



LKT INDUSTRIAL BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR QUARTER ENDED 31 MARCH 2007

CONTENTS

Page

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007	2
CONDENSED CONSOLIDATED INCOME STATEMENT.....	3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	4
CONDENSED CONSOLIDATED CASH FLOW STATEMENT.....	5
NOTES TO THE INTERIM FINANCIAL REPORT	6

LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

(The figures have not been audited)

	As At 31-Mar-07 RM'000	As At 31-Dec-06 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	74,064	66,592
Investment properties	439	439
Prepaid land lease	21,578	21,673
Investment in joint venture company	159	174
Other investment	25	25
Trade receivables	4,478	3,767
Current assets		
Inventories	32,218	36,982
Trade and other receivables	64,852	67,994
Tax recoverable	444	562
Cash and cash equivalents	13,034	15,954
	<u>110,548</u>	<u>121,492</u>
TOTAL ASSETS	<u><u>211,291</u></u>	<u><u>214,162</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	68,714	68,710
Reserves	78,932	79,452
	<u>147,646</u>	<u>148,162</u>
Minority interest	49	49
Total equity	<u>147,695</u>	<u>148,211</u>
Non-current liabilities		
Government grants	26	36
Deferred tax liabilities	4,645	4,613
Borrowings	9,090	10,140
Current liabilities		
Trade and other payables	28,080	39,403
Borrowings	21,755	11,727
Tax payable	-	32
	<u>49,835</u>	<u>51,162</u>
TOTAL EQUITY AND LIABILITIES	<u><u>211,291</u></u>	<u><u>214,162</u></u>
Net assets per share (sen)	<u>215</u>	<u>216</u>

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

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 MARCH 2007

(The figures have not been audited)

	Note	3 months ended		3 months ended	
		31-Mar-07 RM'000	31-Mar-06 RM'000	31-Mar-07 RM'000	31-Mar-06 RM'000
Revenue		42,165	73,138	42,165	73,138
Cost of support services and goods sold		(39,446)	(53,374)	(39,446)	(53,374)
Gross Profit		2,719	19,764	2,719	19,764
Other income		961	553	961	553
Other expenses		(460)	(464)	(460)	(464)
Distribution and administrative expenses		(2,932)	(3,195)	(2,932)	(3,195)
Finance costs		(228)	(81)	(228)	(81)
Share of loss of jointly controlled entity		(15)	(5)	(15)	(5)
Profit before taxation		45	16,572	45	16,572
Taxation		(515)	(2,927)	(515)	(2,927)
(Loss) / profit for the period		(470)	13,645	(470)	13,645
Attributable to:					
Equity holders of the parent		(470)	13,652	(470)	13,652
Minority interest		-	(7)	-	(7)
		(470)	13,645	(470)	13,645
(Loss)/earnings per share					
Basic (loss)/earnings per share (sen)	27(a)	(0.68)	20.27	(0.68)	20.27
Diluted (loss)/earnings per share (sen)	27(b)	(0.68)	19.65	(0.68)	19.65

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

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 MARCH 2007**

(The figures have not been audited)

	Reserves				Shareholders Fund	Minority Interest	Total Equity	
	Share Capital	Share Premium	Non Distributable Assets Revaluation Reserve	Distributable Currency Translation Reserve				Distributable Accumulated Profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1.1. 2006	66,329	3,653	5,197	(115)	51,613	126,677	73	126,750
Currency translation differences				91		91		91
Profit recognised directly to equity	-	-	-	91	-	91	-	91
Net profit attributable to shareholders					13,652	13,652	(7)	13,645
Issue of shares								
- ESOS exercised	1,989					1,989		1,989
- Share premium from ESOS		291				291		291
Balance as at 31.3.2006	68,318	3,944	5,197	(24)	65,265	142,700	66	142,766
Balance as at 1.1. 2007	68,710	4,011	5,197	269	69,975	148,162	49	148,211
Currency translation differences				(51)		(51)		(51)
Loss recognised directly to equity				(51)		(51)		(51)
Net loss attributable to shareholders					(470)	(470)		(470)
Issue of shares								
- ESOS exercised	4					4		4
- Share premium from ESOS		1				1		1
Balance as at 31.3.2007	68,714	4,012	5,197	218	69,505	147,646	49	147,695

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Report for the year ended 31 December 2006.
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 MARCH 2007**

(The figures have not been audited)

	3 months ended	
	31-Mar-07	31-Mar-06
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	45	16,572
Adjustments for:-		
Non-cash items	4,394	2,330
Non-operating items	188	3
Operating profit before working capital changes	4,627	18,905
Net change in current assets	8,152	(14,958)
Net change in current liabilities	(11,452)	(1,791)
Cash generated from operations	1,327	2,156
Tax paid	(3,730)	(2,366)
Tax refund	143	-
Net cash used in operating activities	(2,260)	(210)
CASH FLOW FROM INVESTING ACTIVITIES		
Other investments	(9,384)	(1,079)
Net cash used in investing activities	(9,384)	(1,079)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from shares issued	5	2,280
Borrowings	8,978	(554)
Interest paid	(228)	(81)
Net cash from financing activities	8,755	1,645
Net change in Cash & Cash Equivalents	(2,889)	356
Effect of foreign exchange fluctuations	(30)	38
Cash & Cash equivalents brought forward	15,928	23,633
Cash & Cash equivalents carried forward	13,009	24,027
Cash and cash equivalents at the end of the financial year comprise the following:		
Cash and bank balances	12,887	12,755
Deposits with licensed banks (excluding pledged deposits)	122	11,272
	13,009	24,027

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2006.

