



LKT INDUSTRIAL BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR QUARTER ENDED 30 SEPTEMBER 2008

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LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2008

(The figures have not been audited)

	As At 30-Sep-08 RM'000	As At 31-Dec-07 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	76,969	79,380
Prepaid lease payments	20,952	21,273
Intangible assets	1,736	2,002
Current assets		
Receivables, deposits and prepayments	31,162	34,927
Inventories	40,102	25,042
Assets classified as held for sale	-	298
Tax recoverable	4,858	9,904
Cash and cash equivalents	19,328	14,509
	<u>95,450</u>	<u>84,680</u>
TOTAL ASSETS	<u>195,107</u>	<u>187,335</u>
EQUITY AND LIABILITIES		
Share capital	70,881	70,881
Reserves	56,629	62,518
Equity attributable to equity holders of the parent	<u>127,510</u>	<u>133,399</u>
Minority interest	49	48
Total equity	<u>127,559</u>	<u>133,447</u>
Non-current liabilities		
Deferred tax liabilities	3,321	3,749
Borrowings	14,490	18,745
Current liabilities		
Trade and other payables	43,835	25,206
Borrowings	5,645	6,147
Tax payable	257	41
	<u>49,737</u>	<u>31,394</u>
TOTAL EQUITY AND LIABILITIES	<u>195,107</u>	<u>187,335</u>
Net assets per share (sen)	<u>180</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 SEPTEMBER 2008**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30-Sep-08 RM'000	30-Sep-07 RM'000 (Restated)	30-Sep-08 RM'000	30-Sep-07 RM'000 (Restated)
Revenue		47,900	48,841	138,186	136,794
Cost of support services and goods sold		(42,579)	(45,644)	(124,422)	(128,542)
Gross profit		5,321	3,197	13,764	8,252
Other income		1,249	304	3,954	3,116
Other expenses		(188)	(641)	(3,508)	(1,275)
Distribution and administrative expenses		(5,224)	(8,506)	(15,310)	(16,475)
Finance costs		(224)	(429)	(713)	(1,023)
Share of loss of jointly controlled entity		-	(15)	-	(45)
Profit/(Loss) before taxation		934	(6,090)	(1,813)	(7,450)
Taxation		(218)	6	(578)	(544)
Profit/(Loss) for the period		716	(6,084)	(2,391)	(7,994)
Attributable to:					
Equity holders of the parent		716	(6,084)	(2,392)	(7,994)
Minority interest		-	-	1	-
		716	(6,084)	(2,391)	(7,994)
Earnings/(Loss) per share					
Basic earnings/(loss) per share (sen)	27(a)	1.01	(8.85)	(3.37)	(11.62)
Diluted earnings/(loss) per share (sen)	27(b)	-	(8.85)	-	(11.62)

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 SEPTEMBER 2008**

(The figures have not been audited)

	Reserves									
	Non Distributable			Distributable				Shareholders Fund	Minority Interest	Total Equity
Share Capital	Share Premium	Capital Reserve	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	-	-	-	-	(59)	-	-	(59)	-	(59)
Net loss recognised directly in equity	-	-	-	-	(59)	-	-	(59)	-	(59)
Loss for the period	-	-	-	-	-	-	(7,994)	(7,994)	-	(7,994)
Equity settled share-based transactions	-	-	575	-	-	-	-	575	-	575
10% first and final tax exempt dividend - 2006	-	-	-	-	-	-	(6,874)	(6,874)	-	(6,874)
Share options exercised	371	-	-	-	-	-	-	371	-	371
Transfer to share premium for options exercised	-	314	-	-	-	-	-	314	-	314
As at 30.9.2007	69,081	4,325	575	5,197	210	-	55,107	134,495	49	134,544
As at 1.1.2008	70,881	6,850	-	5,197	101	-	50,370	133,399	48	133,447
Foreign exchange translation differences	-	-	-	-	47	-	-	47	-	47
Net gain recognised directly in equity	-	-	-	-	47	-	-	47	-	47
Loss for the period	-	-	-	-	-	-	(2,392)	(2,392)	1	(2,391)
5% first and final tax exempt dividend - 2007	-	-	-	-	-	-	(3,544)	(3,544)	-	(3,544)
As at 30.9.2008	70,881	6,850	-	5,197	148	-	44,434	127,510	49	127,559

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 SEPTEMBER 2008**

(The figures have not been audited)

	9 months ended	
	30-Sep-08 RM'000	30-Sep-07 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(1,813)	(7,450)
Adjustments for:-		
Non-cash items	4,807	19,255
Non-operating items	410	877
Operating profit before working capital changes	3,404	12,682
Net change in current assets	(9,148)	12,188
Net change in current liabilities	18,656	(7,009)
Cash generated from operations	12,912	17,861
Tax paid	(180)	(5,915)
Tax refund	4,436	265
Net cash from operating activities	17,168	12,211
CASH FLOW FROM INVESTING ACTIVITIES		
Other investments	(3,998)	(22,549)
Net cash used in investing activities	(3,998)	(22,549)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from shares issued	-	685
Bank borrowings, net of repayment	(4,757)	9,897
Interest paid	(713)	(1,023)
Dividend paid	(3,544)	(6,874)
Net cash (used in) / generated from financing activities	(9,014)	2,685
Net change in cash and cash equivalents	4,156	(7,653)
Effect of foreign exchange fluctuations	689	164
Cash and cash equivalents brought forward	14,483	15,928
Cash and cash equivalents carried forward	19,328	8,439
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	8,309	8,333
Deposits with licensed banks	11,019	106
	19,328	8,439

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	1 January 2010
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.

