



# **LKT INDUSTRIAL BERHAD**

(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL REPORT**

**FOR QUARTER ENDED 31 MARCH 2010**

### CONTENTS

	Page
<b>CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010 .....</b>	<b>2</b>
<b>CONDENSED CONSOLIDATED INCOME STATEMENT.....</b>	<b>3</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....</b>	<b>4</b>
<b>CONDENSED CONSOLIDATED CASH FLOW STATEMENT.....</b>	<b>5</b>
<b>NOTES TO THE INTERIM FINANCIAL REPORT .....</b>	<b>6</b>

**LKT INDUSTRIAL BERHAD**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010**

(The figures have not been audited)

	As At 31-Mar-10 RM'000	As At 31-Mar-09 RM'000 (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	108,853	77,071
Prepaid lease payments	15,874	20,744
Intangible assets	1,461	1,941
<b>Current assets</b>		
Receivables, deposits and prepayments	30,598	28,264
Inventories	23,101	36,243
Assets classified as held for sale	8,356	-
Tax recoverable	214	818
Cash and cash equivalents	31,580	24,760
	<u>93,849</u>	<u>90,085</u>
<b>TOTAL ASSETS</b>	<u><u>220,037</u></u>	<u><u>189,841</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	70,881	70,881
Reserves	82,740	51,728
<b>Total equity</b>	<u>153,621</u>	<u>122,609</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	4,323	2,196
Borrowings	15,406	23,304
<b>Current liabilities</b>		
Trade and other payables	34,907	30,833
Borrowings	10,236	10,857
Tax payable	1,544	42
	<u>46,687</u>	<u>41,732</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>220,037</u></u>	<u><u>189,841</u></u>
Net assets per share (sen)	<u><u>217</u></u>	<u><u>173</u></u>

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 YEAR ENDED 31 MARCH 2010**

(The figures have not been audited)

	Current Quarter 3 months ended 31-Mar-10 RM'000	Cumulative Quarter 12 months ended 31-Mar-10 RM'000
<b>Revenue</b>	<b>77,186</b>	<b>302,531</b>
Cost of support services and goods sold	(59,926)	(260,535)
<b>Gross profit</b>	<b>17,260</b>	<b>41,996</b>
Other operating incomes	1,912	7,672
Other operating expenses	(2,331)	(5,208)
Distribution and administrative expenses	(4,215)	(14,291)
Finance costs	(234)	(989)
<b>Profit before taxation</b>	<b>12,392</b>	<b>29,180</b>
Taxation	(2,515)	(3,196)
<b>Profit for the period</b>	<b>9,877</b>	<b>25,984</b>
<b>Attributable to:</b>		
Equity holders of the parent	9,877	25,984
Minority interest	-	-
	<b>9,877</b>	<b>25,984</b>
<b>Earnings per share</b>		
Basic earnings per share (sen)	13.91	36.66

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 YEAR ENDED 31 MARCH 2010**

(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 1.4.2008</b>	70,881	6,850	5,197	297	-	50,698	133,923	48	133,971
Realisation of assets revaluation reserve on disposal of a subsidiary	-	-	(1,915)	-	-	1,915	-	-	-
Foreign exchange translation differences	-	-	-	(54)	-	-	(54)	-	(54)
Net loss recognised directly in equity	-	-	(1,915)	(54)	-	1,915	(54)	-	(54)
Loss for the year	-	-	-	-	-	(7,716)	(7,716)	(3)	(7,719)
Winding up of a 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>3,282</b>	<b>243</b>	<b>-</b>	<b>41,353</b>	<b>122,609</b>	<b>-</b>	<b>122,609</b>
<b>As at 1.4.2009</b>	70,881	6,850	3,282	243	-	41,353	122,609	-	122,609
Foreign exchange translation differences	-	-	-	72	-	-	72	-	72
Surplus on revaluation of buildings (net of deferred tax)	-	-	4,956	-	-	-	4,956	-	4,956
Net profit recognised directly in equity	-	-	4,956	72	-	-	5,028	-	5,028
Profit for the year	-	-	-	-	-	25,984	25,984	-	25,984
<b>As at 31.03.2010</b>	<b>70,881</b>	<b>6,850</b>	<b>8,238</b>	<b>315</b>	<b>-</b>	<b>67,337</b>	<b>153,621</b>	<b>-</b>	<b>153,621</b>

