LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR QUARTER ENDED 31 DECEMBER 2006

CONTENTS

Page

LKT INDUSTRIAL BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

(The figures have not been audited)

	As At 31-Dec-06 RM'000	As At 31-Dec-05 RM'000 (restated)
ASSETS		
Non-current assets		
Property, plant and equipment	66,592	44,656
Investment properties	439	-
Prepaid land lease	21,673	19,036
Investment in joint venture company	174	236
Other investment	25	25
Trade receivables	3,767	14,445
Current assets		
Inventories	36,982	33,205
Trade and other receivables	67,994	47,102
Tax recoverable	562	756
Cash and cash equivalents	15,954	23,633
	121,492	104,696
TOTAL ASSETS	214,162	183,094
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	68,710	66,329
Reserves	79,452	60,348
	148,162	126,677
Minority interest	49	73
Total equity	148,211	126,750
Non-current liabilities		
Government grants	36	62
Deferred tax liabilities	4,613	4,108
Borrowings	10,140	4,418
Current liabilities		
Trade and other payables	39,403	43,122
Borrowings	11,727	2,236
Tax payable	32	2,398
	51,162	47,756
TOTAL EQUITY AND LIABILITIES	214,162	183,094
Net assets per share (sen)	216	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 31 DECEMBER 2006

(The figures have not been audited)

		3 months ended		12 months ended	
		31-Dec-06	31-Dec-05	31-Dec-06	31-Dec-05
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE		51,353	71,194	274,306	214,587
Cost of support services and goods sold		(45,105)	(50,227)	(215,464)	(162,605)
Gross Profit		6,248	20,967	58,842	51,982
Other income		164	352	1,635	1,052
Distribution and administrative expenses		(12,339)	(10,335)	(22,720)	(17,553)
Other expenses		(3,590)	(497)	(5,658)	(1,230)
Finance costs		(149)	(53)	(374)	(335)
Shares of loss of jointly controlled entity		(17)	(16)	(63)	(61)
Profit / (Loss) before taxation		(9,683)	10,418	31,662	33,855
Taxation		2,717	(2,694)	(6,471)	(8,859)
Profit / (Loss) for the period		(6,966)	7,724	25,191	24,996
Attributable to:					
Equity holders of the parent		(6,960)	7,729	25,215	24,975
Minority interest		(6)	(5)	(24)	21
		(6,966)	7,724	25,191	24,996
Earnings per share					
Basic earnings/(loss) per share (sen)	29(a)	(10.19)	11.65	36.92	37.65
Diluted earnings/(loss) per share (sen)	29(b)	(10.12)	11.64	36.66	37.61

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 31 DECEMBER 2006
(The figures have not been audited)

	Share Capital	Share Premium	Reserve on Consolidation	Assets Revaluation Reserve	Currency Translation Reserve	Accumulated Profit	Share-holders Fund	Minority Interest	Total Equity
		Reserves: Non Distributable				Reserves: Distributable			
	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					(117)		(117)		(117)
Loss recognised directly to equity	-	-	-	-	(117)	-	(117)	-	(117)
Net profit attributable to shareholders						24,975	24,975	21	24,996
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 31.12.2005	66,329	3,653	4,475	5,306	(115)	47,029	126,677	73	126,750
Balance as at 1 .1. 2006	66,329	3,653	4,475	5,306	(115)	47,029	126,677	73	126,750
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	73	126,750
Currency translation differences					384		384		384
Profit recognised directly to equity					384		384		384
Net profit attributable to shareholders						25,215	25,215	(24)	25,191
10% first and final tax exempt dividend - 2005						(6,853)	(6,853)		(6,853)
Issue of shares									
- ESOS exercised	2,381						2,381		2,381
- Share premium from ESOS		358					358		358
Balance as at 31.12.2006	68,710	4,011	-	5,197	269	69,975	148,162	49	148,211

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
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2006
(The figures have not been audited)

		12 months ended	
		31-Dec-06	31-Dec-05
	Note	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		31,662	33,855
Adjustments for:-			
Non-cash items		12,078	10,645
Non-operating items		70	211
Operating profit before working capital changes		43,810	44,711
Net change in current assets		(13,944)	(33,575)
Net change in current liabilities		(4,834)	16,348
Cash generated from operations		25,032	27,484
Tax paid		(11,750)	(5,627)
Tax refund		-	669
Net cash generated from operating activities		13,282	22,526
CASH FLOW FROM INVESTING ACTIVITIES			
Other investments		(31,703)	(10,805)
Net cash used in investing activities		(31,703)	(10,805)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from shares issued		2,739	31
Government grant received		-	35
Borrowings		15,213	1,654
Interest paid		(374)	(320)
Dividend paid		(6,853)	(3,316)
Net cash from/(used in) financing activities		10,725	(1,916)
Net change in Cash & Cash Equivalents		(7,696)	9,805
Unrealised loss on foreign exchange		(160)	(469)
Effect of foreign exchange fluctuations		80	47
Cash & Cash equivalents brought forward		23,633	14,350
Effect of foreign exchange fluctuations		71	(100)
Cash & Cash equivalents carried forward		15,928	23,633

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

Cash and bank balances		15,707	12,062
Deposits with licensed banks		221	11,571
		15,928	23,633

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.

