



LKT INDUSTRIAL BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR QUARTER ENDED 31 DECEMBER 2008

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LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

(The figures have not been audited)

	As At 31-Dec-08 RM'000	As At 31-Dec-07 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	80,415	79,380
Prepaid lease payments	20,851	21,273
Intangible assets	1,642	2,002
Current assets		
Receivables, deposits and prepayments	39,979	34,927
Inventories	51,394	25,042
Assets classified as held for sale	-	298
Tax recoverable	2,053	9,904
Cash and cash equivalents	17,071	14,509
	<u>110,497</u>	<u>84,680</u>
TOTAL ASSETS	<u>213,405</u>	<u>187,335</u>
EQUITY AND LIABILITIES		
Share capital	70,881	70,881
Reserves	53,359	62,518
Equity attributable to equity holders of the parent	<u>124,240</u>	<u>133,399</u>
Minority interest	48	48
Total equity	<u>124,288</u>	<u>133,447</u>
Non-current liabilities		
Deferred tax liabilities	3,498	3,749
Borrowings	19,004	18,745
Current liabilities		
Trade and other payables	50,461	25,206
Borrowings	16,027	6,147
Tax payable	127	41
	<u>66,615</u>	<u>31,394</u>
TOTAL EQUITY AND LIABILITIES	<u>213,405</u>	<u>187,335</u>
Net assets per share (sen)	<u>175</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 31 DECEMBER 2008**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31-Dec-08 RM'000	31-Dec-07 RM'000 (Audited)	31-Dec-08 RM'000	31-Dec-07 RM'000 (Audited)
Revenue		46,440	42,083	184,626	178,877
Cost of support services and goods sold		(40,915)	(37,553)	(165,337)	(166,095)
Gross profit		5,525	4,530	19,289	12,782
Other incomes		376	950	4,330	4,066
Other expenses		(4,229)	(1,575)	(7,737)	(2,850)
Distribution and administrative expenses		(4,559)	(9,276)	(19,869)	(25,751)
Finance costs		(268)	(351)	(981)	(1,374)
Share of loss of jointly controlled entity		-	(129)	-	(174)
Loss before taxation		(3,155)	(5,851)	(4,968)	(13,301)
Taxation		(43)	1,113	(621)	569
Loss for the period/year		(3,198)	(4,738)	(5,589)	(12,732)
Attributable to:					
Equity holders of the parent		(3,197)	(4,737)	(5,589)	(12,731)
Minority interest		(1)	(1)	-	(1)
		(3,198)	(4,738)	(5,589)	(12,732)
Loss per share					
Basic loss per share (sen)	27(a)	(4.51)	(6.84)	(7.89)	(18.39)
Diluted loss per share (sen)	27(b)	-	(6.84)	-	(18.39)

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 31 DECEMBER 2008**

(The figures have not been audited)

	←		Reserves				→		Minority Interest	Total Equity
	Share Capital	Share Premium	Capital Reserve	Non Distributable Assets Revaluation Reserve	Translation Reserve	Share Option Reserve	Distributable Retained Earnings	Share-holders Fund		
	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	-	-	-	-	(168)	-	-	(168)	-	(168)
Net loss recognised directly in equity	-	-	-	-	(168)	-	-	(168)	-	(168)
Loss for the year	-	-	-	-	-	-	(12,731)	(12,731)	(1)	(12,732)
Share-based payments	-	-	-	-	-	574	-	574	-	574
10% first and final tax exempt dividend - 2006	-	-	-	-	-	-	(6,874)	(6,874)	-	(6,874)
Share options exercised	2,171	2,265	-	-	-	-	-	4,436	-	4,436
Transfer to share premium for options exercised	-	574	-	-	-	(574)	-	-	-	-
As at 31.12.2007	70,881	6,850	-	5,197	101	-	50,370	133,399	48	133,447
As at 1.1.2008	70,881	6,850	-	5,197	101	-	50,370	133,399	48	133,447
Foreign exchange translation differences	-	-	-	-	(26)	-	-	(26)	-	(26)
Net loss recognised directly in equity	-	-	-	-	(26)	-	-	(26)	-	(26)
Loss for the period	-	-	-	-	-	-	(5,589)	(5,589)	-	(5,589)
5% first and final tax exempt dividend - 2007	-	-	-	-	-	-	(3,544)	(3,544)	-	(3,544)
As at 31.12.2008	70,881	6,850	-	5,197	75	-	41,237	124,240	48	124,288

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 31 DECEMBER 2008**

(The figures have not been audited)

	12 months ended	
	31-Dec-08 RM'000	31-Dec-07 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(4,968)	(13,301)
Adjustments for:-		
Non-cash items	8,214	9,466
Non-operating items	583	1,152
Operating profit/(loss) before working capital changes	3,829	(2,683)
Net change in current assets	(20,303)	44,959
Net change in current liabilities	23,703	(13,813)
Cash generated from operations	7,229	28,463
Tax paid	(447)	(5,955)
Tax refund	7,512	-
Net cash generated from operating activities	14,294	22,508
CASH FLOW FROM INVESTING ACTIVITIES		
Other investments	(18,365)	(23,127)
Net cash used in investing activities	(18,365)	(23,127)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from shares issued	-	4,436
Bank borrowings, net of repayment	10,139	3,025
Interest paid	(981)	(1,374)
Dividend paid	(3,544)	(6,874)
Net cash generated from financing activities	5,614	(787)
Net change in cash and cash equivalents	1,543	(1,406)
Effect of foreign exchange fluctuations	1,045	(38)
Cash and cash equivalents brought forward	14,483	15,927
Cash and cash equivalents carried forward	17,071	14,483
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	11,599	7,969
Deposits with licensed banks	5,472	6,514
	17,071	14,483

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
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.

