

LIPO CORPORATION BERHAD
(Company No: 491485-V)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010
(The figures have not been audited)

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter ended 31/12/2010 RM '000	Preceding Year Corresponding Quarter ended 31/12/2009 RM '000	Current Year To Date 31/12/2010 RM '000	Preceding Year Corresponding Period 31/12/2009 RM '000
Revenue	17,232	10,339	32,852	18,834
Operating expenses	(14,827)	(9,184)	(27,604)	(17,527)
Other operating income	368	220	797	426
Profit from operations	2,773	1,375	6,045	1,733
Income from investment	163	112	294	222
Profit before tax	2,936	1,487	6,339	1,955
Taxation				
- The Company and its subsidiaries	(658)	(358)	(1,377)	(405)
Profit for the period	2,278	1,129	4,962	1,550
Other comprehensive income :				
Foreign currency translation differences for foreign operations	(410)	(122)	(501)	(509)
Total comprehensive income for the period	1,868	1,007	4,461	1,041
Profit for the period attributable to :				
Equity holders of the Company	2,244	1,115	4,900	1,527
Non-controlling interest	34	14	62	23
Profit for the period	2,278	1,129	4,962	1,550
Total comprehensive income attributable to :				
Equity holders of the Company	1,834	993	4,399	1,018
Non-controlling interest	34	14	62	23
Total comprehensive income	1,868	1,007	4,461	1,041
Earning per share attributable to equity holders of the Company (sen)				
- Basic/diluted	4.46	2.21	9.73	3.03

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010.

LIPO CORPORATION BERHAD
(Company No: 491485-V)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	(Unaudited)	(Audited)
	Current	Restated
	Year	Preceding
	As At	Financial Year
	31/12/2010	As At
	RM '000	30/06/2010
	RM '000	RM '000
ASSETS		
Non-Current Assets		
Property, Plant & Equipment	30,809	32,669
Land Held For Property Development	7,106	7,106
Property Development Expenditure	2	-
Total Non-Current Assets	37,917	39,775
Current Assets		
Inventories	6,907	4,709
Trade Receivables	12,748	13,078
Other Receivables, Deposits & Prepayments	1,526	1,028
Amount owing to related companies	21	-
Current Tax Assets	32	99
Cash & Cash Equivalents	27,141	20,542
Total Current Assets	48,375	39,456
Total Assets	86,292	79,231
EQUITY AND LIABILITIES		
Equity		
Share Capital	50,356	50,356
Reserves		
Share Premium	5,628	5,628
Legal Reserves	55	55
Currency Translation Reserve	(45)	456
Retained Earnings	18,430	13,530
Total Equity Attributable To Equity Holders Of The Company	74,424	70,025
Non-Controlling Interest	269	261
Total Equity	74,693	70,286
Non-Current Liabilities		
Deferred Income On Government Grants	144	164
Deferred Tax Liabilities	1,387	1,654
Total Non-Current Liabilities	1,531	1,818
Current Liabilities		
Trade Payables	4,837	4,059
Other Payables, Accruals & Provisions	3,185	2,054
Amount Owing To Holding Company	-	32
Current Tax Liabilities	2,046	982
Total Current Liabilities	10,068	7,127
Total Liabilities	11,599	8,945
Total Equity And Liabilities	86,292	79,231
Net assets per share attributable to equity holders of the parent (RM)	1.48	1.39

The Condensed Consolidated Statement Of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010.

LIPO CORPORATION BERHAD
(Company No: 491485-V)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

GROUP	<----- Attributable to equity holders of the Company ----->							Non-Controlling Interests RM'000	Total Equity RM'000
	<----- Non-Distributable ----->			Distributable					
	Share Capital RM'000	Share Premium RM'000	Currency Translation Reserve RM'000	Legal Reserve RM'000	Retained Earnings RM'000	Sub-Total RM'000			
<u>CURRENT YEAR</u>									
At 01 July 2010	50,356	5,628	456	55	13,530	70,025	261	70,286	
Total comprehensive income for the period	-	-	(501)	-	4,900	4,399	62	4,461	
Dividend paid to non-controlling interests of a subsidiary company	-	-	-	-	-	-	(54)	(54)	
Balance as at 31 December 2010	50,356	5,628	(45)	55	18,430	74,424	269	74,693	