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 year.

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 years.

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 year. 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 year, 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 year 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 unamortised 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 year 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 year-to-date.

7. Changes in estimates

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

8. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the financial year ended 31 December 2006 other than the issuance of 2,381,000 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

	Manufacturing	Others	Eliminations	Consolidated
REVENUE	RM'000	RM'000	RM'000	RM'000
External sales	274,239	67	-	274,306
Inter segment sales	55,757	16,129	(71,886)	-
	329,996	16,196	(71,886)	274,306

	Manufacturing	Others	Eliminations	Consolidated
RESULTS	RM'000	RM'000	RM'000	RM'000
Segment result (external)	31,953	6,271	(6,417)	31,807
Interest income				292
Finance expenses				(374)
Share of result of joint venture				(63)
Profit before taxation				31,662
Taxation				(6,471)
Profit after tax				25,191
Profit attributable to:				
Equity holders of the parent				25,215
Minority interest				(24)
				25,191
OTHER INFORMATION				
Segment assets	205,073	8,354		213,427
Investment in joint venture	174			174
Unallocated corporate assets				561
Total assets				214,162
Segment liabilities	36,843	2,560		39,403
Unallocated corporate liabilities				26,512
Total liabilities				65,915
Capital expenditure	28,056	1,108		29,164
Depreciation	6,416	277		6,693

(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	55,256	208,217	28,861
Asia (excludes Malaysia)	125,468	5,945	303
North America	76,619		
Europe	8,444		
Others	8,519		
	274,306	214,162	29,164

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 RM29.164 million were acquired during current year to date (twelve months ended 31 December 2005: RM7.779 million).

Property, plant and equipment costing RM1.333 million were disposed during current year to date (twelve months ended 31 December 2005: RM2.835 million).

12. Subsequent events

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

13. Changes in the composition of the Group

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

14. Contingent liabilities

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

15. Capital commitments

	31 December 2006 RM'000	31 December 2005 RM'000
Contracted but not provided for	17,786	21,903

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 revenue for the quarter dropped by 35% from RM79.5 million to RM51.4 million. Nonetheless, it has registered an operation profit which was mainly offset by the provision for foreign exchange losses on receivables, inventory and incentive scheme. As a result, a loss of RM9.7 million was incurred as compared to a profit before tax of RM12.4 million for the preceding quarter.

For the financial year ended 31 December 2006, the Group profit before tax dipped slightly by RM2.2 million to RM31.6 million. Nevertheless, the Group posted a favourable increment in profit after tax of RM0.2 million to RM25.2 million as a result of lower effective tax rate at 20% due to the pioneer incentives from MITI enjoyed by certain subsidiaries.

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

Operation revenue for the quarter dropped to RM51.4 million compared to RM71.2 million in the immediate preceding year's corresponding quarter, with a loss before tax of RM9.7 million compared to a profit before tax of RM10.4 million due to the reason as explained in Note 17.

19. Current year prospects

The Group's performance is generally tied to the cyclical global demand of the electronics and semiconductors industries. The level of activities for these industries in 2007 is expected to be softer especially in the first half of the year. In addition, the appreciation of Ringgit Malaysia against US Dollar which is unfavourable is also anticipated.

Despite these challenges, the Group expects the performance to be satisfactory in the current year.

20. Profit forecast and profit guarantee

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

21. Taxation

	31 December 2006 RM'000	31 December 2005 RM'000
Current year		
- provision for taxation	6,714	8,460
- deferred taxation	(94)	337
	6,620	8,797
Prior year		
- over provision for taxation	(748)	(459)
- deferred taxation	599	521
	6,471	8,859

The effective tax rate for the year 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 year to-date.

23. Quoted investments

There are no purchase or disposal of quoted securities for the current quarter and current financial year 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 31 December 2006 RM'000	As At 31 December 2005 RM'000
Short term borrowings		
Secured	4,029	2,236
Unsecured	7,698	-
	11,727	2,236
Long term borrowings		
Secured	10,140	4,418
	21,867	6,654

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)	50,020

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

The Board of Directors proposed a first and final tax exempt dividend of 10 sen per share for the financial year ended 31 December 2006.

29. Earnings per share

(a) Basic earnings per share

The basic earnings per share for the financial year has been calculated based on the Group's net profit attributable to shareholders of RM25.215 million for the 12 months over the weighted average number of ordinary shares in issue of 68,301,524.

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

	12 months ended 31 December 2006	12 months ended 31 December 2005
Issued ordinary shares at beginning of year	66,329,357	66,304,357
Effect of shares issued during the year	1,972,167	25,000
Weighted average number of ordinary shares	68,301,524	66,329,357

(b) Diluted earnings per share

The diluted earnings per share for the financial year has been calculated based on the Group's net profit attributable to shareholders of RM25.215 million for the 12 months over the adjusted weighted average number of ordinary shares issue and issuable of 68,784,469.

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

	12 months ended 31 December 2006	12 months ended 31 December 2005
Issued ordinary shares at beginning of year	66,329,357	66,304,357
Effect of shares issued during the year	1,972,167	25,000
Effect of share options	482,945	75,714
Adjusted weighted average number of ordinary shares issued and issuable	68,784,469	66,405,071

30. Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 28th February 2007.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
28 February 2007