



LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR QUARTER ENDED 30 JUNE 2005

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LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2005

(The figures have not been audited)

	As At 30-Jun-05	As At 31-Dec-04 (Audited)
Note	RM'000	RM'000
ASSETS		
PROPERTY, PLANT AND EQUIPMENT	59,247	59,904
INVESTMENT IN JOINT VENTURE COMPANY	267	297
INVESTMENT	25	25
CURRENT ASSETS		
Inventories	23,997	26,077
Trade and Other Debtors	50,230	38,389
Tax recoverable	146	814
Cash and Cash Equivalents	25,574	14,350
	99,947	79,630
TOTAL ASSETS	159,486	139,856
EQUITY AND LIABILITIES		
SHARE CAPITAL	66,329	66,304
RESERVES	46,984	38,800
SHAREHOLDERS' FUND	113,313	105,104
MINORITY INTEREST	83	52
DEFERRED INCOME	39	44
DEFERRED TAXATION	3,314	3,250
LONG TERM BORROWINGS	3,384	3,941
CURRENT LIABILITIES		
Trade and Other Creditors	35,779	26,147
Short term borrowings	1,372	1,059
Tax Payable	2,202	259
	39,353	27,465
TOTAL EQUITY AND LIABILITIES	159,486	139,856
Net tangible assets per share (sen)	171	159

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Report for the year ended 31 December 2004.

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 30 JUNE 2005**

(The figures have not been audited)

	Note	Current Quarter		Cumulative Quarter	
		3 months ended 30 Jun		6 months ended 30 Jun	
		2005	2004	2005	2004
		RM'000	RM'000	RM'000	RM'000
REVENUE		49,555	37,648	86,876	58,098
Cost of support services and goods sold		(40,821)	(29,515)	(70,118)	(47,596)
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Gross Profit		8,734	8,133	16,758	10,502
Other operating income		203	165	341	315
Other operating expenses		(207)	(140)	(344)	(182)
Distribution and administrative expenses		(2,323)	(2,940)	(5,020)	(5,297)
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Profit From Operations		6,407	5,218	11,735	5,338
Finance expenses		(96)	-	(181)	-
Shares of results of joint venture company		(15)	(17)	(30)	(40)
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Profit Before Taxation		6,296	5,201	11,524	5,298
Taxation		(1,204)	(2,309)	(3,217)	(2,431)
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Profit After Taxation		5,092	2,892	8,307	2,867
Minority Interest		13	6	(31)	11
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Profit for the period		5,105	2,898	8,276	2,878
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Basic earnings per ordinary share (sen)	27(a)	7.70	4.37	12.48	4.34
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Diluted earnings per ordinary share (sen)	27(b)	7.69	4.35	12.46	4.32
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The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2004.

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 JUNE 2005**

(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 .1. 2005	66,304	3,647	4,475	5,306	2	25,370	105,104
Currency translation differences					(98)		(98)
Net gains not recognized in the income statement					(98)		(98)
Profit after taxation						8,276	8,276
Shares issued from ESOS exercised	25						25
Share premium from ESOS		6					6
Balance as at 30.6.2005	66,329	3,653	4,475	5,306	(96)	33,646	113,313
Balance as at 1 .1. 2004	66,220	3,627	4,475	4,483	10	19,372	98,187
Currency translation differences					(40)		(40)
Net losses not recognized in the income statement				-	(40)		(40)
Profit for the period						2,922	2,922
Issue of shares:-							
- ESOS exercised	69						69
- Share premium from ESOS		16					16
Balance as at 30.6.2004	66,289	3,643	4,475	4,483	(30)	22,294	101,154

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Report for the year ended 31 December 2004.
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 30 JUNE 2005**

(The figures have not been audited)

	6 months ended 30 June	
	2005	2004
Note	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	11,524	5,342
Adjustment for:-		
Non-cash items	4,818	3,144
Non-operating items	167	(84)
Operating profit before working capital changes	16,509	8,402
Net change in current assets	(10,609)	(39,729)
Net change in current liabilities	9,258	26,639
Cash from / (used in) operations	15,158	(4,688)
Tax paid	(1,211)	(304)
Tax refund	668	99
Net cash from / (used in) operating activities	14,615	(4,893)
CASH FLOW FROM INVESTING ACTIVITIES		
Other investments	(2,899)	(2,492)
Net cash used in investing activities	(2,899)	(2,492)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from shares issued	31	85
Borrowings	(244)	-
Interest paid	(181)	-
Net cash (used in) / from financing activities	(394)	85
Net change in Cash & Cash Equivalents	11,322	(7,300)
Cash & Cash equivalents brought forward	14,350	21,736
Effect on foreign exchange translation	(98)	(40)
Cash & cash equivalents carried forward	25,574	14,396
REPRESENTED BY:-		
Cash and bank balances	168	4,767
Deposits with licensed banks	25,406	9,629
	25,574	14,396

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2004.

The accompanying notes form an integral part of this interim report

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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 FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2004.

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 31 December 2004.

2. Audit opinion

The audit report for the audited financial statements of the Group for the year ended 31 December 2004 was not subject to any qualification.

3. Seasonality or cyclical 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. Material changes in estimates

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

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 share other than the issuance of 25,000 fully paid up ordinary shares of RM1.00 each for the period ended 30 June 2005.

