>Net profit After Tax &amp; MI</b>					<b>251</b>

<u>Current Period Ended 31/12/03</u>	<u>Malaysia (RM'000)</u>	<u>China (RM'000)</u>	<u>Thailand (RM'000)</u>	<u>Eliminations (RM'000)</u>	<u>Consolidated Amount (RM'000)</u>
<b>Assets</b>					
Segmental assets	52,600	2,523	2,675	-	57,798
Unallocated corporate assets					5,490
<b>Consolidated corporate assets</b>					<b>63,288</b>
<b>Liabilities</b>					
Segmental liabilities	7,089	323	151	-	7,563
Unallocated corporate Liabilities					205
<b>Consolidated corporate liabilities</b>					<b>7,768</b>
<b>Other Information</b>					
Capital expenditure	57	43	3	-	103
Depreciation	2,077	97	190	-	2,364
Goodwill amortisation	3	-	-	-	3

Segmental reporting by industry has not been prepared as the Group operates principally within one industry segment.

#### **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 reporting financial period.

#### **11. Changes in composition of the Group**

There were no changes in the composition of the Group in the current quarter.

#### **12. Changes in contingent liabilities or contingent assets**

The contingent liabilities of Lipo Corporation Berhad has been increased to RM5.18 million as at 31 December 2003 ( 30 June 2003 – RM4.68 million ), being corporate guarantee given to financial institute for banking facilities.

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### **B. ADDITIONAL INFORMATION REQUIRED BY THE MSEB'S LISTING REQUIREMENT**

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#### **1. Review of performance**

During the second quarter ended 31 December 2003, the Group's revenue has dropped by 2.95% to RM7.01 million from RM7.22 million as registered in the preceding year corresponding quarter. The Group registered a pre-tax loss of RM0.16 million in the current financial quarter as compared to a pre-tax loss of RM0.66 million in the preceding financial year corresponding quarter.

For the six months ended 31 December 2003, the Group recorded a revenue of RM13.77 million, representing an increase of RM0.59 million or an increase of 4.44% from the preceding year corresponding period. The Group registered a pre-tax profit of RM0.34 million as compared to pre-tax loss of RM1.56 million as registered in the preceding year corresponding period.

The unfavorable results reported for preceding year corresponding period was due to various provisions were made for its bad debt and obsolete stocks, and assets written off caused by factory relocation.

#### **2. Comparison with preceding quarter's result**

For the quarter under review, the Group recorded a revenue of RM7.01 million, representing an increase of RM0.25 million or 3.67% from the preceding quarter. The Group made a loss before taxation and minority interest of RM0.16 million in the current quarter as compared to the profit before tax and minority interest of RM0.5 million as registered in the preceding quarter. The unfavourable result reported for the current quarter as compared to preceding quarter was due to higher spending on upkeep of plant & machineries.

### 3. Current year prospects

The board expects the business to remain challenging in the coming quarter. The Group is fully aware of the dynamic global environment and the challenges faced by the industry and will continuously undertake various proactive measures to position itself in order to remain competitive.

### 4. Variance on forecast profit/ profit guarantee

No profit guarantee/ forecast was issued during the period.

### 5. Taxation

Taxation comprises the following :-

Group	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year 2 <sup>nd</sup> Quarter Ended 31/12/2003 RM'000	Preceding Year Corresponding Quarter Ended 31/12/2002 RM'000	Current Year To Date 31/12/2003 RM'000	Preceding Year Corresponding Period Ended 31/12/2002 RM'000
Current year	(13)	(30)	(57)	(47)
Deferred tax	-	125	-	(50)
	(13)	95	(57)	(97)
(Under)/over provision in prior years	-	-	-	-
Total	(13)	95	(57)	(97)

### 6. Profit on sale of investments or properties

There were no profits on the sale of investments and properties for the current quarter and financial year-to-date.

### 7. Purchases and sales of quoted securities

There were no purchase or disposal of quoted securities for the current quarter and financial year-to-date.

### 8. Status of corporate proposals

There was no corporate proposal announced as at the date of this interim report but pending completion.

## 9. Group Borrowing

	As At End Of Current Quarter Ended 31/12/2003 RM'000	As At End Of Preceding Year Corresponding Period Ended 31/12/2002 RM'000
Short Term – secured	1,426	1,307
Long Term – secured	2,616	4,558
<b>Total</b>	<b>4,042</b>	<b>5,865</b>

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

## 10. Financial instruments with off balance sheet risk

There were no financial instruments with off balance sheet risk as at the date of this quarterly report.

## 11. Material litigation

There were no material litigation pending at the date of this report.

## 12. Dividend

The Board of Directors does not recommend any dividend for the current quarter and financial year-to-date (30 June 2003 : Nil).

## 13. Earnings Per Share

### (a) Basic earnings/(loss) per share

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year Quarter Ended 31/12/2003 RM'000	Preceding Year Corresponding Quarter ended 31/12/2002 RM'000	Current Year To Date 31/12/2003 RM'000	Preceding Year Corresponding Period Ended 31/12/2002 RM'000
<b><u>Basic</u></b>				
Net profit/(loss) for the period	(188)	(573)	251	(1,677)
No. of ordinary shares ('000)	50,356	50,323	50,356	50,323
Basic earnings/(loss) per share (sen)	(0.37)	(1.14)	0.50	(3.33)

**(b) Diluted earnings /(loss) per share**

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	<b>Current Year Quarter Ended 31/12/2003 RM'000</b>	<b>Preceding Year Corresponding Quarter ended 31/12/2002 RM'000</b>	<b>Current Year To Date 31/12/2003 RM'000</b>	<b>Preceding Year Corresponding Period Ended 31/12/2002 RM'000</b>
Net profit/(loss) for the period	(188)	(573)	251	(1,677)
No of ordinary shares('000)	50,356	50,323	50,356	50,323
Weighted average number of shares under option during year 2003	2,190	-	2,190	-
Average fair value of one ordinary share during the period. (RM)	1.40	-	1.49	-
Exercise price for share under option during year 2003	1.49	-	1.49	-

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	<b>Current Year Quarter Ended 31/12/2003 RM'000</b>	<b>Preceding Year Corresponding Quarter ended 31/12/2002 RM'000</b>	<b>Current Year To Date 31/12/2003 RM'000</b>	<b>Preceding Year Corresponding Period Ended 30/12/2002 RM'000</b>
Number of share that would have been issued at fair value: ( 2,190 x 1.49)/1.40	2,330	-	2,190	-
Adjusted weighted average number of ordinary share in issue and issuable ('000)	52,686	50,323	52,546	50,323
Diluted Earnings /(Loss) per share (sen)	(0.36)	-	0.48	-

**14. Authorisation for issuance of the interim financial statements**

On 19 February 2003, the Board of Director authorized the issuance of these interim financial statements.

