



LKT INDUSTRIAL BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR QUARTER ENDED 30 JUNE 2007

CONTENTS

Page

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 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 30 JUNE 2007

(The figures have not been audited)

	As At 30-Jun-07 RM'000	As At 31-Dec-06 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	80,737	66,592
Investment properties	439	439
Prepaid land lease	21,484	21,673
Intangible assets	2,179	-
Investment in joint venture company	144	174
Unquoted investment	25	25
Trade receivables	4,474	3,767
Current assets		
Inventories	32,571	36,982
Trade and other receivables	62,284	67,994
Tax recoverable	444	562
Cash and cash equivalents	7,407	15,954
	<u>102,706</u>	<u>121,492</u>
TOTAL ASSETS	<u><u>212,188</u></u>	<u><u>214,162</u></u>
EQUITY AND LIABILITIES		
Share capital	68,742	68,710
Reserves	70,691	79,452
Equity attributable to equity holders of the parent	<u>139,433</u>	<u>148,162</u>
Minority interest	49	49
Total equity	<u>139,482</u>	<u>148,211</u>
Non-current liabilities		
Government grants	19	36
Deferred tax liabilities	4,681	4,613
Borrowings	8,304	10,140
Current liabilities		
Trade and other payables	28,135	39,403
Borrowings	31,567	11,727
Tax payable	-	32
	<u>59,702</u>	<u>51,162</u>
TOTAL EQUITY AND LIABILITIES	<u><u>212,188</u></u>	<u><u>214,162</u></u>
Net assets per share (sen)	<u>203</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 30 JUNE 2007

(The figures have not been audited)

	Note	3 months ended		6 months ended	
		30-Jun-07 RM'000	30-Jun-06 RM'000	30-Jun-07 RM'000	30-Jun-06 RM'000
Revenue		45,788	70,314	87,953	143,452
Cost of support services and goods sold		(44,922)	(53,518)	(84,368)	(106,892)
Gross Profit		866	16,796	3,585	36,560
Other income		1,851	395	2,812	948
Other expenses		(174)	(890)	(634)	(1,354)
Distribution and administrative expenses		(3,567)	(3,874)	(6,499)	(7,069)
Finance costs		(366)	(66)	(594)	(147)
Share of loss of jointly controlled entity		(15)	(25)	(30)	(30)
(Loss) / Profit before taxation		(1,405)	12,336	(1,360)	28,908
Taxation		(35)	(2,785)	(550)	(5,712)
(Loss) / Profit for the period		(1,440)	9,551	(1,910)	23,196
Attributable to:					
Equity holders of the parent		(1,440)	9,556	(1,910)	23,208
Minority interest		-	(5)	-	(12)
		(1,440)	9,551	(1,910)	23,196
(Loss)/earnings per share					
Basic (loss)/earnings per share (sen)	27(a)	(2.10)	14.06	(2.78)	34.15
Diluted (loss)/earnings per share (sen)	27(b)	-	14.00	-	34.00

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 30 JUNE 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				117		117		117
Profit recognised directly to equity	-	-	-	117	-	117	-	117
Net profit attributable to shareholders					23,208	23,208	(12)	23,196
10% first and final tax exempt dividend - 2005					(6,853)	(6,853)		(6,853)
Issue of shares								
- ESOS exercised	2,299					2,299		2,299
- Share premium from ESOS		343				343		343
Balance as at 30.6.2006	68,628	3,996	5,197	2	67,968	145,791	61	145,852
Balance as at 1.1. 2007	68,710	4,011	5,197	269	69,975	148,162	49	148,211
Currency translation differences				17		17		17
Profit recognised directly to equity				17		17		17
Net loss attributable to shareholders					(1,910)	(1,910)		(1,910)
10% first and final tax exempt dividend - 2006					(6,874)	(6,874)		(6,874)
Issue of shares								
- ESOS exercised	32					32		32
- Share premium from ESOS		6				6		6
Balance as at 30.6.2007	68,742	4,017	5,197	286	61,191	139,433	49	139,482

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 30 JUNE 2007**

(The figures have not been audited)

