



LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 31 DECEMBER 2009

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LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

(The figures have not been audited)

	As At 31-Dec-09 RM'000	As At 31-Mar-09 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	100,865	77,071
Prepaid lease payments	20,422	20,744
Intangible assets	1,591	1,941
Current assets		
Receivables, deposits and prepayments	48,927	28,264
Inventories	22,572	36,243
Tax recoverable	794	818
Cash and cash equivalents	21,420	24,760
	93,713	90,085
TOTAL ASSETS	216,591	189,841
EQUITY AND LIABILITIES		
Share capital	70,881	70,881
Reserves	67,875	51,728
Total equity	138,756	122,609
Non-current liabilities		
Deferred tax liabilities	2,612	2,196
Borrowings	21,190	23,304
Current liabilities		
Trade and other payables	41,770	30,833
Borrowings	12,182	10,857
Tax payable	81	42
	54,033	41,732
TOTAL EQUITY AND LIABILITIES	216,591	189,841
Net assets per share (sen)	196	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 31 DECEMBER 2009**

(The figures have not been audited)

	Current Quarter 3 months ended 31-Dec-09 RM'000	Cumulative Quarter 9 months ended 31-Dec-09 RM'000
Note		
Revenue	114,472	225,345
Cost of support services and goods sold	(100,414)	(200,609)
Gross profit	14,058	24,736
Other operating incomes	2,471	5,760
Other operating expenses	(407)	(2,877)
Distribution and administrative expenses	(3,470)	(10,076)
Finance costs	(265)	(755)
Profit before taxation	12,387	16,788
Taxation	(336)	(681)
Profit for the period	12,051	16,107
Attributable to:		
Equity holders of the parent	12,051	16,107
Minority interest	-	-
	12,051	16,107
Earnings per share		
Basic earnings per share (sen)	27 17.00	22.72

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 31 DECEMBER 2009**

(The figures have not been audited)

	Reserves						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
As at 1.4.2008	70,881	6,850	5,197	297	-	50,698	133,923	48	133,971
Foreign exchange translation differences	-	-	-	(222)	-	-	(222)	-	(222)
Net loss recognised directly in equity	-	-	-	(222)	-	-	(222)	-	(222)
Loss for the period	-	-	-	-	-	(5,917)	(5,917)	-	(5,917)
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
As at 1.4.2009	70,881	6,850	3,282	243	-	41,353	122,609	-	122,609
Foreign exchange translation differences	-	-	-	24	-	-	24	-	24
Realisation of profit on transfer of equipments	-	-	-	-	-	16	16	-	16
Net profit recognised directly in equity	-	-	-	24	-	16	40	-	40
Profit for the period	-	-	-	-	-	16,107	16,107	-	16,107
As at 31.12.2009	70,881	6,850	3,282	267	-	57,476	138,756	-	138,756

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

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2009**

(The figures have not been audited)

	9 months ended
	31-Dec-09
	RM'000
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation	16,788
Adjustments for:-	
Non-cash items	8,256
Non-operating items	689
Operating profit before working capital changes	<u>25,733</u>
Net change in current assets	(14,524)
Net change in current liabilities	<u>8,556</u>
Cash generated from operations	19,765
Tax paid	<u>(201)</u>
Net cash generated from operating activities	<u>19,564</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Other investments	<u>(21,385)</u>
Net cash used in investing activities	<u>(21,385)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Bank borrowings, net of repayment	(789)
Interest paid	<u>(755)</u>
Net cash used in financing activities	<u>(1,544)</u>
Net change in cash and cash equivalents	(3,365)
Effect of foreign exchange fluctuations	25
Cash and cash equivalents brought forward	<u>24,760</u>
Cash and cash equivalents carried forward	<u>21,420</u>
Cash and cash equivalents at the end of the financial period comprise the following:	
Cash and bank balances	15,870
Deposits with licensed banks	<u>5,550</u>
	<u>21,420</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:

		Effective Date
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
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 127	Consolidated and Separate Financial Statements	1 July 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 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 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 138	Intangible Assets	1 July 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

		Effective Date
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 12	Service Concession Arrangements	1 July 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
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010

FRS 4, IC Interpretation 12, 13, 14 and 15 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 114₂₀₀₄, 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.

