

**A. NOTES TO THE FINANCIAL REPORT PURSUANT TO FRS 134  
FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2012**

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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 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 2011.

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 2011 except for the following :-

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

In the current period ended 31 March 2012, the Group adopted the following new and revised FRSs, IC Interpretations and amendments which are applicable to its financial statement and are relevant to its operations :

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

*Amendments to FRS1 Additional Exemptions Disclosures 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 amended/revised/new FRSs and IC Interpretations 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*

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

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

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 Paid**

A first and final tax-exempt dividend of 3.0 sen per ordinary share in respect of the financial year ended 30 June 2011 amounted RM1,510,680, which were approved by the shareholders at the Annual General meeting held on 15 December 2011, has been paid on 29<sup>th</sup> February 2012 (31 March 2011 : Nil).

**7. Segmental information**

For management purpose, the Group views the business units based on the geographical locations and has the following reportable operating segments :-

Malaysia - Manufacture of precision components, sheet metal and surface treatment

China - Manufacture of precision components and surface treatment

Thailand - Manufacture of precision components (dissolved in July 2011)

**For Nine Months Ended 31/03/12**

	Continuing Operations		Discontinued operation	Unallocated non-operating segments	Consolidation adjustments and eliminations	Total
	Malaysia	China	Thailand			
	RM'000	RM'000	RM'000			
Revenue from external customer	36,403	7,356	0	0	0	43,759
Intersegment revenue	1,184	9	0	7,105	(8,298)	0
Depreciation and amortization	1,655	901	0	213	0	2,769
Reportable segment profit	5,705	(382)	0	6,062	(7,264)	4,121
Reportable segment assets	37,424	12,827	0	86,875	(45,910)	91,216
Expenditure for non-current assets	410	476	0	7,203	(363)	7,726
Reportable segment liabilities	7,754	2,170	-	19,849	(20,767)	9,006

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

**For Nine Months Ended 31/03/11**

	Continuing Operations		Discontinued operation	Unallocated non-operating segments	Consolidation adjustments and eliminations	Total
	Malaysia	China	Thailand			
	RM'000	RM'000	RM'000			
Revenue from external customer	38,898	9,517	292	0	0	48,707
Intersegment revenue	1,229	0	41	3,254	(4,524)	0
Depreciation and amortization	2,503	786	79	104	0	3,472
Reportable segment profit	5,673	1,958	(7)	2,352	(3,042)	6,934
Reportable segment assets	41,122	12,995	238	72,328	(39,076)	87,607
Expenditure for non-current assets	2,651	1,578	29	2	0	4,260
Reportable segment liabilities	9,421	2,995	57	12,781	(14,190)	11,064

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 China and Thailand (dissolved in July 2011).

The following is an analysis of the Group’s sales by geographical market for nine months period ended 31 March 2012 and preceding year corresponding quarter ended 31 March 2011, irrespective of the origin of the goods/services :-

Revenue by geographical market	Current Year Period Ended 31/03/2012 RM'000	Preceding Year Corresponding Period Ended 31/03/2011 RM'000
<b><u>Continuing Operations</u></b>		
Malaysia	21,937	34,859
Other Asia Pacific Countries	16,855	8,991
United States of America	3,528	3,138
European Countries	1,393	872
Others	46	555
	43,759	48,415
<b><u>Discontinued Operation</u></b>		
Thailand	0	292
<b>Total</b>	<b>43,759</b>	<b>48,707</b>

**Information about major customer**

Revenue from a customer of Malaysia’s segment contributed approximately RM7.50 million (17.13%) 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.

## **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 March 2012 (31 March 2011 : RM1.50 million), of which RM0.11 million has been utilised as at 31 March 2012.

## **12. Capital Commitments**

There were no material capital commitments to the end of the reporting financial period.

## **13. Material related party transactions**

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

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## **B. ADDITIONAL INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

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

The Group recorded revenue of RM13.63 million which was RM2.26 million or 14.21% lower as compared to preceding year corresponding quarter. The Group's profit after tax reported for the quarter dipped significantly by 57.25% to RM0.84 million from RM1.97 million as recorded in preceding year corresponding quarter.

Both the Malaysia and China operations recorded decline in revenue of RM0.77 million (6.08%) and RM1.45 million (45.00%) respectively as compared to preceding year corresponding quarter. However, the Malaysia operation's profit after tax remained stable as compared to preceding year corresponding quarter, as result of its effective cost control measures and well maintain of its operational efficiency and productivity. The China operation encountered significant drop in revenue due to significant decline in sales orders as a result of uncertainty in global economy. In additional, cessation of a major product during the quarter due to consecutive price down has affected the performance of China operation. The loss incurred by the newly setup surface treatment subsidiary is also a contributor to the unfavourable performance.

