LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR QUARTER ENDED 30 SEPTEMBER 2006

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LKT INDUSTRIAL BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2006
(The figures have not been audited)

	As At 30-Sep-06 RM'000	As At 31-Dec-05 RM'000 (restated)
ASSETS		
Non-current assets		
Property, plant and equipment	60,084	44,217
Investment properties	439	439
Prepaid lease payments	21,757	19,036
Investment in jointly controlled entities	190	236
Other investment	25	25
Current assets		
Inventories	43,873	33,205
Trade and other receivables	79,414	61,547
Tax recoverable	565	756
Cash and cash equivalents	15,255	23,633
	139,107	119,141
TOTAL ASSETS	221,602	183,094
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	68,672	66,329
Reserves	86,223	60,348
	154,895	126,677
Minority interest	57	75
Total equity	154,952	126,752
Non-current liabilities		
Government grants	41	62
Borrowings	2,725	4,418
Deferred tax liabilities	4,415	4,108
Current liabilities		
Trade and other payables	46,617	43,120
Borrowings	8,040	2,236
Current tax payable	4,812	2,398
	59,469	47,754
TOTAL EQUITY AND LIABILITIES	221,602	183,094
Net assets per share (sen)	226	191

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Report for the year ended 31 December 2005.
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 2006

(The figures have not been audited)

		Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30-Sep-06	30-Sep-05	30-Sep-06	30-Sep-05
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE		79,501	56,517	222,953	143,393
Cost of support services and goods sold		(62,874)	(42,260)	(170,359)	(112,378)
Gross Profit		16,627	14,257	52,594	31,015
Other income		523	359	1,471	700
Distribution and administrative expenses		(3,905)	(2,198)	(10,381)	(7,218)
Other expenses		(714)	(389)	(2,068)	(733)
Finance costs		(78)	(101)	(225)	(282)
Shares of loss of jointly controlled entity		(16)	(15)	(46)	(45)
Profit before taxation		12,437	11,913	41,345	23,437
Taxation		(3,476)	(2,948)	(9,188)	(6,165)
Profit for the period		8,961	8,965	32,157	17,272
Attributable to:					
Equity holders of the parent		8,967	8,970	32,175	17,246
Minority interest		(6)	(5)	(18)	26
		8,961	8,965	32,157	17,272
Earnings per share					
Basic earnings per share (sen)	29(a)	13.15	13.52	47.18	26.00
Diluted earnings per share (sen)	29(b)	13.03	13.51	46.75	25.98

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2005.
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 30 SEPTEMBER 2006

(The figures have not been audited)

		Reserves							
		Non Distributable				Distributable			
	Share Capital	Share Premium	Reserve on Consolidation	Assets Revaluation Reserve	Currency Translation Reserve	Accumulated Profit	Share-holders Fund	Minority Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 .1. 2005	66,304	3,647	4,475	5,306	2	25,370	105,104	52	105,156
Currency translation differences					(84)		(84)		(84)
Loss recognised directly to equity	-	-	-	-	(84)	-	(84)	-	(84)
Net profit attributable to shareholders						17,246	17,246	26	17,272
5% first and final tax exempt dividend - 2004						(3,316)	(3,316)		(3,316)
Issue of shares									
- ESOS exercised	25						25		25
- Share premium from ESOS		6					6		6
Balance as at 30.9.2005	66,329	3,653	4,475	5,306	(82)	39,300	118,981	78	119,059
Balance as at 1 .1. 2006	66,329	3,653	4,475	5,306	(115)	47,029	126,677	75	126,752
Reclassification of reserve on consolidation			(4,475)			4,475	-		-
Reclass revaluation surplus net of deferred tax, for Investment property				(109)		109	-		-
Balance as at 1 .1. 2006 (restated)	66,329	3,653	-	5,197	(115)	51,613	126,677	75	126,752
Currency translation differences					204		204		204
Profit recognised directly to equity					204		204		204
Net profit attributable to shareholders						32,175	32,175	(18)	32,157
10% first and final tax exempt dividend - 2005						(6,853)	(6,853)		(6,853)
Issue of shares									
- ESOS exercised	2,343						2,343		2,343
- Share premium from ESOS		349					349		349
Balance as at 30.9.2006	68,672	4,002	-	5,197	89	76,935	154,895	57	154,952