GROUP	<----- Attributable to equity holders of the Company ----->							Non-Controlling Interests RM'000	Total Equity RM'000
	<----- Non-Distributable ----->			Distributable					
	Share Capital RM'000	Share Premium RM'000	Currency Translation Reserve RM'000	Legal Reserve RM'000	Retained Earnings RM'000	Sub-Total RM'000			
<u>CORRESPONDING PRECEDING PERIOD</u>									
At 01 July 2009	50,356	5,628	1,444	55	9,162	66,645	258	66,903	
Total comprehensive income for the period	-	-	(509)	-	1,527	1,018	23	1,041	
Dividend paid to non-controlling interests of a subsidiary company	-	-	-	-	-	-	(50)	(50)	
Balance as at 31 December 2009	50,356	5,628	935	55	10,689	67,663	231	67,894	

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010.

LIPO CORPORATION BERHAD

(Company No: 491485-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

	Six Months Ended 31/12/2010 RM '000	Six Months Ended 31/12/2009 RM '000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	6,339	1,955
Adjustments for :		
- Non-cash items	2,934	2,426
- Non-operating items	(275)	(222)
Operating profit before changes in working capital	<u>8,998</u>	<u>4,159</u>
 Changes in Working Capital :-		
- Net change in current assets	(2,366)	(3,059)
- Net change in current liabilities	1,877	2,226
Net Cash generated from operations	<u>8,509</u>	<u>3,326</u>
 Tax (paid)/refund	(513)	789
Net cash generated from operating activities	<u>7,995</u>	<u>4,115</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	267	221
Fixed deposits released as security value	2	-
Proceed from disposal of property, plant and equipment	1,054	-
Increase in property development expenditure	(2)	-
Purchase of property, plant & equipment	(2,421)	(417)
Net cash used in investing activities	<u>(1,101)</u>	<u>(197)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to minority interests of a subsidiary company	(54)	(50)
Receipt of government grant	-	205
Net cash generated/(used) in financing activities	<u>(54)</u>	<u>156</u>
 NET CHANGE IN CASH & CASH EQUIVALENT	6,841	4,075
 Effect of foreign exchange rate changes	(240)	(138)
 CASH & CASH EQUIVALENTS AS AT BEGINNING OF PERIOD	20,411	22,014
 CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	<u>27,012</u>	<u>25,951</u>
 CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD		
Highly Liquid Investments	3,643	4,371
Deposit not pledged	18,375	17,629
Cash and bank balances	4,994	3,951
	<u>27,012</u>	<u>25,951</u>

Note : The amount excluded deposits amounting to RM129,466 (31 December 2009 : RM21,162) that have been pledged to licensed banks to secure certain facilities issued by the licensed banks on behalf of the Company and of the subsidiaries.

The Condensed Consolidated Statement Of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010.

**A. NOTES TO THE FINANCIAL REPORT PURSUANT TO FRS 134
FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2010**

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 2010.

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 2010 except for the following :-

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

In the current period ended 31 December 2010, the Group adopted the following new and revised FRSs, IC Interpretations which are applicable to its financial statement and are relevant to its operations :

Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
Amendments to FRS 2 *Share-based Payment: Vesting Conditions and Cancellations*
Amendments to FRS 2 *Share-based Payment*
Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
Amendments to FRS 132 *Financial Instruments: Presentation*
Amendments to FRS 138 *Intangible Assets*
Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*, FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*
Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*
Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*
Amendments to FRSs contained in the document entitled "*Improvements to FRSs (2009)*"
FRS 1 *First-time Adoption of Financial Reporting Standards* (revised in 2010)
FRS 3 *Business Combinations* (revised in 2010)
FRS 7 *Financial Instruments: Disclosures*
FRS 101 *Presentation of Financial Statements* (revised in 2009)
FRS 123 *Borrowing Costs*
FRS 127 *Consolidated and Separate Financial Statements* (revised in 2010)
FRS 139 *Financial Instruments: Recognition and Measurement*
IC Interpretation 9 *Reassessment of Embedded Derivatives*
IC Interpretation 10 *Interim Financial Reporting and Impairment*
IC Interpretation 11 *FRS 2 - Group and Treasury Share Transactions*
IC Interpretation 13 *Customer Loyalty Programmes*
IC Interpretation 14 *FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are as following :-

