



**LKT INDUSTRIAL BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR QUARTER ENDED 31 MARCH 2009**

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**LKT INDUSTRIAL BERHAD**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009**

(The figures have not been audited)

	As At 31-Mar-09 RM'000	As At 31-Dec-07 RM'000 (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	77,071	79,380
Prepaid lease payments	20,744	21,273
Intangible assets	1,941	2,002
<b>Current assets</b>		
Receivables, deposits and prepayments	26,089	34,927
Inventories	36,243	25,042
Assets classified as held for sale	-	298
Tax recoverable	818	9,904
Cash and cash equivalents	24,760	14,509
	<u>87,910</u>	<u>84,680</u>
<b>TOTAL ASSETS</b>	<u><u>187,666</u></u>	<u><u>187,335</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	70,881	70,881
Reserves	51,732	62,518
<b>Equity attributable to equity holders of the parent</b>	<u>122,613</u>	<u>133,399</u>
Minority interest	-	48
<b>Total equity</b>	<u>122,613</u>	<u>133,447</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	2,196	3,749
Borrowings	23,304	18,745
<b>Current liabilities</b>		
Trade and other payables	28,654	25,206
Borrowings	10,857	6,147
Tax payable	42	41
	<u>39,553</u>	<u>31,394</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>187,666</u></u>	<u><u>187,335</u></u>
Net assets per share (sen)	<u>173</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 MARCH 2009**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 15 months ended
		31-Mar-09 RM'000	31-Mar-08 RM'000	31-Mar-09 RM'000
<b>Revenue</b>		<b>29,768</b>	<b>44,858</b>	<b>214,394</b>
Cost of support services and goods sold		(27,048)	(39,458)	(192,385)
<b>Gross profit</b>		<b>2,720</b>	<b>5,400</b>	<b>22,009</b>
Other incomes		(324)	967	4,006
Other expenses		(2,740)	(739)	(10,477)
Distribution and administrative expenses		(2,756)	(4,983)	(22,625)
Finance costs		(317)	(255)	(1,298)
<b>(Loss)/Profit before taxation</b>		<b>(3,417)</b>	<b>390</b>	<b>(8,385)</b>
Taxation		1,615	(61)	994
<b>(Loss)/Profit for the period</b>		<b>(1,802)</b>	<b>329</b>	<b>(7,391)</b>
<b>Attributable to:</b>				
Equity holders of the parent		(1,799)	329	(7,388)
Minority interest		(3)	-	(3)
		<b>(1,802)</b>	<b>329</b>	<b>(7,391)</b>
<b>(Loss)/Earnings per share</b>				
Basic (loss)/earnings per share (sen)	27(a)	(2.54)	0.46	(10.42)

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.

*Note: Pursuant to the change in the financial year end from 31st December to 31st March, comparative figures for the cumulative period are not presented.*

**LKT INDUSTRIAL BERHAD**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2009**

(The figures have not been audited)

	← Non Distributable →		Reserves		→ Distributable		Total	Minority Interest	Total Equity
	Share Capital	Share Premium	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
<b>As at 1.1.2007</b>	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)	-	-	-	-
<b>As at 31.12.2007</b>	<b>70,881</b>	<b>6,850</b>	<b>5,197</b>	<b>101</b>	<b>-</b>	<b>50,370</b>	<b>133,399</b>	<b>48</b>	<b>133,447</b>
<b>As at 1.1.2008</b>	70,881	6,850	5,197	101	-	50,370	133,399	48	133,447
Foreign exchange translation differences	-	-	-	142	-	-	142	-	142
Realisation of revaluation reserve on disposal of a subsidiary	-	-	4	-	-	-	4	-	4
Net profit recognised directly in equity	-	-	4	142	-	-	146	-	146
Loss for the period	-	-	-	-	-	(7,388)	(7,388)	(3)	(7,391)
Winding up of subsidiary	-	-	-	-	-	-	-	(45)	(45)
5% first and final tax exempt dividend - 2007	-	-	-	-	-	(3,544)	(3,544)	-	(3,544)
<b>As at 31.03.2009</b>	<b>70,881</b>	<b>6,850</b>	<b>5,201</b>	<b>243</b>	<b>-</b>	<b>39,438</b>	<b>122,613</b>	<b>-</b>	<b>122,613</b>