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Report for the year ended 31 December 2005.
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 30 SEPTEMBER 2006

(The figures have not been audited)

		9 months ended	
		30-Sep-06	30-Sep-05
	Note	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		41,345	23,437
Adjustments for:-			
Non-cash items		6,348	6,861
Non-operating items		(8)	238
Operating profit before working capital changes		47,685	30,536
Net change in current assets		(31,992)	(22,250)
Net change in current liabilities		2,711	18,393
Cash generated from operations		18,404	26,679
Tax paid		(6,427)	(1,687)
Tax refund		191	667
Net cash generated from operating activities		12,168	25,659
CASH FLOW FROM INVESTING ACTIVITIES			
Other investments		(20,399)	(4,036)
Net cash used in investing activities		(20,399)	(4,036)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from shares issued		2,692	31
Government grant received		-	35
Borrowings		4,111	441
Interest paid		(225)	(278)
Dividend paid		(6,853)	(3,316)
Net cash used in financing activities		(275)	(3,087)
Net change in Cash & Cash Equivalents		(8,506)	18,536
Effects of exchange rate changes		128	(84)
Cash & Cash equivalents brought forward		23,633	14,350
Cash & Cash equivalents carried forward		15,255	32,802

Cash and cash equivalents at the end of the financial period comprise the following:

	As At 30-Sep-06 RM'000	As At 30-Sep-05 RM'000
Cash and bank balances	11,365	29,633
Deposits with licensed banks	3,890	3,169
	15,255	32,802

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2005.
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_{2004}, 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 2005. These explanatory notes attached to the interim financial report provides an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2006 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

2. Adoption of new and revised Financial Reporting Standards

The Group has adopted all the 18 new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to its operations effective from accounting periods beginning on 1 January 2006.

In addition to the above, the Group has also taken the option of early adoption of FRS 117, FRS 124 and FRS 139 for the financial period beginning 1 January 2006. However, a notice has been made by MASB on 3 May 2006 that the effective date of FRS 139 to be deferred to a date to be announced. Hence, the Group has elected to defer the adoption of this Standard.

The impact of these new and changes in accounting policies is disclosed in Note 3 below.

3. Summary of new and changes in accounting policies

The adoption of these new and revised FRS has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

a. Share-based Payments (FRS 2)

FRS 2 requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date. Prior to the adoption of FRS 2, the Group did not recognise the financial effect of share-based payments until such payments were settled.

In accordance with the transitional provisions of FRS 2, the Standard has been applied retrospectively to all equity instruments granted after 31 December 2004 which were unvested as of 1 January 2006. The change in accounting policy has no impact on the results for the current financial period.

b. Business Combinations (FRS 3)

FRS 3 requires that, after reassessment, any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition (previously referred to as "negative goodwill") is now recognised immediately in profit or loss. Prior to 1 January 2006, the Group had reflected the negative goodwill as reserve on consolidation under Equity.

In accordance with the transitional provision of FRS 3, the Group has applied the new accounting policy prospectively from 1 January 2006. The carrying amount of reserve on consolidation as at 1 January 2006 has been derecognised with an adjustment of RM4.475 million made to the opening retained earnings at 1 January 2006. Therefore, the change has had no impact on amounts reported for 2005 or prior periods.

c. Presentation of Financial Statements (FRS 101)

The adoption of FRS 101 has affected the presentation of minority interest and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The presentation of minority interest in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

d. Property, plant and equipment (FRS 116)

FRS116 requires the review of the residual value and remaining useful life of each item of property, plant and equipment at least at each financial year-end. The Group has reviewed the residual value and the remaining useful lives of certain property, plant and equipment and found that there were no changes in estimates that would give rise to material effect in the current quarter results.

e. Leases (FRS 117)

The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold lands. The up-front payments made for the leasehold lands represent prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 1 January 2006, leasehold lands were classified as property, plant and equipment and were stated at valuation less accumulated depreciation and impairment loss. The leasehold lands were last revalued in 2004.

