



LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR QUARTER ENDED 31 MARCH 2003

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LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2003

(The figures have not been audited)

	As At 31-Mar-03	As At 31-Dec-02 (Audited)
Note	RM'000	RM'000
ASSETS		
PROPERTY, PLANT AND EQUIPMENT	58,511	58,813
INVESTMENT IN JOINT VENTURE COMPANY	474	484
INVESTMENT	25	25
DEFERRED TAX ASSET	76	76
CURRENT ASSETS		
Inventories	13,836	11,800
Trade and Other Debtors	18,195	20,002
Cash and Cash Equivalents	23,007	22,778
	<u>55,038</u>	<u>54,580</u>
TOTAL ASSETS	<u>114,124</u>	<u>113,978</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL	65,823	65,823
RESERVES	35,498	37,765
SHAREHOLDERS' FUND	101,321	103,588
MINORITY INTEREST	94	
DEFERRED TAXATION	2,793	2,792
CURRENT LIABILITIES		
Trade and Other Creditors	9,625	6,952
Tax Payable	291	646
	<u>9,916</u>	<u>7,598</u>
TOTAL EQUITY AND LIABILITIES	<u>114,124</u>	<u>113,978</u>
Net tangible assets per share (sen)	<u>154</u>	<u>157</u>

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Report for the period ended 31 December 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 MARCH 2003**

(The figures have not been audited)

	Note	Current Quarter 3 months ended 31 March 2003 RM'000		Cumulative Quarter 3 months ended 31 March 2003 RM'000	
REVENUE		10,381		10,381	
Cost of support services and goods sold		(10,304)		(10,304)	
<hr/>					
Gross Profit		77	-	77	-
Other operating income					
Other operating expenses					
Distribution and administrative expenses		(2,498)		(2,498)	
<hr/>					
Loss From Operations		(2,421)	-	(2,421)	-
Other income		138		138	
Other expenses					
Exceptional income					
Shares of results of joint venture company		(11)		(11)	
<hr/>					
Loss Before Taxation		(2,294)	-	(2,294)	-
Taxation					
<hr/>					
Loss After Taxation		(2,294)	-	(2,294)	-
Minority Interest		6		6	
<hr/>					
Loss for the period		(2,288)	-	(2,288)	-
<hr/> <hr/>					
Basic earnings per ordinary share (sen)	27(a)	(3.48)		(3.48)	
<hr/> <hr/>					
Diluted earnings per ordinary share (sen)	27(b)	(3.47)		(3.47)	
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The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Report for the period ended 31 December 2002.

The accompanying notes form an integral part of this interim report

LKT INDUSTRIAL BERHAD

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**CONDENSED CONSOLIDATED INCOME STATEMENT
 FOR THE PERIOD ENDED 30 SEPTEMBER 2002**

(The figures have not been audited)

	Note	3 months ended 30 September 2002 RM'000	3 months ended 30 September 2002 RM'000
REVENUE		12,023	12,023
Cost of support services and goods sold		(11,186)	(11,186)
Gross Profit		- 837	- 837
Other operating income			
Other operating expenses		(61)	(61)
Distribution and administrative expenses		(2,492)	(2,492)
Loss From Operations		- (1,716)	- (1,716)
Other income		24	24
Other expenses			
Exceptional income			
Shares of results of joint venture company		(9)	(9)
Loss Before Taxation		- (1,701)	- (1,701)
Taxation		(126)	(126)
Loss After Taxation		- (1,827)	- (1,827)
Minority Interest			
Loss for the period		- (1,827)	- (1,827)
Basic earnings per ordinary share (sen)	27(a)	(2.78)	(2.78)
Diluted earnings per ordinary share (sen)	27(b)	(2.78)	(2.78)

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Report for the period ended 31 December 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 MARCH 2003**

(The figures have not been audited)

	Reserves						Total
	Share Capital	Share Premium	Non Distributable			Distributable	
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	RM'000
Balance as at 1 .1. 2003	65,823	3,532	4,475	4,483	(101)	25,375	103,587
Currency translation differences					22		22
Net losses not recognized in the income statement					22		22
Loss for the period						(2,288)	(2,288)
Balance as at 31.3. 2003	65,823	3,532	4,475	4,483	(79)	23,087	101,321

