



# **LKT INDUSTRIAL BERHAD**

(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 31 DECEMBER 2002**

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**LKT INDUSTRIAL BERHAD**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002**  
(The figures have not been audited)

	Note	As At 31-Dec-02 RM'000	As At 30-Jun-02 RM'000
<b>ASSETS</b>			
PROPERTY, PLANT AND EQUIPMENT		58,813	59,067
ASSOCIATED COMPANY			991
INVESTMENT IN JOINT VENTURE COMPANY		484	505
INVESTMENT		25	25
DEFERRED TAX ASSET		76	38
<b>CURRENT ASSETS</b>			
Inventories		11,800	13,919
Trade and Other Debtors		19,998	33,365
Cash and Cash Equivalents		22,716	12,446
		54,514	59,730
<b>TOTAL ASSETS</b>		<u>113,912</u>	<u>120,356</u>
<b>EQUITY AND LIABILITIES</b>			
SHARE CAPITAL		65,823	65,504
RESERVES		37,805	37,438
SHAREHOLDERS' FUND		103,628	102,942
DEFERRED TAXATION		2,792	3,026
<b>CURRENT LIABILITIES</b>			
Trade and Other Creditors		6,846	13,296
Tax Payable		646	1,092
		7,492	14,388
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>113,912</u>	<u>120,356</u>
Net tangible assets per share (sen)		<u>157</u>	<u>157</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 30 June 2002.

The accompanying notes form an integral part of this interim report

**LKT INDUSTRIAL BERHAD**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2002**  
(The figures have not been audited)

	Note	3 months ended 31 December		6 months ended 31 December	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
REVENUE		13,539	21,886	25,562	41,756
Cost of support services and goods sold		(12,701)	(14,710)	(23,887)	(29,701)
Gross Profit		838	7,176	1,675	12,055
Other operating income				-	-
Other operating expenses			(282)	(61)	(534)
Distribution and administrative expenses		(1,639)	(2,056)	(4,131)	(4,084)
Profit From Operations		(801)	4,838	(2,517)	7,437
Other income		150	124	174	457
Other expenses		(3)		(3)	
Exceptional income	4	5,850		5,850	
Shares of results of joint venture company		(11)		(20)	
Profit Before Taxation		5,185	4,962	3,484	7,894
Taxation		119	(365)	(7)	(743)
Profit After Taxation		5,304	4,597	3,477	7,151
Basic earnings per ordinary share (sen)	27(a)	8.06	8.93	5.29	13.90
Diluted earnings per ordinary share (sen)	27(b)	7.81	8.92	5.12	13.87

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 30 June 2002.  
The accompanying notes form an integral part of this interim report

**LKT INDUSTRIAL BERHAD**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2002**

(The figures have not been audited)

	Reserves						Total
	Non Distributable			Distributable			
	Share Capital	Share Premium	Reserve on Consolidation	Assets Revaluation Reserve	Currency Translation Reserve	Accumulated Profit Carried Forward	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 .7. 2002 (As restated)	65,504	3,289	4,475	4,483	(40)	25,231	102,942
Currency translation differences					(62)		(62)
Net losses not recognized in the income statement					(62)		(62)
Profit after taxation						3,477	3,477
5% first and final tax exempt dividend -2002						(3,291)	(3,291)
Shares issued from ESOS exercised	319						319
Share premium from ESOS		243					243
Balance as at 31.12. 2002	<u>65,823</u>	<u>3,532</u>	<u>4,475</u>	<u>4,483</u>	<u>(102)</u>	<u>25,417</u>	<u>103,628</u>
Balance as at 1 .7. 2001	51,438	2,300	4,759	6,498	1	34,972	99,968
Currency translation differences					3		3
Net losses not recognised in the income statement	-	-	-	-	3	-	3
Profit after taxation						7,151	7,151
Total recognised gains / (losses)	-	-	-	-	3	7,151	7,154
5% first and final tax exempt dividend - 2001						(2,572)	(2,572)
Issue of shares - ESOS exercised	33						33
Share premium from ESOS		16					16
Balance as at 31.12.2001	<u>51,471</u>	<u>2,316</u>	<u>4,759</u>	<u>6,498</u>	<u>4</u>	<u>39,551</u>	<u>104,599</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 June 2002.