Improvements to FRSs 2009

Improvements to FRSs 2009 will become effective for the Group's financial statements for the financial year beginning 1 April 2010 for amendments relating to:

FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors

FRS 110	Events after the Reporting Period
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 131	Interests in Joint Ventures
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 139	Financial Instruments: Recognition and Measurement
FRS 140	Investment Property

Improvements to FRSs 2009 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement and disclosure purposes. The Group is in the process of assessing the impact of these amendments.

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 31 December 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	76,761	210,721	28,999
Asia (excludes Malaysia)	106,811	5,870	67
North America	37,957	-	-
Europe	3,017	-	-
Others	799	-	-
	<u>225,345</u>	<u>216,591</u>	<u>29,066</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 RM29.0 million were acquired during the current period to date (nine months ended 31 December 2008: RM9.9 million).

There was no significant disposal of property, plant and equipment during the current period to date (nine months ended 31 December 2008: 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 2009.

12. Contingent liabilities

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

13. Capital commitments

	31 December 2009 RM'000	31 December 2008 RM'000
Contracted but not provided for	6,258	30,634

14. Significant related party transaction

Significant transaction with related parties is as follows:

	9 months ended 31 December 2009 RM'000
Singapore Aerospace Manufacturing Pte Ltd ("SAM"), the Penultimate Holding Company	
- Sales of aerospace parts	41
- Training and engineering supports provided	145
- Purchase of tooling, plant and machinery	1,743
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 RM114.5 million for the quarter as compared to RM64.9 million in the preceding quarter, with a profit before tax of RM12.4 million for the quarter as compared to RM3.0 million in the preceding quarter. The unanticipated surge in the revenue of this quarter is attributed to a specific project of a single customer. This accounted for 60% of the revenue for the quarter. The bulk of the order was fulfilled by December 2009 and the customer has not placed another similar order.

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

The Group's revenue for the quarter improved by RM68.1 million to RM114.5 million as compared to RM46.4 million in the immediate preceding year's corresponding quarter. The profit before tax for the quarter was RM12.4 million as compared to a loss before tax of RM3.2 million in the immediate preceding year's corresponding quarter mainly due to the reasons stated above.

17. Current year prospects

The Board of Directors expects the Group's performance to be satisfactory for the financial year ending 31 March 2010.

18. Profit forecast and profit guarantee

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

19. Taxation

	3 months ended 31 December 2009 RM'000	9 months ended 31 December 2009 RM'000
Current period		
- provision for taxation	216	224
- deferred taxation	257	592
	473	816
Prior period		
- under provision for taxation	-	40
- deferred taxation	(137)	(175)
	336	681

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”).

During the Extraordinary General Meeting held on 19 January 2010, the shareholders of the Company have approved the special resolution on the Proposed Delisting.

23. Borrowings and debt securities

	As At 31 December 2009 RM’000	As At 31 March 2009 RM’000
Short term borrowings		
Secured	7,046	7,451
Unsecured	5,137	3,406
Long term borrowings		
Secured	21,190	23,304
TOTAL	33,372	34,161

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

	USD’000	RM’000 Equivalent
Short term borrowings		
Secured	433	1,488
Unsecured	330	1,136
Long term borrowings		
Secured	4,021	13,821
	4,784	16,445

24. Financial instruments

	Contracted Amount RM'000	Fair Value RM'000
Forward foreign exchange contracts (within 1 year)	10,829	10,719

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

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 RM16.1 million for the 9 months ended 31 December 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 8 February 2010.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
8 February 2010