Beside the abovementioned, the preceding year corresponding quarter recorded profit after tax of RM1.97 million was inclusive of the gain on disposal of assets amounted RM0.40 million arising from the dissolution of Thailand operation.

For the nine months ended 31 March 2012, the Group recorded revenue of RM43.75 million, representing decline of RM4.66 million or 9.62% from preceding year corresponding period. In tandem with the lower sales revenue recorded, the group posted a profit after tax of RM4.12 million as compared to profit after tax of RM6.93 million as recorded in preceding year corresponding period.

Both the Malaysia and China operations recorded decline in revenue of RM2.50 million (5.12%) and RM2.16 million (4.44%) respectively as compared to preceding year corresponding period. Despite the decline in revenue recorded, the Malaysia operation's profit after tax remained stable as compared to preceding year corresponding period. However, the China operation has posted a loss of RM0.38 million caused by the margin pressure due to heightened competition and decline in revenue. Besides, the newly set up surface treatment subsidiary continues to suffer loss due to extremely low incoming orders.

## 2. Comparison with preceding quarter's result

For the quarter under review, the Group recorded revenue of RM13.63 million, representing decline of RM1.26 million or 8.45% from preceding quarter. In tandem with the lower sales revenue recorded, the Group posted a profit after tax of RM0.84 million as compared to profit after tax of RM1.65 million as recorded in preceding quarter.

Both the Malaysia and China operations recorded decline in revenue of RM0.34 million (2.79%) and RM0.92 million (34.14%) respectively as compared to preceding quarter. In tandem with the decline in revenue recorded, both operations posted a drop in profit after tax of RM0.36 million (19.63%) as compared to preceding quarter. The unfavourable result was mainly attributed to the reason as stated in Note B1 above couple with the foreign exchange loss arising from the strengthen of Ringgit Malaysia .

## 3. Commentary on the prospects of the Group

The uncertainty in global economy recovery couple with the increasing margin pressure due to heightened competition has caused the operating environment even more competitive and challenging. Notwithstanding this, the Group remains focused and resilient.

Performance of the Group's Malaysia operations is expected to remain profitable for the remaining quarter with its high effort pour in business development activities to bring in high value products.

For China operations, the performance is expected to be unsatisfactory due to the continuing of the margin pressure and profit erosion. Although the competition remains stiff, the Group will strengthen its business development team to bring in new orders.

Amid the challenging outlook, the Group is expected to deliver a less favourable financial performance for the remaining financial period as compared to previous financial year. The Group will continue to focus on ways to sustain its competitive position as well as maintaining its operational efficiency and productivity to mitigate the challenges ahead.

## 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. Profit for the period

	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	<b>Current Year Quarter Ended</b>	<b>Preceding Year Corresponding Quarter Ended</b>	<b>Current Year To Date</b>	<b>Preceding Year Corresponding Period Ended</b>
<b>Group</b>	<b>31/03/2012</b>	<b>31/03/2011</b>	<b>31/03/2012</b>	<b>31/03/2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>

Profit for the period is arrived at after

(crediting)/charging :-

Interest income	(205)	(145)	(573)	(420)
Interest expense	4	-	10	-

Depreciation & amortization	897	1,008	2,769	3,472
(Gain)/loss on disposal of Property, plant and equipment	-	(464)	3	23
Property, plant and equipment Written off	42	38	44	44
Foreign exchange (gain)/loss	349	170	256	283
(Gain)/loss on derivative	-	-	2	-

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

## 6. Taxation

Taxation comprises the following :-

Group	<u>INDIVIDUAL PERIOD</u>		<u>CUMULATIVE PERIOD</u>	
	<u>Current</u>	<u>Preceding Year</u>	<u>Current Year</u>	<u>Preceding Year</u>
	<u>Year</u> <u>Quarter</u> <u>Ended</u> <b>31/03/2012</b> <b>RM'000</b>	<u>Corresponding</u> <u>Quarter Ended</u> <b>31/03/2011</b> <b>RM'000</b>	<u>To Date</u> <b>31/03/2012</b> <b>RM'000</b>	<u>Corresponding</u> <u>Period Ended</u> <b>31/03/2011</b> <b>RM'000</b>
Current year	(371)	(369)	(1,542)	(2,013)
Deferred tax	28	16	89	283
	(343)	(353)	(1,453)	(1,730)
(Under) / over provision in prior years	42	76	31	76
<b>Total</b>	<b>(301)</b>	<b>(277)</b>	<b>(1,422)</b>	<b>(1,654)</b>

The effective rate for the current year quarter and current year to date were higher than the statutory tax rate due to certain disallowed expenses and losses in oversea subsidiaries were unable to offset with Malaysia subsidiaries.

