



LKT INDUSTRIAL BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR QUARTER ENDED 30 JUNE 2008

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LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

(The figures have not been audited)

	As At 30-Jun-08 RM'000	As At 31-Dec-07 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	75,963	79,380
Prepaid lease payments	21,059	21,273
Intangible assets	1,816	2,002
Current assets		
Receivables, deposits and prepayments	27,693	34,927
Inventories	30,341	25,042
Assets classified as held for sale	-	298
Tax recoverable	5,172	9,904
Cash and cash equivalents	22,993	14,509
	<u>86,199</u>	<u>84,680</u>
TOTAL ASSETS	<u>185,037</u>	<u>187,335</u>
EQUITY AND LIABILITIES		
Share capital	70,881	70,881
Reserves	55,694	62,518
Equity attributable to equity holders of the parent	<u>126,575</u>	<u>133,399</u>
Minority interest	49	48
Total equity	<u>126,624</u>	<u>133,447</u>
Non-current liabilities		
Deferred tax liabilities	3,459	3,749
Borrowings	15,922	18,745
Current liabilities		
Trade and other payables	33,156	25,206
Borrowings	5,616	6,147
Tax payable	260	41
	<u>39,032</u>	<u>31,394</u>
TOTAL EQUITY AND LIABILITIES	<u>185,037</u>	<u>187,335</u>
Net assets per share (sen)	<u>179</u>	<u>188</u>

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Report for the year ended 31 December 2007.

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 2008**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30-Jun-08 RM'000	30-Jun-07 RM'000 (Restated)	30-Jun-08 RM'000	30-Jun-07 RM'000 (Restated)
Revenue		45,428	45,788	90,286	87,953
Cost of support services and goods sold		(42,385)	(44,557)	(81,843)	(82,898)
Gross profit		3,043	1,231	8,443	5,055
Other income		1,738	1,851	2,705	2,812
Other expenses		(2,581)	(174)	(3,320)	(634)
Distribution and administrative expenses		(5,103)	(3,932)	(10,086)	(7,969)
Finance costs		(234)	(366)	(489)	(594)
Share of loss of jointly controlled entity		-	(15)	-	(30)
Loss before taxation		(3,137)	(1,405)	(2,747)	(1,360)
Taxation		(299)	(35)	(360)	(550)
Loss for the period		(3,436)	(1,440)	(3,107)	(1,910)
Attributable to:					
Equity holders of the parent		(3,437)	(1,440)	(3,108)	(1,910)
Minority interest		1	-	1	-
		(3,436)	(1,440)	(3,107)	(1,910)
Loss per share					
Basic loss per share (sen)	27(a)	(4.85)	(2.10)	(4.38)	(2.78)
Diluted loss per share (sen)	27(b)	-	(2.10)	-	(2.78)

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2007.

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 2008**

(The figures have not been audited)

	Reserves									
	Non Distributable			Distributable			Share-holders Fund	Minority Interest	Total Equity	
Share Capital	Share Premium	Reserve on consolidation	Assets Revaluation Reserve	Translation Reserve	Share Option Reserve	Retained Earnings				RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1.1.2007	68,710	4,011	-	5,197	269	-	69,975	148,162	49	148,211
Foreign exchange translation differences	-	-	-	-	17	-	-	17	-	17
Net gain recognised directly in equity	-	-	-	-	17	-	-	17	-	17
Loss for the period	-	-	-	-	-	-	(1,910)	(1,910)	-	(1,910)
10% first and final tax exempt dividend - 2006	-	-	-	-	-	-	(6,874)	(6,874)	-	(6,874)
Share options exercised	32	-	-	-	-	-	-	32	-	32
Transfer to share premium for options exercised	-	6	-	-	-	-	-	6	-	6
As at 30.6.2007	68,742	4,017	-	5,197	286	-	61,191	139,433	49	139,482
As at 1.1.2008	70,881	6,850	-	5,197	101	-	50,370	133,399	48	133,447
Foreign exchange translation differences	-	-	-	-	(172)	-	-	(172)	-	(172)
Net loss recognised directly in equity	-	-	-	-	(172)	-	-	(172)	-	(172)
Loss for the period	-	-	-	-	-	-	(3,108)	(3,108)	1	(3,107)
5% first and final tax exempt dividend - 2007	-	-	-	-	-	-	(3,544)	(3,544)	-	(3,544)
As at 30.6.2008	70,881	6,850	-	5,197	(71)	-	43,718	126,575	49	126,624