The Group has not applied the following accounting standards (including its consequential amendments) and Interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

		Effective Date
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segment	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

The impact of applying FRS 7 and FRS 139 on the financial statements upon initial adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs. The other FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group upon initial application.

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 31 December 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
REVENUE	RM'000	RM'000	RM'000	RM'000
External sales	184,626	-	-	184,626
Inter segment sales	18,599	10,901	(29,500)	-
	<u>203,225</u>	<u>10,901</u>	<u>(29,500)</u>	<u>184,626</u>

RESULTS	Manufacturing RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Segment result (external)	3,836	(8,136)	(81)	(4,381)
Interest income				394
Finance cost				(981)
Loss before taxation				(4,968)
Taxation				(621)
Loss for the period				(5,589)
Minority interest				-
Net loss attributable to shareholders				(5,589)

(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	66,447	209,201	10,511
Asia (excludes Malaysia)	48,321	4,204	21
North America	50,219	-	-
Europe	15,593	-	-
Others	4,046	-	-
	184,626	213,405	10,532

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 RM10.5 million were acquired during the current year to date (twelve months ended 31 December 2007: RM21.4 million).

Property, plant and equipment with net book value of RM0.2 million were disposed during the current year to date (twelve months ended 31 December 2007: RM0.2 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 31 December 2008 except for the Group had on 13 June 2008 and 4 December 2008 subscribed a total of additional 1,999,998 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 RM1,999,998 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

	31 December 2008 RM'000	31 December 2007 RM'000
Contracted but not provided for	30,634	315

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 revenue for the quarter dropped to RM46.4 million as compared to RM47.9 million in the preceding quarter. The Group suffered a loss before tax of RM3.2 million in the current quarter as compared to profit before tax of RM0.9 million in the preceding quarter. The loss was due to restructuring expenses of RM3.7 million to consolidate current operations which is non-recurrent.

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

The Group recorded a loss before tax of RM3.2 million for the quarter as compared to a loss before tax of RM5.9 million in the immediate preceding year's corresponding quarter. The loss then was due to higher allowance for doubtful debts and inventory write down.

17. Current year prospects

The economic and market landscape continue to be filled with uncertainties with little indication of any recovery in the near term. This presents a challenge to the Group. However, it is not peculiar to the Group as most companies in the related industries are also facing the adverse impact of the current global economic crisis. The Group will continue to implement cost containment, consolidation and rationalisation measures to minimise the exposure from the economic turmoil. At the same time, the Group will continue to maintain investments on strategic projects in preparation for the upturn.

18. Profit forecast and profit guarantee

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

19. Taxation

	31 December 2008 RM'000	31 December 2007 RM'000
Current period		
- provision for taxation	884	189
- deferred taxation	(213)	(619)
	<hr/> 671	<hr/> (430)
Prior period		
- over provision for taxation	(11)	106
- deferred taxation	(39)	(245)
	<hr/> 621	<hr/> (569)

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

There were no corporate proposals that have been announced by the Group but not completed as at the date of this announcement except:

- A) At the Extraordinary General Meeting (“EGM”) held on 10 February 2009, the following corporate proposals were withdrawn from voting:
- (i) The proposed establishment of an Executives' Share Option Scheme (“ESOS”) of up to ten percent (10%) of the total issued and paid-up share capital of the Company; and
 - (ii) The proposed amendment to the Company’s Articles of Association to allow the Company to extend the ESOS options to its non-executive directors.
- B) 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”)

The Securities Commission (“SC”) and Ministry of International Trade and Industry (“MITI”) have on 9 October 2008 and 4 November 2008 respectively approved the Proposed SCR and Proposed ICPS Issuance.

On 14 November 2008, CIMB, on behalf of the Company, announced that the Board of Directors of the Company has decided to defer the Proposals as it views that it is not in the best interest of the Company to proceed with the Proposals at this time in light of the prevailing adverse market conditions.

The Company has on 24 November 2008 applied to Bursa Malaysia Securities Berhad (“Bursa Securities”) for an extension of time for the Company to comply with the public shareholding spread requirement under the Listing Requirements of Bursa Securities.

On 19 December 2008, Bursa Securities has approved the extension of time of six (6) months until 13 August 2009 for LKT to comply with the public shareholding spread requirement.

23. Borrowings and debt securities

	As At 31 December 2008 RM’000	As At 31 December 2007 RM’000
Short term borrowings		
Secured	6,593	6,147
Unsecured	9,434	-
Long term borrowings		
Secured	19,004	18,745
TOTAL	35,031	24,892

Included in the above, borrowings denominated in foreign currency:

	USD’000	RM’000 Equivalent
Secured		
Short term borrowings	253	878
Long term borrowings	1,724	5,992
	1,977	6,870

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)

22,233

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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. 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 RM5.6 million for the 12 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:

	12 months ended 31 December 2008	12 months ended 31 December 2007
Issued ordinary shares at beginning of period	70,881,357	68,710,357
Effect of shares issued during the period	-	524,667
Weighted average number of ordinary shares	<u>70,881,357</u>	<u>69,235,024</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 10 February 2009.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
10 February 2009