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 134²⁰⁰⁴, 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 2006. 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 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

2. Audit opinion

The audit report for the audited financial statements of the Group for the year ended 31 December 2006 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 are 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 had 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 March 2007 other than the issuance of 4,000 ordinary shares of RM1.00 each for cash pursuant to the Company's ESOS.

7. Dividends paid

No dividend is paid during the current financial period.

8. Segmental reporting

(a) Analysis by business segment

	Manufacturing RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE				
External sales	42,165	-	-	42,165
Inter segment sales	4,620	788	(5,408)	-
	<u>46,785</u>	<u>788</u>	<u>(5,408)</u>	<u>42,165</u>

	Manufacturing RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
RESULTS				
Segment result (external)	47	(22)	223	248
Interest income				40
Finance expenses				(228)
Share of result of joint venture				(15)
Profit before taxation				<u>45</u>
Taxation				(515)
Loss after tax				<u>(470)</u>
Loss attributable to:				
Equity holders of the parent				(470)
Minority interest				-
				<u>(470)</u>

OTHER INFORMATION				
Segment assets	201,598	9,090		210,688
Investment in joint venture	159			159
Unallocated corporate assets				444
Total assets				<u>211,291</u>
Segment liabilities	26,920	1,160		28,080
Unallocated corporate liabilities				35,490
Total liabilities				<u>63,570</u>
Capital expenditure	9,423	-		9,423
Depreciation	1,830	105		1,935

(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	8,497	206,015	9,407
Asia (excludes Malaysia)	15,733	5,276	16
North America	12,161		
Europe	158		
Others	5,616		
	42,165	211,291	9,423

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

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 statement.

Property, plant and equipment amounting to RM9.423 million were acquired during current year to date (three months ended 31 March 2006: RM1.211 million).

Property, plant and equipment costing RM0.011 million were disposed during current year to date (three months ended 31 March 2006: RM0.112 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 was no contingent liability since the last annual balance sheet date.

13. Capital commitments

	31 March 2007 RM'000	31 March 2006 RM'000
Contracted but not provided for	13,799	21,163

14. 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.

15. Review of performance

The Group recorded revenue of RM42.2 million, representing a decrease of 18% as compared to the preceding quarter in view of the lower sales in the Group's equipment business. Nonetheless, the Group has registered a marginal profit before tax of RM45,000 as compared to a loss before tax of RM9.7 million in the preceding quarter mainly due to the gain in foreign exchange as a result of the hedging arrangement in contrast to the higher provision of foreign exchange losses on receivables and incentive scheme in preceding quarter.

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

Revenue for the quarter declined by RM31.0 million as compared to the immediate preceding year's corresponding quarter. The Group has registered lower profit before tax of RM45,000 as compared to RM16.6 million in the first quarter of last year due to the lower demand from customers, appreciation of Ringgit against US Dollar and product mix which have resulted lower profit margin.

17. Current year prospects

The directors anticipate a decline in the semi-conductor equipment spending in 2007. Nonetheless, the directors expect the Group to remain profitable in the current year.

18. Profit forecast and profit guarantee

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

19. Taxation

	31 March 2007 RM'000	31 March 2006 RM'000
Current period		
- provision for taxation	482	3,593
- deferred taxation	33	7
	<hr/> 515	<hr/> 3,600
Prior period		
- over provision for taxation	-	(672)
- deferred taxation	-	(1)
	<hr/> 515	<hr/> 2,927
	<hr/> <hr/>	<hr/> <hr/>

The effective tax rate for the period is higher than statutory tax rate mainly due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries, and certain expenses which are not deductible for tax purposes.

20. Unquoted investments and properties

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

21. Quoted investments

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

22. Corporate proposal

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

23. Borrowings and debt securities

	As At 31 March 2007 RM'000	As At 31 December 2006 RM'000
Short term borrowings		
Secured	4,215	4,029
Unsecured	17,540	7,698
	21,755	11,727
 Long term borrowings		
Secured	9,090	10,140
	30,845	21,867

The above borrowings are denominated in Ringgit Malaysia.

24. 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)	27,820

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.

25. Material litigation

There is no pending material litigation.

26. Proposed dividend

No dividend has been recommended for the current quarter.

For the financial year ended 31 December 2006, the Board of Directors had proposed a first and final tax exempt dividend of 10 sen per share for shareholders' approval at the forthcoming Annual General Meeting.

27. (Loss) / earnings per share

(a) Basic (loss) / earnings per share

The basic loss per share for the financial period has been calculated based on the Group's net loss attributable to shareholders of RM0.47 million for the 3 months over the weighted average number of ordinary shares in issue of 68,713,024.

Weighted average number of ordinary shares used for calculation of basic (loss) / earnings per share:

	3 months ended 31 March 2007	3 months ended 31 March 2006
Issued ordinary shares at beginning of period	68,710,357	66,329,357
Effect of shares issued during the period	2,667	1,015,000
Weighted average number of ordinary shares	<u>68,713,024</u>	<u>67,344,357</u>

(b) Diluted (loss) / earnings per share

The diluted loss per share for the financial period has been calculated based on the Group's net loss attributable to shareholders of RM0.47 million for the 3 months over the adjusted weighted average number of ordinary shares issue and issuable of 69,055,077.

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

	3 months ended 31 March 2007	3 months ended 31 March 2006
Issued ordinary shares at beginning of period	68,710,357	66,329,357
Effect of shares issued during the period	2,667	1,015,000
Effect of share options	342,053	2,115,174
Adjusted weighted average number of ordinary shares issued and issuable	<u>69,055,077</u>	<u>69,459,531</u>

28. Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 08th May 2007.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
08 May 2007