

**A. NOTES TO THE FINANCIAL REPORT PURSUANT TO FRS 134
FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2009**

1. Accounting policies and methods of computation

The interim financial report, which is unaudited and has been prepared in accordance with FRS134, 'Interim Financial Reporting' and Chapter 9, Appendix 9B of the Listing Requirement of the Bursa Malaysia Securities Berhad, should be read in conjunction with the Group's annual audited financial statements for the year ended 30 June 2009.

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 audited financial statements for the year ended 30 June 2009 except for the adoption of FRS 8 *Operating Segments* during the financial period.

FRS 8 sets out the requirements of disclosure of information on an entity's operating segments, products and services, the geographical areas in which it operates and its customers. The adoption of this Standard does not result in significant change in the Group's accounting policies and will only impact the form and content of disclosures presented in the financial statements.

2. Seasonal or cyclical operations

The performance of the Group is generally dependent on the performance of the global electronics industry.

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 unusual items during the reporting quarter which affecting assets, liabilities, equity, net income or cashflow of the Group.

4. 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.

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

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity security during the reporting quarter.

6. Dividend

No dividend has been declared for the current quarter and financial year-to-date (31 December 2008 : Nil)

7. Segmental information

The adoption of FRS 8, Operating Segments, requires the operating segments to be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, represented by Chief Operating Officer (COO) of the Group. The COO reviews the Group's internal reporting monthly in order to assess the operating segments' performance and allocate resources.

The COO views the business from the geographic perspective. The reportable segments are Malaysia, China and Thailand. The Malaysia segment's products & services comprise of precision components, sheet metal and surface treatment, while the China and Thailand segments' products & services comprise of precision components.

For Six Months Ended 31/12/09

	Malaysia	China	Thailand	All Others	Total	Conso Elimination	Total Entity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customer	12,986	4,842	1,006	0	18,834	0	18,834
Intersegment revenue	489	0	0	1,963	2,452	(2,452)	0
Investment revenue	32	0	0	190	222	0	222
Depreciation and amortization	1,690	504	111	48	2,353	0	2,353
Income tax expenses	365	0	37	271	673	(268)	405
Reportable segment profit after tax	1,075	576	85	1,394	3,130	(1,603)	1,527
Reportable segment assets	32,273	9,957	1,485	57,229	100,944	(24,932)	76,012
Expenditure for non-current assets	252	76	71	18	417	0	417
Reportable segment liabilities	3,583	1,829	266	40	5,718	0	5,718

Note : "All others" consist of holding company and two inactive subsidiaries.

For Six Months Ended 31/12/08

	Malaysia	China	Thailand	All Others	Total	Conso Elimination	Total Entity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customer	15,321	5,439	1,168	0	21,928	0	21,928
Intersegment revenue	431	0	0	1,888	2,319	(2,319)	0
Investment revenue	42	0	0	199	241	0	241
Depreciation and amortization	1,771	432	106	69	2,378	0	2,378
Income tax expenses	403	0	72	94	569	(88)	481
Reportable segment profit/(loss) after tax	2,009	(740)	168	1,039	2,476	(1,720)	756
Reportable segment assets	33,326	10,985	1,404	54,385	100,100	(23,728)	76,372
Expenditure for non-current assets	329	3,280	1	1	3,611	(305)	3,306
Reportable segment liabilities	3,951	2,504	171	177	6,803	0	6,803

Note : "All others" consist of holding company and one inactive subsidiary.

Geographical Information

The Group's business is managed on a worldwide basis, and operates in three principal geographical areas of the world. The Group's home country is Malaysia, and the Group also operates in Thailand and China.

The following is an analysis of the Group's sales by geographical market for quarter ended 31 December 2009, irrespective of the origin of the goods/services :-

Sales revenue by geographical market	RM'000
Malaysia	9,335
Other Asia Pacific Countries	6,583
United States of America	1,235
Thailand	1,023
European Countries	557
Others	101
Total	18,834

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 composition of the Group

There were no changes in the composition of the Group during the current quarter except the acquisition of a wholly owned new subsidiary, Super Tropica Development Sdn Bhd, on 04 November 2009. The Acquisition will not have any material effect on the issued and paid-up share capital, substantial shareholding structure, earnings, consolidated net tangible assets and gearing of Lipo group for the financial year ending 30 June 2010.