Upon the adoption of FRS 117 at 1 January 2006, the unamortized revalued amount of leasehold lands are retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold lands as prepaid lease payments has been accounted for retrospectively and comparative amounts as at 31 December 2005 have been restated.

f. Investment property (FRS 140)

Under FRS 140, properties which are held for rental and/or capital appreciation will be classified as investment properties. Investment properties are stated at fair value. Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss in the period in which they arise. Prior to 1 January 2006, these properties were classified as property, plant and equipment and were stated at valuation less accumulated depreciation and impairment loss. Revaluations were carried out once every five years and any revaluation increase was taken to equity as a revaluation surplus. The investment properties were last revalued in 2004.

In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparatives as at 31 December 2005 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2006:

	As At 1 January 2006 RM'000
Decrease in assets revaluation reserve	(109)
Increase in retained earnings	109

4. Audit opinion

The audit report for the audited financial statements of the Group for the year ended 31 December 2005 was not subject to any qualification.

5. Seasonality or cyclical of interim operations

The Group's operation is dependent on the cyclical trend of the electronics and semiconductors industries.

6. Unusual items due to their nature, size or incidence

There are no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial period-to-date.

7. Changes in estimates

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

8. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the period ended 30 September 2006 other than the issuance of 2,343,000 ordinary shares of RM1.00 each for cash pursuant to the Company's ESOS.

9. Dividends paid

A 10% first and final tax exempt dividend amounting to RM6,853,036 for the financial year ended 31 December 2005 was paid on 16 May 2006.

10. Segmental reporting

(a) Analysis by business segment

REVENUE	Manufacturing RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
External sales	222,889	64	-	222,953
Inter segment sales	50,673	7,063	(57,736)	-
	273,562	7,127	(57,736)	222,953

RESULTS	Manufacturing RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Segment result (external)	41,643	73	(324)	41,392
Interest income				224
Finance expenses				(225)
Share of result of joint venture				(46)
Profit before taxation				41,345
Taxation				(9,188)
Profit after tax				32,157
Profit attributable to:				
Equity holders of the parent				32,175
Minority interest				(18)
				32,157
OTHER INFORMATION				
Segment assets	213,006	7,841		220,847
Investment in joint venture	190			190
Unallocated corporate assets				565
Total assets				221,602
Segment liabilities	45,007	1,651		46,658
Unallocated corporate liabilities				19,992
Total liabilities				66,650
Capital expenditure	19,829	914		20,743
Depreciation	4,914	248		5,162

(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	43,953	214,366	20,499
Asia (excludes Malaysia)	106,183	7,236	244
North America	59,921		
Europe	7,812		
Others	5,084		
	222,953	221,602	20,743

Inter-segment pricing on inter segment transactions are determined at arm's length according to the normal course of business.

11. Property, plant and equipment

The valuations of the property, plant and equipment have been brought forward without any amendments from the previous audited financial statement.

Property, plant and equipment amounting to RM20,743,000 were acquired during current year to date (nine months ended 30 September 2005: RM4,440,000).

Property, plant and equipment costing RM832,000 were disposed during current year to date (nine months ended 30 September 2005: RM1,739,000).

12. Subsequent events

There were no material events subsequent to the end of the current quarter.

13. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter.

14. Contingent liabilities

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

15. Capital commitments

	30 September 2006 RM'000	30 September 2005 RM'000
Contracted but not provided for	23,237	11,738

16. 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.