Amendments to FRS 117 Leases

Prior to the adoption of Amendment to FRS117, leasehold lands were treated as operating leases. The consideration paid was classified as prepaid lease payments in the statement of financial position. With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or operating lease is based on the extent to which the risks and rewards incident to ownership lie. In making this judgement, the management has concluded that lands with an initial lease period of 50 years or more are finance leases due to the present value of the minimum lease payments (i.e. the consideration paid or payable) is substantially equal to the fair value of the land. Therefore, the Group has changed the classification of the leasehold lands from operating leases to finance leases in the current quarter. This change in classification has no effect to profit or loss of the current period ended 31 December 2010 or the comparative period. The effect to the comparative of the prior year's statement of financial position is as follow :-

30 June 2010 (Net Book Value)	As previously reported (RM'000)	Reclassification (RM'000)	As restated (RM'000)
Property, plant & equipment	27,268	5,401	32,669
Prepaid lease payments	5,401	(5,401)	-

FRS 101(revised) Presentation of Financial Statements (revised in 2009)

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of change in equity, a statement of cash flow and notes to the financial statements.

The effect of the change in presentation are as follow :-

The gains and losses that were recognized directly in equity in the preceding year corresponding period are presented as components in other comprehensive income in the statement of comprehensive income. The total comprehensive income for the preceding corresponding period is presented separately and allocation is made to show the amount attributable to Equity Holders of the Company and to Non-controlling Interests. The effects on the comparatives to the Group on adoption of the revised FRS 101 are as follows :-

For the period ended 31 December 2009	Income Statement As previously reported (RM'000)	Effects of adopting FRS101 (RM'000)	Statement of Comprehensive Income As restated (RM'000)
Profit for the period	1,550	-	1,550
Other comprehensive income	-	(509)	(509)
Total comprehensive income			1,041
Total comprehensive income attributable to :			
Equity holders of the Company	-		1,018
Non-controlling Interests	-		23
			1,041

The total comprehensive income for the period is presented as a one-line item in the Statement Of Changes In Equity.

The adoption of the other new and revised FRSS, IC Interpretations and amendments has no effect to the Group's consolidated financial statements of the current quarter or the comparative financial statement of the preceding year corresponding period.

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

Amendment to FRS 1 Limited Exemption from Comparative FRS7 Disclosures for First-time Adopters

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

Amendments to FRS 7 Improving Disclosure about Financial Instruments

The adoption of other New and Revised FRSs, IC Interpretations and Amendments will have no significant impact or not result in changes to the existing accounting policies.

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 cash flow 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 effect 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 paid for the current quarter and financial year-to-date (31 December 2009 : Nil).

7. Segmental information

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

For Six Months Ended 31/12/10

	Malaysia	China	Thailand	Unallocated non-operating segments	Consolidation adjustments and eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customer	26,269	6,295	288	0	0	32,852
Intersegment revenue	705	0	41	1,365	(2,111)	0
Depreciation and amortization	1,803	515	77	69	0	2,464
Reportable segment profit	4,357	1,474	(409)	852	(1,312)	4,962
Reportable segment assets	40,631	13,526	1,143	70,763	(39,771)	86,292
Expenditure for non-current assets	820	1,573	29	0	0	2,422
Reportable segment liabilities	8,538	3,860	822	12,716	(14,337)	11,599

Note : "Unallocated non-operating segments" consist of two inactive subsidiaries in Malaysia and holding company.

For Six Months Ended 31/12/09

	Malaysia	China	Thailand	Unallocated non-operating segments	Consolidation adjustments and eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customer	12,986	4,842	1,006	0	0	18,834
Intersegment revenue	489	0	0	1,963	(2,452)	0
Depreciation and amortization	1,690	504	111	48	0	2,353
Reportable segment profit	1,163	576	85	1,305	(1,579)	1,550
Reportable segment assets	36,516	12,702	1,506	62,995	(37,707)	76,012
Expenditure for non-current assets	252	76	71	18	0	417
Reportable segment liabilities	10,226	4,573	287	5,807	(12,775)	8,118

Note : "Unallocated non-operating segments" consist of two inactive subsidiaries in Malaysia and holding company.

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 six months period ended 31 December 2010, irrespective of the origin of the goods/services :-

Sales revenue by geographical market	Current Year Quarter Ended 31/12/2010 RM'000	Preceding Year Corresponding Quarter Ended 31/12/2009 RM'000
Malaysia	16,984	9,335
Other Asia Pacific Countries	12,479	7,606
United States of America	2,210	1,235
European Countries	669	557
Others	510	101
Total	32,852	18,834

Information about major customer

Revenue from two customers of Malaysia's segment contributed approximately RM5.18 million and RM3.75 million respectively (15.76% & 11.41% respectively) of the total Group's revenues.

