



## **LKT INDUSTRIAL BERHAD**

(Incorporated in Malaysia)

# **UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 30 SEPTEMBER 2009**

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**LKT INDUSTRIAL BERHAD**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2009**

(The figures have not been audited)

	As At 30-Sep-09 RM'000	As At 31-Mar-09 RM'000 (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	87,775	77,071
Prepaid lease payments	20,530	20,744
Intangible assets	1,720	1,941
<b>Current assets</b>		
Receivables, deposits and prepayments	60,085	28,264
Inventories	33,690	36,243
Tax recoverable	826	818
Cash and cash equivalents	17,329	24,760
	111,930	90,085
<b>TOTAL ASSETS</b>	<b>221,955</b>	<b>189,841</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	70,881	70,881
Reserves	55,805	51,728
<b>Total equity</b>	<b>126,686</b>	<b>122,609</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	2,493	2,196
Borrowings	23,059	23,304
<b>Current liabilities</b>		
Trade and other payables	57,552	30,833
Borrowings	12,144	10,857
Tax payable	21	42
	69,717	41,732
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>221,955</b>	<b>189,841</b>
Net assets per share (sen)	179	173

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Report for the financial period ended 31 March 2009.

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 2009**

(The figures have not been audited)

	Note	Current Quarter 3 months ended 30-Sep-09 RM'000	Cumulative Quarter 6 months ended 30-Sep-09 RM'000
<b>Revenue</b>		<b>64,930</b>	<b>110,873</b>
Cost of support services and goods sold		(58,715)	(100,195)
<b>Gross profit</b>		<b>6,215</b>	<b>10,678</b>
Other operating incomes		1,349	3,289
Other operating expenses		(138)	(2,470)
Distribution and administrative expenses		(3,838)	(6,606)
Finance costs		(245)	(490)
<b>Profit before taxation</b>		<b>3,343</b>	<b>4,401</b>
Taxation		(297)	(345)
<b>Profit for the period</b>		<b>3,046</b>	<b>4,056</b>
<b>Attributable to:</b>			
Equity holders of the parent		3,046	4,056
Minority interest		-	-
		<b>3,046</b>	<b>4,056</b>
<b>Earnings per share</b>			
Basic earnings per share (sen)	27(a)	4.30	5.72

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Report for the 15 months period ended 31 March 2009.

The accompanying notes form an integral part of this interim report.

*Note: There are no comparative figures disclosed for the individual quarter and the cumulative quarter of the preceding year following the change in financial year end from 31 December to 31 March in the preceding financial period.*

**LKT INDUSTRIAL BERHAD**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2009**

(The figures have not been audited)

	Reserves						Total	Minority Interest	Total Equity
	Non Distributable			Distributable					
	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 1.4.2008</b>	70,881	6,850	5,197	297	-	50,698	133,923	48	133,971
Foreign exchange translation differences	-	-	-	(149)	-	-	(149)	-	(149)
Net loss recognised directly in equity	-	-	-	(149)	-	-	(149)	-	(149)
Loss for the period	-	-	-	-	-	(2,720)	(2,720)	1	(2,719)
5% first and final tax exempt dividend - 2007	-	-	-	-	-	(3,544)	(3,544)	-	(3,544)
<b>As at 30.9.2008</b>	70,881	6,850	5,197	148	-	44,434	127,510	49	127,559
<b>As at 1.4.2009</b>	70,881	6,850	3,282	243	-	41,353	122,609	-	122,609
Foreign exchange translation differences	-	-	-	5	-	-	5	-	5
Realisation of profit on transfer of equipments	-	-	-	-	-	16	16	-	16
Net profit recognised directly in equity	-	-	-	5	-	16	21	-	21
Profit for the period	-	-	-	-	-	4,056	4,056	-	4,056
<b>As at 30.9.2009</b>	70,881	6,850	3,282	248	-	45,425	126,686	-	126,686

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Report for the financial period ended 31 March 2009.

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 2009**

(The figures have not been audited)

	6 months ended
	30-Sep-09
	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Profit before taxation	4,401
Adjustments for:-	
Non-cash items	4,419
Non-operating items	444
Operating profit before working capital changes	<u>9,264</u>
Net change in current assets	(32,757)
Net change in current liabilities	<u>25,935</u>
Cash generated from operations	2,442
Tax paid	<u>(77)</u>
Net cash generated from operating activities	<u>2,365</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Other investments	<u>(10,362)</u>
Net cash used in investing activities	<u>(10,362)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Bank borrowings, net of repayment	1,042
Interest paid	<u>(490)</u>
Net cash generated from financing activities	<u>552</u>
Net change in cash and cash equivalents	(7,445)
Effect of foreign exchange fluctuations	14
Cash and cash equivalents brought forward	<u>24,760</u>
Cash and cash equivalents carried forward	<u><u>17,329</u></u>
Cash and cash equivalents at the end of the financial period comprise the following:	
Cash and bank balances	13,425
Deposits with licensed banks	<u>3,904</u>
	<u><u>17,329</u></u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Report for the 15 months period ended 31 March 2009.

The accompanying notes form an integral part of this interim report.

*Note: There are no comparative figures disclosed for the individual quarter and the cumulative quarter of the preceding year following the change in financial year end from 31 December to 31 March in the preceding financial period.*

## 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 financial period ended 31 March 2009. These explanatory notes attached to the interim financial report provide 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 financial period ended 31 March 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements.

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 Segments	1 July 2009
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation and FRS 101, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
	Improvements to FRSs 2009	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	1 January 2010

FRS 4, IC Interpretation 13 and 14 are not applicable to the Group. Hence, no further disclosure is necessary.