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 MARCH 2009**

(The figures have not been audited)

	15 months ended 31-Mar-09 RM'000	12 months ended 31-Dec-07 RM'000 (Audited)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(8,385)	(13,301)
Adjustments for:-		
Non-cash items	14,922	9,466
Non-operating items	872	1,152
Operating profit/(loss) before working capital changes	7,409	(2,683)
Net change in current assets	4,836	44,959
Net change in current liabilities	4,259	(13,813)
Cash generated from operations	16,504	28,463
Tax paid	(537)	(5,955)
Tax refund	9,521	-
Net cash generated from operating activities	25,488	22,508
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Other investments	(19,788)	(23,127)
Net cash used in investing activities	(19,788)	(23,127)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from shares issued	-	4,436
Bank borrowings, net of repayment	9,269	3,025
Decrease in deposits pledged with a licensed bank	26	-
Interest paid	(1,298)	(1,374)
Dividend paid	(3,544)	(6,874)
Net cash generated from/(used in) financing activities	4,453	(787)
Net change in cash and cash equivalents	10,153	(1,406)
Effect of foreign exchange fluctuations	124	(38)
Cash and cash equivalents brought forward	14,483	15,927
Cash and cash equivalents carried forward	24,760	14,483
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	18,425	7,969
Deposits with licensed banks	6,335	6,514
	24,760	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:

		<b>Effective Date</b>
FRS 107	Cash Flow Statements	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	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 8	Scope of FRS 2	1 July 2007

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:

		<b>Effective Date</b>
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

FRS 4 is not applicable to the Group.

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 adoption of the other FRSs and Interpretations is not expected to have any significant impact on the financial statements of the Group upon initial application.

FRS 8 which replaces FRS 114, Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operation decision makers in order to allocate resources to the segments and to assess their performance. Currently, the Group presents segment information by its business and geographical segments. The adoption of FRS 8 will not have any significant impact on the financial statements of the Group other than expanded disclosure requirements, if any.

## **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 other than the effects arising from the disposal of LKT Plastic Technology Sdn Bhd as disclosed in Note 11.

## **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 March 2009.

## **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**

The Group's business segment mainly comprised of the design, manufacture and fabrication of precision tools, machine parts, and assembly of automated equipment and machine.

Business segmental information has not been prepared as the Group's entire revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and amortisation, and non-cash expenses are mainly confined to one business segment.

**(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	70,405	184,039	12,063
Asia (excludes Malaysia)	56,096	3,627	35
North America	66,410	-	-
Europe	16,364	-	-
Others	5,119	-	-
	<u>214,394</u>	<u>187,666</u>	<u>12,098</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 RM11.7 million were acquired during the current period 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 period 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 March 2009 except for:

- a. On 13 June 2008 and 4 December 2008, the Company subscribed a total of additional 1,999,998 ordinary shares of RM1.00 each in Meerkat Precision Sdn Bhd (formerly known as LKT Metal Sdn Bhd) for a total cash consideration of RM1,999,998 where the Company retains a 100% shareholdings in the abovementioned subsidiary.
- b. On 18 March 2009, the Company announced the disposal of its entire equity interest in three wholly-owned dormant subsidiaries, namely LKT Holdings Sdn Bhd, LKT Research & Development Sdn Bhd and Iconext Sdn Bhd. The disposals were completed on the same day.