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 except a foreign subsidiary namely Paradigm Precision Components (Thailand) Ltd has ceased its operations on 17 January 2011.

10. Changes in composition of the Group

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

11. Changes in contingent liabilities or contingent assets

The Company has issued corporate guarantees to financial institutions for banking facilities granted to certain subsidiaries up to limit of RM1.50 million as at 31 December 2010 (31 December 2009 : RM1.50 million), of which RM0.50 million has been utilised as at 31 December 2010.

12. Capital Commitments

Authorised capital commitments not recognized in the interim financial statements as at 31 December 2010 are as follows :-

<i>Property, Plant & Equipment</i>	RM'000
Contracted	1,683
Not contracted	<u>409</u>
	<u>2,092</u>

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 LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD**

1. Review of performance

The Group recorded revenue of RM17.23 million, representing a significant increase of revenue amounted to RM6.90 million or 66.79% from RM10.33 million as recorded in preceding year corresponding quarter. In tandem with the higher achievement of sales revenue, the Group recorded higher profit before tax of RM2.93 million compared to RM1.48 million as recorded in corresponding quarter last year. The significant improvement was mainly due to high orders loading by customers from Malaysia & China operating segments.

For the six months ended 31 December 2010, the group recorded revenue of RM32.85 million, representing significant increase of RM14.02 million or 77.45% from preceding year corresponding period. In tandem with the higher sales revenue recorded, the group posted a pre-tax profit of RM6.33 million as compared to pre-tax profit of RM1.95 million as recorded in preceding year corresponding period. The favourable performance was attributable to improved result reported from Malaysia & China operating segments

2. Comparison with preceding quarter's result

For the quarter under review, the Group recorded an increase in revenue by RM1.61 million or 10.32% from the preceding quarter. However, lower profit before tax of RM2.93 million was recorded as compared to profit before tax of RM3.40 million as reported in preceding quarter. The decrease was mainly attributed to loss in forex as result of appreciation of ringgit Malaysia and loss reported on the disposal of non-productive machinery amounted RM0.49 million.

3. Commentary on the prospects of the Group

Although the fluctuation in RM/USD exchange rate may affect the results for the remaining quarters, barring any unforeseen circumstances and assuming the current pace of business performance is sustainable, the Group expects a satisfactory level of performance for the coming quarters.

4. Variance of actual profit from forecast profit or profit guarantee

The Group did not issue any profit forecast or profit guarantee in the current quarter or in the prior financial year.

5. Taxation

Taxation comprises the following :-

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year Quarter Ended 31/12/2010 RM'000	Preceding Year Corresponding Quarter Ended 31/12/2009 RM'000	Current Year To Date 31/12/2010 RM'000	Preceding Year Corresponding Period Ended 31/12/2009 RM'000
Group				
Current year	(837)	(260)	(1,644)	(307)
Deferred tax	179	(50)	267	(50)
	(658)	(310)	1,377	(357)
(Under) / over provision in prior years	-	(48)	-	(48)
Total	(658)	(358)	(1,377)	(47)

The effective rate for the quarter was higher than the statutory tax rate due to the certain expenses were not tax deductible, coupled with the lower capital allowance claimed during the quarter.

6. Profits or losses on sale of unquoted investments or properties

There were no profits or losses on the sale of unquoted 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 and debt securities

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

10. Derivative Financial instruments

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

11. Gains or losses arising from fair value changes of financial liabilities

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

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

	31/12/2010
	RM'000
Realised profits and total retained profits	<u>18,430</u>

13. Change in material litigations

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

14. Dividend

The Board of Directors does not recommend any dividend for the current quarter and financial year-to-date (31 December 2009 : Nil).

15. Earnings Per Share

(a) Basic earnings per share

<u>Basic/diluted</u>	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	Current Year Quarter Ended 31/12/2010	Preceding Year Corresponding Quarter Ended 31/12/2009	Current Year To Date Ended 31/12/2010	Preceding Year Corresponding Period Ended 31/12/2009
Net profit for the period attributable to the equity holders of the Company (RM'000)	2,244	1,115	4,900	1,527
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)	4.46	2.21	9.73	3.03

b) Diluted earnings per share

The diluted earnings per ordinary share in individual and accumulative period ended 31 December 2010 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.

16. Audit report of preceding annual financial statements

The Group's audited financial statements for the year ended 30 June 2010 were reported without any qualification.