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, Amendments to FRSs and Interpretations is not expected to have any significant impact on the financial statements of the Group upon initial application other than as discussed below:

#### FRS 8, Operating Segments

FRS 8 will become effective for financial statements of the Group for the year ending 31 March 2011. FRS 8, which replaces FRS 114<sub>2004</sub>, Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of 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 the changes in disclosures.

#### IC Interpretation 10, Interim Financial Reporting and Impairment

IC Interpretation 10 prohibits the reversal of an impairment loss recognised in an interim period during the financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IC Interpretation 10 will become effective for the financial statements of the Group for the year ending 31 March 2011, and will apply to goodwill, investment in equity instruments, and financial assets carried at cost prospectively from the date the Group first applied the measurement criteria of FRS 136 and FRS 139 respectively. The adoption of IC Interpretation 10 is not expected to have any significant impact on the financial statements of the Group.

## **2. Audit opinion**

The audit report for the audited financial statements of the Group for the financial period ended 31 March 2009 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 2009.

## 7. Dividends paid

No dividend is paid during the current financial period.

## 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	10,330	215,391	13,920
Asia (excludes Malaysia)	79,963	6,564	37
North America	17,992	-	-
Europe	1,695	-	-
Others	893	-	-
	<u>110,873</u>	<u>221,955</u>	<u>13,957</u>

## 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 RM14.0 million were acquired during the current period to date (six months ended 30 September 2008: RM4.1 million).

There was no disposal of property, plant and equipment during the current period to date (six months ended 30 September 2008: RM0.5 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:

- a. On 12 August 2009, the Company subscribed a total of additional 1,900,000 ordinary shares of RM1.00 each in Meerkat Technologies Sdn Bhd for a total cash consideration of RM1,900,000 where the Company retains a 100% shareholdings in the abovementioned subsidiary.
- b. On 18 September 2009, the Company announced the disposal of its entire equity interest in two wholly-owned dormant subsidiaries, namely World Depot Sdn Bhd and LKT Wafer Technology Sdn Bhd. The disposals were completed on the same day.

## 12. Contingent liabilities

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

## 13. Capital commitments

	30 September 2009 RM'000	30 September 2008 RM'000
Contracted but not provided for	16,737	34,384

## 14. Significant related party transaction

Significant transaction with related parties is as follows:

	6 months ended 30 September 2009 RM'000
Singapore Aerospace Manufacturing Pte Ltd ("SAM"), the Penultimate Holding Company	
- Sales of aerospace parts	37
- Training and engineering supports provided	41
- Purchase of tooling, plant and machinery	1,742
JEP Precision Engineering Pte Ltd, 15% owned company by SAM	
- Purchase of machine accessories	177

## 15. Review of performance

The Group recorded higher revenue of RM64.9 million for the quarter as compared to RM45.9 million in the preceding quarter, with a profit before tax of RM3.0 million for the quarter as compared to RM1.1 million in the preceding quarter. The improved results were mainly attributed to the increase in revenue over the preceding quarter coupled with RM1.1 million recognition of deferred income on disposal of a subsidiary in last financial period.

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

The Group's revenue for the quarter improved by RM17.0 million to RM64.9 million as compared to RM47.9 million in the immediate preceding year's corresponding quarter. This has resulted in a higher profit before tax of RM3.0 million for the quarter as compared to RM0.9 million in the immediate preceding year's corresponding quarter.

## 17. Current year prospects

The Board expects the remaining quarters to be challenging in view of the ongoing uncertainty in the global economic conditions and limited visibility beyond the end of the calendar year.

## 18. Profit forecast and profit guarantee

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

## 19. Taxation

	3 months ended 30 September 2009 RM'000	6 months ended 30 September 2009 RM'000
Current period		
- provision for taxation	5	8
- deferred taxation	326	335
	<hr/> 331	<hr/> 343
Prior period		
- under provision for taxation	-	40
- deferred taxation	(34)	(38)
	<hr/> 297	<hr/> 345

The effective tax rate is 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 of the Income Tax Act, 1967.

## 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”)*

However, on 14 November 2008, the Company announced that the Proposals have been deferred due to the prevailing adverse market conditions. On 2 October 2009, the Company announced that Bursa has approved a final extension of time of six (6) months until 13 February 2010, and no further extension of time will be granted, for the Company to comply with the public shareholding spread requirement under the Main Market Listing Requirements of Bursa Securities.

On 29 October 2009, the Company further announced that the major shareholder had requested LKT to undertake a voluntary withdrawal of its listing from the Bursa Securities pursuant to Paragraph 16.06 of the Listing Requirements (“Proposed Delisting”). The Board has resolved to undertake the necessary steps to convene an Extraordinary General Meeting for the shareholders of LKT to consider the Proposed Delisting.

## 23. Borrowings and debt securities

	As At 30 September 2009 RM’000	As At 31 March 2009 RM’000
<b>Short term borrowings</b>		
Secured	7,197	7,451
Unsecured	4,947	3,406
<b>Long term borrowings</b>		
Secured	23,059	23,304
<b>TOTAL</b>	35,203	34,161

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

	USD'000	RM'000 Equivalent
<b>Short term borrowings</b>		
Secured	433	1,505
Unsecured	716	2,487
<b>Long term borrowings</b>		
Secured	4,129	14,352
	<u>5,278</u>	<u>18,344</u>

#### 24. Financial instruments

	Contracted Amount RM'000	Fair Value RM'000
Forward foreign exchange contracts (within 1 year)	<u>11,304</u>	<u>11,468</u>

#### 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 per share

(a) Basic earning per share

The basic earning per share for the financial period has been calculated based on the Group's net profit attributable to shareholders of RM4.1 million for the 6 months ended 30 September 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 12 November 2009.

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

Lam Voon Kean (MIA 4793)  
Company Secretary

Penang  
12 November 2009