## 7. 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.

## 8. Status of corporate proposals

Date Of Announcement	Description of Announcement
22 March 2012	The Company has received a letter from Kobay Technology Bhd (“Kobay”) (“SCR Offer Letter”), being a major shareholder of Lipo, requesting for the Company to undertake a selective capital reduction and repayment exercise pursuant to Section 64 of the Companies Act, 1965. The Board (save for the Interested Directors) has at a meeting held on 22 March 2012, deliberated on the SCR Offer Letter and has decided to present the Proposed SCR to Lipo’s shareholders for their consideration.
16 April 2012	The Company has appointed Alliance Investment Bank Berhad as the Independent Adviser to advise the Entitled Shareholders and the non-interested directors of Lipo in relation to the Proposed SCR. The Board (save for the

	Interested Directors) has agreed to table the resolution on the Proposed SCR to shareholders for consideration at an extraordinary general meeting to be convened.
26 April 2012	Securities Commission Malaysia (“SC”) had vide its letter dated 26 April 2012, approved the proposed exemption under Practice Note (“PN”) 44 of the Malaysian Code on Take-Overs and Mergers 2010 (“Code”) in relation to the Proposed SCR (“Proposed Exemption”). For further detail please refer to Company’s announcement dated 26 April 2012.
03 May 2012	Securities Commission Malaysia has vide its letter dated 27 April 2012 (which was received by the Company on 2 May 2012) taken note of the appointment of Alliance Investment Bank Berhad as the Independent Adviser in respect of the Proposed SCR.
11 May 2012	Applications in relation to the Proposed SCR have been submitted to the following regulatory authorities : (i) the Securities Commission (“SC”); and (ii) the Equity Compliance Unit of the SC.
14 May 2012	Application in relation to the Proposed SCR has been submitted to the Ministry of International Trade and Industry on 14 May 2012.

Other than the above, there was no corporate proposal announced as at 21 May 2012, the latest practicable date which is not earlier than 7 days from 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 except the following :-

##### Hire Purchase

	<b>Total Hire Purchase (RM’000)</b>
Repayable within twelve months	98
Repayable more than twelve months	139
<b>Total</b>	<b>237</b>

The hire purchase payable of the Group as at 31 March 2012 is for the Group’s motor vehicle. The portion of the hire purchase due within one (1) year is classified as current liabilities.

#### 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**

	<b>31/03/2012</b>	<b>31/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Total retained profits of the Company and its subsidiaries</b>		
- Realised	33,300	30,940
- Unrealised	<u>(1,484)</u>	<u>(1,527)</u>
	31,816	29,413
Consolidation adjustments and elimination	<u>(6,376)</u>	<u>(6,568)</u>
<b>Total retained profits for the Group</b>	<b><u>25,440</u></b>	<b><u>22,845</u></b>

**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 current quarter and financial year-to-date (31 March 2011 : Nil).

**15. Earnings Per Share**

**(a) Basic earnings per share**

<b><u>Basic/diluted</u></b>	<b>INDIVIDUAL PERIOD</b>		<b>CUMULATIVE PERIOD</b>	
	<b>Current Year Quarter Ended 31/03/2012</b>	<b>Preceding Year Corresponding Quarter Ended 31/03/2011</b>	<b>Current Year To Date Ended 31/03/2012</b>	<b>Preceding Year Corresponding Period Ended 31/03/2011</b>
Net profit /(loss) for the period attributable to the equity holders of the Company (RM'000):-				
- Continuing operations	818	1,532	4,051	6,841
- Discontinued operation	-	402	-	(7)
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):-				
- Continuing operations	1.62	3.04	8.04	13.59
- Discontinued operation	-	0.80	-	(0.01)
	<b><u>1.62</u></b>	<b><u>3.84</u></b>	<b><u>8.04</u></b>	<b><u>13.57</u></b>

**b) Diluted earnings per share**

The diluted earnings per ordinary share in individual and accumulative period ended 31 March 2012 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 2011 were reported without any qualification.