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Report for the period ended 31 December 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 30 SEPTEMBER 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	65,504	3,289	4,752	6,498	(39)	24,881	104,885
Currency translation differences					(70)		(70)
Net losses not recognised in the income statement	-	-	-	-	(70)	-	(70)
Loss after taxation						(1,827)	(1,827)
Total recognised gains / (losses)	-	-	-	-	(70)	(1,827)	(1,897)
Issue of shares							
- ESOS exercised	250						250
Share premium from ESOS		194					194
Balance as at 30.9.2002	65,754	3,483	4,752	6,498	(109)	23,054	103,432

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Report for the period ended 31 December 2002.
The accompanying notes form an integral part of this interim report

LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2003**

(The figures have not been audited)

	Note	3 months ended 31 March 2003 RM'000	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(2,294)	
Adjustment for:-			
Non-cash items		1,407	
Non-operating items		(172)	
Operating profit before working capital changes		(1,059)	-
Net change in current assets		(141)	
Net change in current liabilities		2,583	
Cash from operations		1,383	-
Tax paid		(355)	
Net cash from operating activities		1,028	-
CASH FLOW FROM INVESTING ACTIVITIES			
Equity investments		(150)	
Other investments		(656)	
Net cash outflow from investing activities		(806)	-
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from shares issued			
Dividend paid			
Net cash inflow in financing activities		-	-
Net change in Cash & Cash Equivalents		222	-
Cash & Cash equivalents brought forward		22,531	
Effect on foreign exchange translation		7	
Cash & cash equivalents carried forward	28	22,760	-
REPRESENTED BY:-			
Cash and bank balances		2,390	
Deposits with licensed banks	28	20,370	
		22,760	-

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Report for the period ended 31 December 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 6-month period ended 31 December 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 6-month period ended 31 December 2002.

2. Audit opinion

The audit report for the audited financial statements of the Group for the 6-month period ended 31 December 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 during the current financial period

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 financial period.

7. Dividends paid

No dividend is paid during the current financial period.

8. Segmental reporting

(a) Analysis by business segment

<u>Revenue</u>	← Manufacturing →			Investment holding	Others	Eliminations	Consolidated
	Precision Engineering	Automation Equipment	Plastic & Industrial Storage				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	3,684	4,803	1,844	50			10,381
Inter segment sales	909	2,610	143	978		(4,640)	-
	<u>4,593</u>	<u>7,413</u>	<u>1,987</u>	<u>1,028</u>	<u>-</u>	<u>(4,640)</u>	<u>10,381</u>
<u>Results</u>							
Segment result (external)	(420)	(1,334)	(578)	(14)	(22)		(2,368)
Interest income	9	67	9				85
Share of result of joint venture			(11)				(11)
Loss before taxation	(411)	(1,267)	(580)	(14)	(22)	-	(2,294)
Taxation			-	-	-		-
Loss after tax	(411)	(1,267)	(580)	(14)	(22)		(2,294)
Minority interest							6
Loss for the period	<u>(411)</u>	<u>(1,267)</u>	<u>(580)</u>	<u>(14)</u>	<u>(22)</u>		<u>(2,288)</u>
<u>Other information</u>							
Segment assets	31,387	43,209	26,702	11,721			113,019
Investment in joint venture			474	-			474
Unallocated corporate assets	510			121			631
Total assets	<u>31,897</u>	<u>43,209</u>	<u>27,176</u>	<u>11,842</u>			<u>114,124</u>
Segment liabilities	1,941	5,688	1,806	190			9,625
Unallocated corporate liabilities	1,158	345	933	648			3,084
Total liabilities	<u>3,099</u>	<u>6,033</u>	<u>2,739</u>	<u>838</u>			<u>12,709</u>
Capital expenditure	353	127	599	1			1,080
Depreciation	525	349	413	99			1,386

(b) Secondary Segment – Geographical

In determining the geographical segments of the Group, revenue is based on the geographical location of the customers. Total assets and capital expenditure are based on the geographical location of assets.

	Revenue RM'000	Total Assets Employed RM'000	Capital Expenditure RM'000
Malaysia	4,486	111,478	1,074
Thailand	2,067	2,632	6
Singapore	457	14	
United States of America	1,474		
Philippines	1,293		
Others	604		
	10,381	114,124	1,080

Inter-segment pricing on inter segment transactions are 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.

Property, plant and equipment amounting to RM1,080,000 was acquired during the quarter and current year to date.