17. Review of performance

The Group recorded a 13% increased in revenue from RM70.3 million in the preceding quarter to RM79.5 million for the current quarter. The growth in revenue was due to the continuous strong demand for the Group's products. Profit before tax achieved was RM12.4 million, an increase of 1% as compared to RM12.3 million for the preceding quarter. The marginal growth in profit before tax was due to the product mix.

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

The Group recorded a revenue of RM79.5 million, an increase of 41% as compared to RM56.5 million in the immediate preceding year's corresponding quarter with a 4% increase in profit before tax from RM11.9 million to RM12.4 million. This was mainly due to the appreciation of Ringgit against USD which has resulted in a lower margin coupled with the product mix.

19. Current year prospects

The directors expect its performance in revenue and profit before tax for the current year to be encouraging as the nine months results had already surpassed that of the previous years.

20. Profit forecast and profit guarantee

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

21. Taxation

	30 September 2006 RM'000	30 September 2005 RM'000
Current period		
- provision for taxation	9,633	5,671
- deferred taxation	307	494
	9,940	6,165
Prior period		
- over provision for taxation	(751)	-
- deferred taxation	(1)	-
	9,188	6,165

The effective tax rate for the period is lower than statutory tax rate mainly due to pioneer incentives from MITI enjoyed by certain subsidiaries.

22. Unquoted investments and properties

There are no sales of unquoted investments and/or properties for the current quarter and current financial period to-date.

23. Quoted investments

There are no purchase or disposal of quoted securities for the current quarter and current financial period to-date.

24. Corporate proposal

There are no outstanding corporate proposals as at the date of this report.

25. Borrowings and debt securities

	As At 30 September 2006 RM'000	As At 30 September 2005 RM'000
Short term borrowings		
Secured	2,258	1,372
Unsecured	5,782	-
	8,040	1,372
Long term borrowings		
Secured	2,725	4,069
	10,765	5,441

The above borrowings are denominated in Ringgit Malaysia.

26. 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)	82,606

Credit risk, or the risk of counterparties defaulting, is controlled by limiting the Group's association to creditworthy financial institutions in Malaysia

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Exposure to market risk may be reduced through offsetting on and off balance sheet positions.

There are no significant credit and market risks posed by the above off balance sheet financial instruments.

The accounting policies for the off balance sheet financial instruments is as follows:-
The Group enters into foreign currency forward contracts as a hedge against foreign trade receivable. Market value gains and losses are recognised and the resulting credit or debit offsets foreign exchange gains or losses on those receivables.

27. Material litigation

There is no pending material litigation.

28. Proposed dividend

No dividend has been recommended for the current quarter.

29. Earnings per share

(a) Basic earnings per share

The basic earnings per share for the financial period has been calculated based on the Group's net profit attributable to shareholders of RM32,175,000 for the 9 months over the weighted average number of ordinary shares in issue of 68,200,468.

Weighted average number of ordinary shares used for calculation of basic earnings per share:

	9 months ended 30 September 2006	9 months ended 30 September 2005
Issued ordinary shares at beginning of period	66,329,357	66,304,357
Effect of shares issued during the period	1,871,111	23,111
Weighted average number of ordinary shares	68,200,468	66,327,468

(b) Diluted earnings per share

The diluted earnings per share for the financial period has been calculated based on the Group's net profit attributable to shareholders of RM32,175,000 for the 9 months over the adjusted weighted average number of ordinary shares issue and issuable of 68,824,812.

Adjusted weighted average number of ordinary shares issued and issuable used for calculation of diluted earnings per share:

	9 months ended 30 September 2006	9 months ended 30 September 2005
Issued ordinary shares at beginning of period	66,329,357	66,304,357
Effect of shares issued during the period	1,871,111	23,111
Effect of share options	624,344	47,900
Adjusted weighted average number of ordinary shares issued and issuable	68,824,812	66,375,368

30. Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 09th November 2006.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
09 November 2006