11. Capital commitment

	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 Ended 31/12/2009 (RM'000)	Preceding Year Corresponding Period Ended 31/12/2008 (RM'000)
Land Held for Property Development				
Contracted but not provided for	3,996	-	3,996	-

12. Changes in contingent liabilities or contingent assets

The contingent liabilities of Lipo Corporation Berhad has been maintained at RM1.50 million as at 31 December 2009 (31 December 2008 : RM1.50 million), being corporate guarantee given to financial institution for banking facilities granted to its subsidiaries.

13. Material related party transactions

There were no material related party transactions for the current quarter and financial year-to-date.

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

1. Review of performance

Compared with the corresponding quarter last year, the Group recorded revenue of RM10.33 million, representing marginal drop of revenue amounted to RM0.52 million or 4.86% from RM10.86 million. However, the Group recorded significant increase in profit before tax of RM1.45 million from RM0.035 million as recorded in corresponding quarter last year. The improvement was mainly attributed to recovery of Overseas Components Division from loss making recorded in corresponding quarter last year due to relocation of new factory to profit making.

For the six months ended 31 December 2009, the group recorded revenue of RM18.83 million, representing a decrease of RM3.09 million or 14.10% from preceding year corresponding period. However, the group managed to record a pre-tax profit of RM1.95 million as compared to pre-tax profit of RM1.27 million as recorded in preceding year corresponding period. The favourable performance was attributable to improved result reported by the Overseas Components Division as compared to preceding year corresponding period. The Overseas Components Division has

recovered from its production deficiencies as result of relocation to new factory, and turned to profit making for the 2nd quarter FYE 2010.

2. Comparison with preceding quarter's result

For the quarter under review, the Group recorded an increase in revenue by RM1.84 million or 16.96% from the preceding quarter with the improvement in profit before tax of RM1.01 million as compared to profit before tax reported of RM0.46 million in last quarter. The improved result was mainly attributed to the increase in revenue recorded by the sheet metal division and components division.

3. Current year prospects

The Board expects the group's performance to remain challenging in the coming quarters.

4. Variance on forecast profit/ profit guarantee

No profit guarantee / forecast was issued during the period.

5. Taxation

Taxation comprises the following :-

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year 2nd 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 Ended 31/12/2008 RM'000
Group				
Current year	(260)	(131)	(307)	(281)
Deferred tax	(50)	-	(50)	(200)
	(310)	(131)	(357)	(481)
(Under) / over provision in prior years	(48)	-	(48)	-
Total	(358)	(131)	(405)	(481)

The effective rate for the quarter is lower than the statutory tax rate due to the utilization of reinvestment allowances. The foreign subsidiary in China is eligible to enjoy tax incentive of which its profit is exempted from income tax for two years commencing from first cumulative profit making year and will be subject to income tax at a reduction of 50% of the statutory income tax rate for the following three years.

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

There were no local and 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 (31 December 2008 : Nil).

13. Earnings Per Share**(a) Basic earnings per share**

<u>Basic/diluted</u>	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year Quarter Ended 31/12/2009	Preceding Year Corresponding Quarter Ended 31/12/2008	Current Year To Date Ended 31/12/2009	Preceding Year Corresponding Period Ended 31/12/2008
Net profit for the period attributable to the equity holders of the Company (RM'000)	1,115	(110)	1,527	756
No. of ordinary shares in issue ('000)	50,356	50,356	50,356	50,356
Basic/diluted earnings per share attributable to the equity holders of the Company (sen)	2.21	(0.22)	3.03	1.50

b) Diluted earnings per share

The diluted earnings per ordinary share in individual and accumulative period ended 31 December 2009 is not shown as the effect of the assumed conversion of outstanding Employee Share Option Scheme options to ordinary shares would be anti-dilutive due to market price of the ordinary shares is currently lower than the subscription price.

14. Audit report of preceding annual financial statement

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

15. Authorisation for issuance of the interim financial statements

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