The accompanying notes form an integral part of this interim report

**LKT INDUSTRIAL BERHAD**  
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2002**  
(The figures have not been audited)

	Note	6 months ended	
		2002	2001
		RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		3,484	
Adjustment for:-			
Non-cash items		542	
Non-operating items		(3,261)	
Operating profit before working capital changes		765	-
Net change in current assets		12,738	
Net change in current liabilities		(6,759)	
Cash from operations		6,744	-
Tax paid		(400)	
Net cash from operating activities		6,344	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Other investments		7,045	
Net cash outflow from investing activities		7,045	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from shares issued		562	
Dividend paid		(3,291)	
Net cash inflow in financing activities		(2,729)	-
Net change in Cash & Cash Equivalents		10,660	-
Cash & Cash equivalents brought forward		11,800	
Effect on foreign exchange translation		8	
Cash & cash equivalents carried forward	28	22,468	-
<b>REPRESENTED BY:-</b>			
Cash and bank balances		3,105	
Deposits with licensed banks	28	19,363	
		22,468	-

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 30 June 2002.

The accompanying notes form an integral part of this interim report

**LKT INDUSTRIAL BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL REPORT**

(The figures have not been audited)

**1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with MASB 26, Interim Financial Reporting and Chapter 9 part K of the Listing Requirements of the Kuala Lumpur Stock Exchange.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2002.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statement for the year ended 30 June 2002.

**2. Audit opinion**

The audit report for the audited financial statements of the Group for the year ended 30 June 2002 was not subject to any qualification.

**3. Seasonality or cyclicity of interim operations**

The Group's operation is largely dependent on the cyclical trend of the electronics and semiconductors industries.

**4. Unusual items**

There are no unusual items other than the proceeds from LKT Amcosem Sdn Bhd arbitration less related expenses. The award was recognized on the receipt basis less allowance for diminution in value of the investment, allowance for doubtful debts relating to investment in LKT Amcosem Sdn Bhd and legal fees incurred in pursuing the arbitration case.

	RM'000
Award received	7,450
Legal fees	(304)
Allowance for doubtful debts	(304)
Allowance for diminution in value of investment	(992)
	<u>5,850</u>

**5. Materials changes in estimates**

There are no changes to the estimates reported in the current or prior financial years.

**6. Debt and equity securities**

There are no issuance and repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter other than the issuance of 319,000 fully paid up ordinary shares of RM1 each pursuant to the Employees Shares Option Scheme. The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company.

## 7. Dividends paid

A 5% final tax exempt dividend of RM3,291,167.85 in respect of the financial year ended 30 June 2002 was paid on 30 December 2002.

## 8. Segmental reporting

### (a) Analysis by business segment

<u>Revenue</u>	Manufacturing	Investment holding	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	25,516	46	-		25,562
Inter segment sales	12,991	2,179	-	(15,170)	-
	<u>38,507</u>	<u>2,225</u>	<u>-</u>	<u>(15,170)</u>	<u>25,562</u>

### Results

Segment results	(2,573)	63	(4)		(2,514)
Interco adjustments	2,101	(2,131)	-	-	(30)
Segment result (external)	(472)	(2,068)	(4)	-	(2,544)
Interest income	152	46	-	-	198
Share of result of joint venture	(20)	-	-	-	(20)
Exceptional income	-	5,850	-	-	5,850
Profit before taxation	(340)	3,828	(4)	-	3,484
Taxation	45	(52)	-	-	(7)
Profit after tax	<u>(295)</u>	<u>3,776</u>	<u>(4)</u>	<u>-</u>	<u>3,477</u>

### Other information

Segment assets	99,278	12,819	-	-	112,097
Investment in joint venture	484	-	-	-	484
Tax recoverable	1,210	121	-	-	1,331
Total assets	<u>100,972</u>	<u>12,940</u>	<u>-</u>	<u>-</u>	<u>113,912</u>
Segment liabilities	6,610	233	3	-	6,846
Capital expenditure	2,564	18	-	-	2,582
Depreciation	2,572	198	-	-	2,770

### (b) Analysis by geographical location

	Revenue RM'000	Total Assets Employed RM'000	Capital Expenditure RM'000
Malaysia	23,080	111,014	2,563
Thailand	2,482	2,884	19
Singapore	-	14	-
	<u>25,562</u>	<u>113,912</u>	<u>2,582</u>

Inter-segment pricing is determined at arm's length according to the normal course of business.