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 YEAR ENDED 31 MARCH 2010**

(The figures have not been audited)

	12 months ended
	31-Mar-10
	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Profit before taxation	29,180
Adjustments for:-	
Non-cash items	10,051
Non-operating items	903
Operating profit before working capital changes	<u>40,134</u>
Net change in current assets	120
Net change in current liabilities	5,606
Cash generated from operations	<u>45,860</u>
Warranty cost incurred	(24)
Severance cost paid	(1,471)
Tax paid	(613)
Net cash generated from operating activities	<u>43,752</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Other investments	<u>(27,418)</u>
Net cash used in investing activities	<u>(27,418)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Bank borrowings, net of repayment	(8,519)
Interest paid	(989)
Net cash used in financing activities	<u>(9,508)</u>
Net change in cash and cash equivalents	6,826
Effect of foreign exchange fluctuations	(6)
Cash and cash equivalents brought forward	<u>24,760</u>
Cash and cash equivalents carried forward	<u>31,580</u>
Cash and cash equivalents at the end of the financial period comprise the following:	
Cash and bank balances	29,375
Deposits with licensed banks	2,205
	<u>31,580</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 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	#
	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011	#
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010	#
	Share-based Payment	1 July 2010	#
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010	#
Amendments to FRS 7	Financial Instruments: Disclosures	1 January 2010	
	Improving Disclosures about Financial Instruments	1 January 2011	
Amendments to FRS 101	Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2010	#
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010	

		<b>Effective Date</b>	
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010	#
	- Puttable Financial Instruments and Obligations Arising on Liquidation		
	- Separation of Compound Instruments		
	Financial Instruments: Presentation – Classification of Rights Issues	1 March 2010	#
Amendments to FRS 138	Intangible Assets	1 July 2010	#
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010	
	- Reclassification of Financial Assets		
	- Collective Assessment of Impairment for Banking Institutions		#
	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 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	

FRSs, Amendments to FRSs and IC Interpretations marked “#” 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 first 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 initial application of the other FRSs, Amendments to FRSs and Interpretations is not expected to have any material impact on the financial statements of the Group 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.

### 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 year-to-date.

**5. Changes in estimates**

There were no changes in estimates that have material effect in the current quarter and financial year-to-date.

**6. Debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the financial year ended 31 March 2010.

**7. Dividends paid**

No dividend is paid during the current financial year.

**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	114,270	213,286	38,061
Asia (excludes Malaysia)	126,179	6,751	148
North America	55,626	-	-
Europe	4,549	-	-
Others	1,907	-	-
	<u>302,531</u>	<u>220,037</u>	<u>38,209</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. Whereas a revaluation on the Group's properties was carried out during the year and the revaluation figures were incorporated in the financial statements for the year ended 31 March 2010. A revaluation of properties of the Group is conducted at least once in every five (5) years.

Property, plant and equipment amounting to RM38.2 million were acquired during the current year to date (twelve months ended 31 March 2009: RM11.1 million).

There was no significant disposal of property, plant and equipment during the current year to date (twelve months ended 31 March 2009: 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 current quarter.

**12. Contingent liabilities**

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

**13. Capital commitments**

	31 March 2010 RM'000	31 March 2009 RM'000
Contracted but not provided for	3,130	24,983

**14. Significant related party transaction**

Significant transaction with related parties is as follows:

	12 months ended 31 March 2010 RM'000
Singapore Aerospace Manufacturing Pte Ltd ("SAM"), the Penultimate Holding Company	
- Sales of aerospace parts	75
- Training and engineering supports provided	434
- 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 achieved a revenue of RM77.2 million for the quarter as compared to RM114.5 million in the preceding quarter. This represents a reduction of 32.6%, due to the phasing out of a specific project. Nevertheless, the Group managed to achieve a profit before tax of RM12.4 million for the quarter.