The adoption of the abovementioned FRSs does 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 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 September 2008.

7. Dividends paid

A 5% first and final tax exempt dividend amounting to RM3.5 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	138,186	-	-	138,186
Inter segment sales	14,022	8,222	(22,244)	-
	<u>152,208</u>	<u>8,222</u>	<u>(22,244)</u>	<u>138,186</u>

	Manufacturing	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
RESULTS				
Segment result (external)	1,402	(2,533)	(268)	(1,399)
Interest income				299
Finance cost				(713)
Loss before taxation				<u>(1,813)</u>
Taxation				<u>(578)</u>
Loss for the period				<u>(2,391)</u>
Minority interest				<u>(1)</u>
Net loss attributable to shareholders				<u>(2,392)</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	52,579	191,081	4,658
Asia (excludes Malaysia)	37,506	4,026	18
North America	32,273	-	-
Europe	12,609	-	-
Others	3,219	-	-
	<u>138,186</u>	<u>195,107</u>	<u>4,676</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 RM4.7 million were acquired during current year to date (nine months ended 30 September 2007: RM20.7 million).

Property, plant and equipment amounting to RM0.5 million were disposed during current year to date (nine months ended 30 September 2007: RM0.7 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 financial period ended 30 September 2008 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 September 2008 RM'000	30 September 2007 RM'000
Contracted but not provided for	<u>34,384</u>	<u>825</u>

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 profit before tax of RM0.9 million in the current quarter as compared to loss before tax of RM3.1 million in the preceding quarter. The improvement in the results was mainly due to the RM3.6 million restructuring expenses incurred in preceding quarter and the increase in revenue for the current quarter.

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

The Group recorded marginal profit before tax of RM0.9 million for the quarter as compared to a loss before tax of RM6.1 million in the immediate preceding year's corresponding quarter. The loss then was due to higher inventory write down, allowance for doubtful debts and ESOS expenses.

17. Current year prospects

The prevailing economic landscape and tightening of liquidity in the financial market has resulted in a slowdown in global consumption and has softened regional economic growth. This has impacted our key customers and hence will affect the Group's operations and profitability. In the face of such volatility and challenges the Directors are refocusing the group's effort to minimize its business exposure resultant from current economic turmoil.

18. Profit forecast and profit guarantee

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

19. Taxation

	30 September 2008 RM'000	30 September 2007 RM'000
Current period		
- provision for taxation	1,017	487
- deferred taxation	(389)	57
	628	544
Prior period		
- over provision for taxation	(11)	-
- deferred taxation	(39)	-
	578	544

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

21. Quoted investments

There were no purchases or disposal of quoted securities for the current quarter and current financial period-to-date.

22. Corporate proposal

On 22 August 2008, CIMB Investment Bank Berhad (“CIMB”) announced on behalf of the Company the following proposed restructuring to comply with the public shareholding spread requirement, involving the:

- Proposed bonus issue of 53,161,017 new ordinary shares of RM1.00 each in LKT (“LKT Shares”), to be credited as fully paid-up, on the basis of three (3) new LKT Shares for every four (4) existing LKT Shares held on an entitlement date to be determined and announced later (“Proposed Bonus Issue”);
- Proposed selective capital repayment exercise under Section 64 of the Companies Act, 1965 for 64,042,374 LKT Shares held by Singapore Precision Engineering Limited (“SPE”) after the Proposed Bonus Issue (“Proposed SCR”);
- Proposed issuance to SPE of 64,042,374 irredeemable convertible preference shares of RM1.00 each in LKT at an issue price of RM1.00 each, to be credited as fully paid-up by applying the credit arising from the Proposed SCR (“Proposed ICPS Issuance”);
- Proposed amendments to the Memorandum and Articles of Association of LKT; and
- Proposed increase in the authorised share capital of LKT.

(Collectively, the “Proposals”)

On 3 September 2008, CIMB, on behalf of LKT, announced that the Company has via CIMB submitted applications to the Securities Commission (“SC”) and Ministry of International Trade and Industry (“MITI”) for the Proposed SCR and Proposed ICPS Issuance.

The SC and MITI have on 9 October 2008 and 4 November 2008 respectively approved the Proposed SCR and Proposed ICPS Issuance.

In view of the equity market has been adversely affected by the global financial crisis and the slowing down of the global economy, it is no longer practical nor in the best interest of the company and its shareholders nor economically viable to undertake the corporate exercise until the conditions improve. Hence, the Directors have decided to defer the Proposals to a date to be announced.

23. Borrowings and debt securities

	As At 30 September 2008 RM'000	As At 31 December 2007 RM'000
Short term borrowings		
Secured	5,645	6,147
Long term borrowings		
Secured	14,490	18,745
TOTAL	20,135	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)	40,442
	=====

25. Material litigation

There were no pending material litigation as at the date of this report.

26. Proposed dividend

No dividend has been recommended for the current quarter.

27. Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share for the financial period has been calculated based on the Group's net loss attributable to shareholders of RM2.4 million for the 9 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 earnings/(loss) per share:

	9 months ended 30 September 2008	9 months ended 30 September 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	70,881,357	68,723,024

(b) Diluted earnings/(loss) per share

Dilutive earnings/(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 earnings/(loss) per share for the immediate preceding year's corresponding quarter is the same as the basic earnings/(loss) per share as the effect of anti-dilutive potential ordinary shares are ignored in calculating diluted earnings/(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 14 November 2008.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
14 November 2008