## 9. Property, plant and equipment

The valuations of property, plant and equipment have been brought forward without any amendments from the previous audited financial statements.

RM1,912,000 and RM2,582,000 of property, plant and equipment was acquired during the quarter and current year to date respectively.

RM25,516 of property, plant and equipment was disposed during the quarter and current year to date respectively.

## 10. Subsequent events

There are no material events subsequent to the end of the reporting period that have not been reflected in the financial statement other than the investment of a new subsidiary on 8 January 2003 of Ringgit Malaysia One Hundred and Fifty Thousand (RM150,000.00) in shares of RM1.00 each in Alps Tech Corporation Sdn. Bhd. (comprising 150,000 shares of RM1.00 each and representing 60% of the entire issued and paid-up capital of Alps Tech Corporation Sdn Bhd).

## 11. Changes in the composition of the Group

There are no changes in the composition of the **Group** for the current quarter.

## 12. Contingent liabilities

	31 December 2002 RM'000	30 June 2002 RM'000
Banker's guarantee to third parties – unsecured	-	100

## 13. Capital commitments

	31 December 2002 RM'000	30 June 2002 RM'000
Contracted but not provided for	960	1,329

## 14. Related party transactions

There are no significant intercompany transactions other than those incurred in the ordinary course of business as in previous quarters. Details of those transactions shall be disclosed at the year end.

There were no transactions with the directors and key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment.

## 15. Review of performance

The Group recorded a profit before taxation of approximately RM5.2 million as compared to loss before taxation of RM1.7 million in the previous quarter. This is attributable to a net exceptional income of RM5.8 million (as disclosed in note 4) reported during the quarter.

The Group results before exceptional items is a loss before taxation of approximately RM0.6 million which is RM1.1 million lower than loss before taxation of RM1.7 million in the previous quarter. The better performance is mainly due to an improvement in turnover from RM12.0 million in previous quarter to RM13.5 million during the quarter.



## 16. Variation of results against immediate preceding year's corresponding quarter

The Group revenue declined by 38% from RM21.9 million in the preceding year corresponding quarter to RM13.5 million in the current quarter. On the back of a lower turnover, the Group recorded a loss before exceptional item and taxation of RM0.6 million as compared to profit before taxation of RM4.9 million in the preceding year corresponding quarter.

## 17. Current year prospects

On 30 August 2002, the Company announced the change of its financial year end from 30 June to 31 December with effect from 31 December 2002. Comments on current year prospects therefore refers to the new financial year starting from 1 January 2003 and ending on 31 December 2003.

SEMI Capital Equipment Consensus Forecast released on 17 July 2002 has forecasted that the semiconductor equipment manufacturing industry is going to grow by 29% in 2003. In the event the industry growth is as per forecasted, LKT foresee a better performance in the next financial year.

## 18. Profit forecast and profit guarantee

No profit forecast or profit guarantee has been issued by the Group.

## 19. Taxation

	3 months ended 31 December 2002 RM'000	6 months ended 31 December 2002 RM'000
Current		
- Tax payable	(231)	(357)
- Deferred taxation	273	273
	42	(84)
Prior year		
- Tax payable	77	77
	119	(7)

The lower effective tax rate as compared to the statutory tax rate for the Group is due to:

- A few of its subsidiaries being eligible to claim reinvestment allowance.
- One of the subsidiary had been granted 100% tax exemption for five years under the Promotion of Investment Act, 1986 (as amended)
- The subsidiary in Thailand is enjoying exemption from corporate income tax for a period of 8 years and deduction of taxable income at 5% of the incremental export sales for a period of 10 years.

## 20. Unquoted investments and properties

There are no sale of unquoted investments and/or properties for the current quarter and current financial year to-date.

## 21. Quoted investments

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

## 22. Corporate proposal

There are no outstanding corporate proposals as at the date of this report.

### **23. Borrowings and debt securities**

There are no Group borrowings and debts securities as at 31 December 2002.

### **24. Off balance sheet financial instruments**

There are no off balance sheet financial instruments as at the date of this report.