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

The Group's revenue for the quarter improved by RM47.4 million to RM77.2 million as compared to RM29.8 million in the corresponding quarter of the previous year. The profit before tax for the quarter was RM12.4 million as compared to a loss before tax of RM3.4 million in the corresponding quarter of the previous year.

### 17. Current year prospects

The Board of Directors anticipates the Group's performance to be satisfactory for the current financial year as business is expected to pick up.

### 18. Profit forecast and profit guarantee

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

### 19. Taxation

	3 months ended 31 March 2010 RM'000	12 months ended 31 March 2010 RM'000
Current period/year		
- provision for taxation	2,261	2,485
- deferred taxation	25	617
	2,286	3,102
Prior period/year		
- under provision for taxation	195	235
- deferred taxation	34	(141)
	2,515	3,196

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 year-to-date.

## 21. Quoted investments

There were no purchases or disposal of quoted securities for the current quarter and current financial year-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 4 March 2010, Bursa has granted the Company a further extension of time of up to the date of the delisting of LKT from the Official List of Bursa Securities, to resolve the non-compliance with the public shareholding spread requirement under Paragraph 8.02(1) of the Listing Requirements (“LR”). On the same day, trading in LKT shares has been suspended with effect from 9.00 a.m., Thursday, 4 March 2010 pursuant to Paragraph 16.02(3) of the Main Market LR.

On 9 March 2010, the Company has, on the even date, received a notification of approval from Bursa Securities pursuant to the Company’s Withdrawal Application. The de-listing of the Company will take place after Bursa Securities’ receipt of the following documents: -

1. Confirmation from the Company that all conditions, including conditions imposed by the relevant authorities which are required to be met prior to the de-listing have been met;
2. Confirmation from the Company that there are no circumstances or facts which have the effect of preventing or prohibiting the de-listing including any order, injunction or any other directive issued by any court of law; and
3. Confirmation from the Company that the exit offer in conjunction with LKT’s voluntary Withdrawal Application including the settlement of the consideration of the exit offer to the accepting holders has been completed.

Bursa Securities will notify the Securities Commission the effective date of the de-listing of the Company in due course.

On 15 April 2010, the Company received the press release from HwangDBS Investment Bank (“HwangDBS”) on behalf of SPE, stating that pursuant to Section 34A of the SCA / Section 223(2) of the Capital Markets and Services Act, 2007 (“CMSA”), SPE is required to serve a notice to the shareholders of LKT who have not accepted the Offer (“Notice to Shareholders”) prescribing the rights exercisable by the shareholders of LKT under Section 34A of the SCA / Section 223(1) of the CMSA within one month from the Closing Date. The Securities Commission has vide its letter dated 23 April 2010 (which was received on 27 April 2010) approved SPE’s application for an extension of time for the posting of the Notice to Shareholders.

### 23. Borrowings and debt securities

	As At 31 March 2010 RM’000	As At 31 March 2009 RM’000
<b>Short term borrowings</b>		
Secured	10,236	7,451
Unsecured	-	3,406
<b>Long term borrowings</b>		
Secured	15,406	23,304
<b>TOTAL</b>	25,642	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	1,444	4,803
<b>Long term borrowings</b>		
Secured	2,817	9,371
	4,261	14,174

### 24. Financial instruments

	Contracted Amount RM’000	Fair Value RM’000
Forward foreign exchange contracts (within 1 year)	23,703	23,684

### 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 year has been calculated based on the Group's net profit attributable to shareholders of RM26.0 million for the 12 months ended 31 March 2010 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 7 May 2010.

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

Lam Voon Kean (MIA 4793)  
Company Secretary

Penang  
7 May 2010