7. Dividends paid

No dividend is paid during the current financial period.

A 5% first and final tax exempt dividend amounting to RM3,316,468 for the financial year ended 31 December 2004 was paid on 15th July 2005.

8. Segmental reporting

(a) Analysis by business segment

	Manufacturing RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE				
External sales	86,876			86,876
Inter segment sales	12,684	3,202	(15,886)	-
	<u>99,560</u>	<u>3,202</u>	<u>(15,886)</u>	<u>86,876</u>
RESULTS				
Segment result (external)	11,968	(65)	(171)	11,732
Interest income				3
Finance expenses				(181)
Share of result of joint venture				(30)
Profit before taxation				<u>11,524</u>
Taxation				(3,217)
Profit after tax				<u>8,307</u>
Minority interest				(31)
Profit for the year				<u>8,276</u>
OTHER INFORMATION				
Segment assets	152,706	6,367		159,073
Investment in joint venture	267			267
Unallocated corporate assets				<u>146</u>
Total assets				<u>159,486</u>
Segment liabilities	35,132	686		35,818
Unallocated corporate liabilities				<u>11,268</u>
Total liabilities				<u>47,086</u>
Capital expenditure	3,133	88		3,221
Depreciation	<u>3,138</u>	<u>187</u>		<u>3,325</u>

(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	23,094	153,987	2,767
Asia (excludes Malaysia)	21,306	5,499	454
North America	37,852		
Europe	3,408		
Others	1,216		
	<u>86,876</u>	<u>159,486</u>	<u>3,221</u>

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 the property, plant and equipment have been brought forward without any amendments from the previous audited financial statement.

Property, plant and equipment amounting to RM1,762,000 and RM3,221,000 were acquired during the quarter and current year to date.

Property, plant and equipment costing RM972,000 was disposed during the quarter.

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 period.

12. Contingent liabilities

There is no contingent liability for the current period other than the corporate guarantees for facilities granted to subsidiary companies.

13. Capital commitments

	30 June 2005 RM'000	30 June 2004 RM'000
Contracted but not provided for	<u>2,600</u>	<u>3,559</u>

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 profit before tax of RM6,296,000 as compared to a profit before tax of RM5,228,000 in the last quarter. This is basically due to the increase in revenue.

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

The Group recorded a profit before tax of RM6,296,000 for the current quarter as compared to a profit before tax of RM5,201,000 in the immediate preceding year's corresponding quarter due to improve in revenue.

17. Current year prospects

Barring any unforeseen circumstances, LKT will be able to sustain its current performance in the remaining financial period.

18. Profit forecast and profit guarantee

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

19. Taxation

	30 June 2005 RM'000	30 June 2004 RM'000
Current period		
- provision for income tax	3,153	866
- deferred taxation	64	1,565
	3,217	2,431

The effective tax rate for the period is close to the statutory tax rate.

20. Unquoted investments and properties

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

21. Quoted investments

There are no purchase or disposal of quoted securities for the current quarter and current financial period-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 30 June 2005 other than a term loan obtained by a subsidiary. The term loan is repayable by 36 monthly installments commencing on May 1, 2005 and is guaranteed by the Company. The interest rates ranges from 4.00% to 6.75% pa. All borrowings are denominated in Ringgit Malaysia

	30 June 2005 RM'000	30 June 2004 RM'0000
Amount due within 1 year	1,372	-
Amount due after 1 year	3,384	-
	<u>4,756</u>	<u>-</u>

24. Off balance sheet financial instruments

There are no off balance sheet financial instruments as at the date of this report other than:-

	Contract Amount RM'000
Forward foreign exchange contracts (within 1 year)	16,625
	=====

Credit risk, or the risk of counterparties defaulting, is controlled by limiting the Group's association to creditworthy financial institutions in Malaysia

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Exposure to market risk may be reduced through offsetting on and off balance sheet positions.

There are no significant credit and market risks posed by the above off balance sheet financial instruments.

The accounting policies for the off balance sheet financial instruments is as follows:-

The Group enters into foreign currency forward contracts as a hedge against foreign trade receivable. Market value gains and losses are recognized and the resulting credit or debit offsets foreign exchange gains or losses on those receivables.

25. Material litigation

There is no pending material litigation.

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 for the period of RM8,276,000 for the 6 months based on the weighted average number of ordinary shares in issue of 66,326,524.

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

	6months ended 30 June 2005	6months ended 30 June 2004
Issued ordinary shares at beginning of period	66,304,357	66,220,357
Effect of shares issued during the period	22,167	58,917
Weighted average number of ordinary shares	<u>66,326,524</u>	<u>66,279,274</u>

(b) Diluted earnings per share

The diluted earnings per share has been calculated on the Group's profit for the period of RM8,276,000 for the 6 months based on the adjusted weighted average number of ordinary shares in issue and issuable of 66,426,115.

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

	6 months ended 30 June 2005	6 months ended 30 June 2004
Issued ordinary shares at beginning of period	66,304,357	66,220,357
Effect of shares issued during the period	22,167	58,917
Effect of share options	99,591	408,215
Adjusted weighted average number of ordinary shares	<u>66,426,115</u>	<u>66,687,489</u>

28. Authorization for issue

The Board of Directors authorized the issue of this interim financial report on 19 August 2005.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
19 August 2005