### **25. Material litigation**

There is no pending material litigation other than as follows:

In the arbitration matter of LKT vs. N.V. Gelderse Ontwikkelingsmaatschappij (the Netherlands), Richard H.J. Fierkens, Albert Chun Ying Llo, Jaap Van Der Werff [Case No. 10209/OL/ESR] for dispute between the Company and its Joint Venture partners, the International Chamber of Commerce International Court of Arbitration, in Singapore awarded the case in favour of the Company on 29/12/00.

In the Partial Award dated 29/12/00, the Respondents were ordered to pay the Company the total sum of RM504,210.00 plus interest at 6% per annum calculated from 4 November 1998 until final settlement being indemnity payable to the Company. To date N.V. Gelderse Ontwikkelingsmaatschappij has paid the Company the sum of RM213,419.54 (inclusive of RM23,054.54 as late payment interest), while the other Respondents have not made any payment whatsoever.

The hearing on quantum of damages was held in the months of August '01 and April '02 and consequently on 11/10/02 the ICC International Court of Arbitration handed down the Final Award where it was held that N.V. Gelderse Ontwikkelingsmaatschappij is liable to pay the Company the sum of RM7,450,000 million while Richard H.J. Fierkens, Albert Chun Ying Llo, Jaap Van Der Werff shall jointly and severally be liable to pay the Company the sum of Euro4,176,633.00 as damages, RM723,030 as costs, RM360,418 as interest already accrued and Euro37,151.00 p.a. as further interest to be calculated from 1/1/02 until full and final settlement of the judgement sums.

N.V. Gelderse Ontwikkelingsmaatschappij had on 8 November 2002 paid the Company their portion of the Final Award in full totaling RM7,450,000 while the other Respondents have not made any payment whatsoever. LKT has now commenced execution proceedings in an effort to recover the remaining amounts due and owing to it by the remaining Respondents in Hong Kong, Australia and the Netherlands.

### **26. Proposed dividend**

No dividend has been recommended for the current quarter.

### **27. Earnings per share**

(a) Basic earnings per share

The basic earnings per share has been calculated on the Group's profit after taxation of RM5,304,000 and RM3,477,000 for the 3 months and 6 months respectively based on the weighted average number of ordinary shares in issue of 65,767,857.

Weighted average number of ordinary shares used for calculation of basic earnings per share:

	As at 31 December	
	2002	2001
Issued ordinary shares at beginning of period	65,504,357	51,438,486
Effect of shares issued during the period	<u>263,500</u>	<u>15,500</u>
Weighted average number of ordinary shares	<u>65,767,857</u>	<u>51,453,986</u>

(b) Diluted earnings per share

The basic earnings per share has been calculated on the Group's profit after taxation of RM5,304,000 and RM3,477,000 for the 3 months and 6 months respectively based on the weighted average number of ordinary shares in issue of 67,890,331.

Weighted average number of ordinary shares used for calculation of diluted earnings per share:

	As at 31 December	
	2002	2001
Issued ordinary shares at beginning of period	65,504,357	51,438,486
Effect of shares issued during the period	263,500	15,500
Effect of share options	<u>2,122,474</u>	<u>101,348</u>
Weighted average number of ordinary shares	<u>67,890,331</u>	<u>51,555,334</u>

## 28. Cash and Cash Equivalents

Deposits pledged as securities amounting to RM248,000 has been excluded from cash and cash equivalents in the preparation of the cash flow statement.

## 29. Change of Financial Year End

The Group changed its financial year-end from 30<sup>th</sup> June to 31<sup>st</sup> December.

## 30. Comparative Figures

The following comparative figures have been restated to reflect the change in accounting policy to comply with MASB 25, Income Taxes.

	As restated	As previously disclosed
	RM'000	RM'000
Deferred tax asset	38	-
Reserve on consolidation	4,475	4,752
Revaluation reserve	4,483	6,499
Accumulated profit carried forward	25,231	24,881
Deferred tax liability	<u>3,027</u>	<u>1,045</u>

There is no comparative figures for the Condensed Consolidated Cash Flow Statement as this is the first year of adoption of MASB 26, Interim Financial Reporting.

**31. Authorization for issue**

The Board of Directors authorized the issue of this interim financial report on 25 February 2003.

By Order of the Board  
**LKT Industrial Berhad (298188 A)**

Lim Kim Teck (MAICSA 7010644)  
Company Secretary

Penang  
25 February 2003