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Report for the year ended 31 December 2007.
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 2008**

(The figures have not been audited)

	6 months ended	
	30-Jun-08 RM'000	30-Jun-07 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(2,747)	(1,360)
Adjustments for:-		
Non-cash items	3,206	9,011
Non-operating items	288	468
Operating profit before working capital changes	747	8,119
Net change in current assets	3,418	9,619
Net change in current liabilities	8,166	(11,273)
Cash generated from operations	12,331	6,465
Tax paid	(126)	(5,565)
Tax refund	4,429	146
Net cash from operating activities	16,634	1,046
CASH FLOW FROM INVESTING ACTIVITIES		
Other investments	(913)	(20,206)
Net cash used in investing activities	(913)	(20,206)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from shares issued	-	38
Net change in bank borrowings	(3,354)	18,004
Interest paid	(489)	(594)
Dividend paid	(3,544)	(6,874)
Net cash (used in) / generated from financing activities	(7,387)	10,574
Net change in cash and cash equivalents	8,334	(8,586)
Effect of foreign exchange fluctuations	150	40
Cash and cash equivalents brought forward	14,483	15,928
Cash and cash equivalents carried forward	22,967	7,382
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	8,748	7,278
Deposits with licensed banks (excluding pledged deposits)	14,219	104
	22,967	7,382

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2007.

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 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 2007. These explanatory notes attached to the interim financial report provides an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements except for the adoption of the following new/revised FRSS:

		Effective Date
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139	Financial Instruments: Recognition and Measurement	To be announced
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

FRS 111, FRS 120 and the Interpretations listed above are not applicable to the Group.

FRS 139, Financial Instruments: Recognition and Measurement has been deferred to a date to be announced and has not been adopted by the Group.

The adoption of the abovementioned FRSS do not have any significant financial impact on the results and the financial position of the Group.

2. Audit opinion

The audit report for the audited financial statements of the Group for the year ended 31 December 2007 was not subject to any qualification.

3. Seasonality or cyclical of interim operations

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

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial period-to-date.

5. Changes in estimates

There were no changes in estimates that have had material effect in the current quarter and financial period-to-date.

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the financial period ended 30 June 2008.

7. Dividends paid

A 5% first and final tax exempt dividend amounting to RM3.544 million for the financial year ended 31 December 2007 was paid on 27 June 2008.

8. Segmental reporting

(a) Analysis by business segment

	Manufacturing	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
REVENUE				
External sales	90,286	-	-	90,286
Inter segment sales	7,877	5,107	(12,984)	-
	<u>98,163</u>	<u>5,107</u>	<u>(12,984)</u>	<u>90,286</u>

	Manufacturing	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
RESULTS				
Segment result (external)	(265)	(2,058)	(136)	(2,459)
Interest income				201
Finance expenses				(489)
Loss before taxation				<u>(2,747)</u>
Taxation				<u>(360)</u>
Loss for the period				<u>(3,107)</u>
Minority interest				<u>(1)</u>
Net loss attributable to shareholders				<u><u>(3,108)</u></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	35,693	180,643	1,459
Asia (excludes Malaysia)	22,533	4,426	3
North America	20,780		
Europe	9,331		
Others	1,949		
	<u>90,286</u>	<u>185,069</u>	<u>1,462</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 statements.