There is no disposal of property, plant and equipment during the quarter and current year to date.

10. Subsequent events

There are no material events subsequent to the end of the reporting period.

11. Changes in the composition of the Group

There are no changes in the composition of the Group for the current quarter other than an equity investment in Alps Tech Corporation Sdn Bhd amounting to RM150,000 comprising 150,000 shares of RM1 each and representing 60% of the entire issued and paid up capital in the new subsidiary company.

12. Contingent liabilities

There is no contingent liabilities for the current or prior audited financial period.

13. Capital commitments

	31 March 2003 RM'000	31 December 2002 RM'000
Contracted but not provided for	1,057	960

14. Related party transactions

There are no intercompany transactions other than those incurred in the ordinary course of business consistent with the previous quarters.

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 loss before taxation of approximately RM2.3 million as compared to the profit before taxation of RM5.2 million in the previous quarter. The last quarter's profit is attributable to a net exceptional income of RM5.8 million.

The Group loss is attributable to the 23% reduction in turnover as compared to last quarter due to the continuous slow down of capital spending of the semiconductor equipment market.

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

The Group revenue declined by 24% from RM13.7 million in the preceding year corresponding quarter to RM10.4 million in the current quarter. On the back of a lower turnover, the Group recorded a loss before taxation of RM2.3 million as compared to loss before taxation of RM0.5 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.

In the recent released SEMI Worldwide Semiconductor Equipment Market Statistics (SEMS) Report, it was noted that while the current world events cast uncertainty on the timing of renewed capital spending, current expectations are for modest growth of the equipment market in 2003 with a fuller recovery in 2004. In the event the industry growth is as per forecasted, LKT foresee a better performance in the remaining period of the financial year.

18. Profit forecast and profit guarantee

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

19. Taxation

There is no tax charge for the current period as the Group incurred losses.

20. Unquoted investments and properties

There are no sales 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 March 2003.

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 December 2000.

In the Partial Award dated 29 December 2000, the Respondents were ordered to pay the Company the total sum of RM504,210 plus interest at 6% per annum calculated from 4 November 1998 until final settlement being indemnity of corporate guarantee payable to the Company. To date N.V. Gelderse Ontwikkelingsmaatschappij has paid the Company the sum of RM213,419 (inclusive of RM23,054 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 October 2002 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 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 as damages, RM723,030 as costs, RM360,418 as interest already accrued and Euro37,151 p.a. as further interest to be calculated from 1 January 2002 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.

26. Proposed dividend

No dividend has been recommended for the current quarter. There was no dividend for previous corresponding period ended 31 March 2002. The total dividend for the current financial year is nil.

27. Earnings per share

(a) Basic earnings per share

The basic earnings per share has been calculated on the Group's loss for the period of RM2,288,000 for the 3 months based on the weighted average number of ordinary shares in issue of 65,823,357.

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

	1 Jan – 31 Mar 2003	1 July – 30 Sept 2002
Issued ordinary shares at beginning of period	65,823,357	65,504,357
Effect of shares issued during the period	-	208,000
Weighted average number of ordinary shares	<u>65,823,357</u>	<u>65,712,357</u>

(b) Diluted earnings per share

The basic earnings per share has been calculated on the Group's loss for the period of RM2,288,000 for the 3 months based on the weighted average number of ordinary shares in issue of 66,016,182.

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

	1 Jan – 31 Mar 2003	1 July – 30 Sept 2002
Issued ordinary shares at beginning of period	65,823,357	65,504,357
Effect of shares issued during the period		208,000
Effect of share options	192,825	115,689
Weighted average number of ordinary shares	<u>66,016,182</u>	<u>65,828,046</u>

28. Cash and Cash Equivalents

Deposits pledged as securities amounting to RM247,000 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 30th June to 31st December.

30. Comparative Figures

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.

There are no comparative figures for the Condensed Consolidated Income Statement and the Condensed Consolidated Statement of Changes in Equity as a result of the change in financial year-end from 30 June to 31 December with effect from 31 December 2002. However, Condensed Consolidated Income Statement and the Condensed Consolidated Statement of Changes in Equity for the period 1 July to 30 September 2002 are disclosed for information purposes.

31. Authorization for issue

The Board of Directors authorized the issue of this interim financial report on 19 May 2003.

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

Lim Kim Teck (MAICSA 7010644)
Company Secretary

Penang
19 May 2003