- c. On 25 March 2009, the Company entered into a Share Sale Agreement for the disposal of its entire equity interest comprising 2,000,000 ordinary shares of RM1 each in its wholly-owned subsidiary, LKT Plastic Technology Sdn Bhd for a total cash consideration of RM3.9 million. The loss on disposal arising from this transaction amounted to RM1.7 million for the Group.
- d. On 26 March 2009, the Company commenced of Members' Voluntary Winding-Up of a dormant subsidiary, Alps Tech Corporation Sdn Bhd and a joint venture company, Spray Devices Technology Sdn Bhd.

**12. Contingent liabilities**

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

**13. Capital commitments**

	31 March 2009 RM'000	31 December 2007 RM'000
Contracted but not provided for	24,983	315

**14. Significant Related party transaction**

Significant transaction with related parties is as follows:

	15 months ended 31 March 2009 RM'000
Training and engineering supports provided by:	
Singapore Aerospace Manufacturing Pte Ltd, the Penultimate Holding Company	1,291

**15. Review of performance**

The Group suffered a loss before tax of RM3.4 million for the quarter as compared to loss before tax of RM3.2 million in the preceding quarter. The loss was mainly attributed to lower revenue of RM29.8 million as compared to RM46.4 million in the preceding quarter arising from falling demand on the global economic downturn. It was further compounded by a provision for employees' severance costs and forward foreign exchange contracts. The loss in preceding quarter was due to restructuring expenses of RM3.7 million to consolidate the operations.

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

The Group recorded a loss before tax of RM3.4 million for the quarter as compared to a profit before tax of RM0.4 million in the immediate preceding year's corresponding quarter. The loss for the quarter was mainly due to the reasons stated above.

## 17. Current year prospects

Customers are providing uncertain and very short term forecast going into the new financial year at the back of the continuous global economic downturn. The Group expects the year to be challenging and difficult as the market for semiconductor equipment and electronics are expected to contract from previous levels. Given the above, the Company has undertaken aggressive cost containment and restructuring exercises to re-align the cost with a lower anticipated revenue base for the year.

## 18. Profit forecast and profit guarantee

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

## 19. Taxation

	15 months ended 31 March 2009 RM'000
Current period	
- provision for taxation	257
- deferred taxation	(707)
	<hr/>
	(450)
Prior period	
- over provision for taxation	(10)
- deferred taxation	(534)
	<hr/>
	(994)
	<hr/>

The effective tax rate was lower than the statutory tax rate mainly due to tax incentives enjoyed by certain subsidiaries under the Promotion of Investment Act, 1986 (as amended) and Section 127(3)(b) of the Income Tax Act, 1967 as well as the reversal of deferred tax liabilities.

## 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 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”)

As of to date, the Company has obtained the relevant approvals from the Securities Commission and Ministry of International Trade and Industry for the Proposals. However, on 14 November 2008, the Company announced that the Proposals have been deferred due to current adverse market conditions.

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

### 23. Borrowings and debt securities

	As At 31 March 2009 RM’000	As At 31 December 2007 RM’000
<b>Short term borrowings</b>		
Secured	7,451	6,147
Unsecured	3,406	-
<b>Long term borrowings</b>		
Secured	23,304	18,745
<b>TOTAL</b>	34,161	24,892

Included in the above, borrowings denominated in foreign currency are as follows:

	USD’000	RM’000 Equivalent
<b>Short term borrowings</b>		
Secured	445	1,609
Unsecured	80	290
<b>Long term borrowings</b>		
Secured	3,275	11,836
	3,800	13,735

#### 24. Financial instruments

	Contracted Amount RM'000	Fair Value RM'000
Forward foreign exchange contracts (within 1 year)	17,822	16,147

#### 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 RM7.4 million for the 15 months ended 31 March 2009 over the number of ordinary shares in issue during the period of 70,881,357.

#### 28. Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 14 April 2009.

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

Lam Voon Kean (MIA 4793)  
Company Secretary

Penang  
14 April 2009