Property, plant and equipment amounting to RM1.462 million were acquired during current year to date (six months ended 30 June 2007: RM18.12 million).

Property, plant and equipment amounting to RM0.105 million were disposed during current year to date (six months ended 30 June 2007: RM0.108 million).

10. Subsequent events

There were no material events subsequent to the end of the current quarter.

11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter except for the Group had on 13 June 2008 acquired additional 99,998 ordinary shares of RM1.00 each in the capital of Meerkat Precision Sdn Bhd (formerly known as LKT Metal Sdn Bhd) for a total cash consideration of RM99,998 where the Group remains 100% shareholdings in the abovementioned company.

12. Contingent liabilities

There is no contingent liability since the last annual balance sheet date.

13. Capital commitments

	30 June 2008 RM'000	30 June 2007 RM'000
Contracted but not provided for	19,448	1,249

14. Related party transactions

There were 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 reported a loss before tax of RM3.1 million as compared to profit before tax of RM0.4 million in the preceding quarter. During this quarter, the Group incurred RM3.6 million restructuring expenses to streamline and consolidate several operations and also impairment loss recognised on plant and equipment. With the exclusion of the above undertaken, the Group would have posted a profit before tax of RM0.6 million for the current quarter.

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

The Group's revenue for the quarter decreased slightly by RM0.4 million to RM45.4 million as compared to RM45.8 million in the immediate preceding year's corresponding quarter. The Group recorded higher loss before tax of RM3.1 million mainly due to streamlining and consolidation of business as mentioned above as compared to RM1.4 million in the preceding quarter due to provision of inventory.

17. Current year prospects

The current market sector of semiconductor industry which the company mainly operates continues to deteriorate, heightened by fears of an impending U.S. economic recession and dampened by ongoing financial market uncertainty. LKT is not spared from this situation and its impact is felt on the Group's performance this quarter. The Board will continue to review the company's business structure and realize opportunities to weather the dampened market condition. While this market condition is expected to persist, however, the Directors expect the current year's performance to be better than last year.

18. Profit forecast and profit guarantee

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

19. Taxation

	30 June 2008 RM'000	30 June 2007 RM'000
Current period		
- provision for taxation	650	482
- deferred taxation	(230)	68
	<hr/> 420	<hr/> 550
Prior period		
- deferred taxation	(60)	-
	<hr/> 360	<hr/> 550

The effective tax rate for the period is higher than the statutory tax rate mainly due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries, and certain expenses which are not deductible for tax purposes.

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 purchases 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

	As At 30 June 2008 RM'000	As At 31 December 2007 RM'000
Short term borrowings		
Secured	5,616	6,147
Long term borrowings		
Secured	15,922	18,745
TOTAL	<hr/> 21,538	<hr/> 24,892

The above borrowings are denominated in Ringgit Malaysia.

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)	58,194
	<hr/> <hr/>

25. Material litigation

There is no pending material litigation.

26. Proposed dividend

No dividend has been recommended for the current quarter.

27. Loss per share

(a) Basic loss per share

The basic loss per share for the financial period has been calculated based on the Group's net loss attributable to shareholders of RM3.108 million for the 6 months over the weighted average number of ordinary shares in issue of 70,881,357.

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

	6 months ended 30 June 2008	6 months ended 30 June 2007
Issued ordinary shares at beginning of period	70,881,357	68,710,357
Effect of shares issued during the period	-	12,667
Weighted average number of ordinary shares	<u>70,881,357</u>	<u>68,723,024</u>

(b) Diluted loss per share

Dilutive loss per share is not applicable for the current period-to-date as there were no outstanding employee share options outstanding as at the end of the current quarter.

The diluted loss per share for the immediate preceding year's corresponding quarter is the same as the basic loss per share as the effect of anti-dilutive potential ordinary shares are ignored in calculating diluted loss per share in accordance with the FRS 133 on earnings per share.

28. Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 19 August 2008.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
19 August 2008