	6 months ended	
	30-Jun-07	30-Jun-06
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(1,360)	28,908
Adjustments for:-		
Non-cash items	9,011	4,184
Non-operating items	468	(18)
Operating profit before working capital changes	8,119	33,074
Net change in current assets	9,619	(20,688)
Net change in current liabilities	(11,273)	2,545
Cash generated from operations	6,465	14,931
Tax paid	(5,565)	(3,946)
Tax refund	146	191
Net cash from operating activities	1,046	11,176
CASH FLOW FROM INVESTING ACTIVITIES		
Other investments	(20,206)	(11,604)
Net cash used in investing activities	(20,206)	(11,604)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from shares issued	38	2,642
Borrowings	18,004	(1,112)
Interest paid	(594)	(147)
Dividend paid	(6,874)	(6,853)
Net cash from/(used in) financing activities	10,574	(5,470)
Net change in Cash & Cash Equivalents	(8,586)	(5,898)
Effect of foreign exchange fluctuations	40	52
Cash & Cash equivalents brought forward	15,928	23,633
Cash & Cash equivalents carried forward	7,382	17,787
Cash and cash equivalents at the end of the financial year comprise the following:		
Cash and bank balances	7,278	9,491
Deposits with licensed banks (excluding pledged deposits)	104	8,296
	7,382	17,787

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 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 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 30 June 2007 other than the issuance of 32,000 ordinary shares of RM1.00 each for cash pursuant to the Company's ESOS.

7. Dividends paid

A 10% first and final tax exempt dividend amounting to RM6.874 million for the financial year ended 31 December 2006 was paid on 27 June 2007.

8. Segmental reporting

(a) Analysis by business segment

	Manufacturing RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE				
External sales	87,953	-	-	87,953
Inter segment sales	13,107	2,911	(16,018)	-
	<u>101,060</u>	<u>2,911</u>	<u>(16,018)</u>	<u>87,953</u>

	Manufacturing RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
RESULTS				
Segment result (external)	(1,046)	(6)	190	(862)
Interest income				126
Finance expenses				(594)
Share of result of joint venture				(30)
Loss before taxation				<u>(1,360)</u>
Taxation				<u>(550)</u>
Loss after tax				<u>(1,910)</u>

(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	20,453	206,361	20,303
Asia (excludes Malaysia)	31,644	5,827	27
North America	26,487		
Europe	340		
Others	9,029		
	<u>87,953</u>	<u>212,188</u>	<u>20,330</u>

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 statements.

Property, plant and equipment amounting to RM18.12 million were acquired during current year to date (six months ended 30 June 2006: RM11.819 million).

Property, plant and equipment costing RM0.108 million were disposed during current year to date (six months ended 30 June 2006: RM0.279 million).

10. Subsequent events

There were no material events subsequent to the end of the current quarter except for the Group had on 4 July 2007 acquired 2 ordinary shares of RM1.00 each in the capital of Meerkat Corporation Sdn. Bhd. ("MCSB") for a total cash consideration of RM2.00. This represents 100% of the total issued and paid up share capital of MCSB.

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

	30 June 2007 RM'000	30 June 2006 RM'000
Contracted but not provided for	1,249	13,821

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 a 9% increase in revenue from RM42.2 million in the preceding quarter to RM45.8 million for the current quarter. However, it registered a loss before tax of RM1.41 million as compared to a profit before tax of RM45,000 in the preceding quarter due to the additional provision in inventory during the quarter.

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

The Group's performance in the current quarter was affected by the softer equipment demand in the semiconductor industry as anticipated, which resulted the revenue for the quarter dropped to RM45.8 million as compared to RM70.3 million in the immediate preceding year's corresponding quarter and a loss before tax of RM1.41 million as compared to a profit before tax of RM12.3 million.

17. Current year prospects

The directors anticipate the decline in the semi-conductor equipment spending will continue to the end of the year. Despite the challenges, the directors will continue to explore various business opportunities within its core business to mitigate the impact.

18. Profit forecast and profit guarantee

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

19. Taxation

	30 June 2007 RM'000	30 June 2006 RM'000
Current period		
- provision for taxation	482	6,189
- deferred taxation	68	304
	<hr/> 550	<hr/> 6,493
Prior period		
- over provision for taxation	-	(780)
- deferred taxation	-	(1)
	<hr/> 550	<hr/> 5,712

The effective tax rate for the period is higher than the 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 30 June 2007 RM'000	As At 31 December 2006 RM'000
Short term borrowings		
Secured	3,936	4,029
Unsecured	27,631	7,698
	31,567	11,727
Long term borrowings		
Secured	8,304	10,140
TOTAL	39,871	21,867

Borrowings denominated in foreign currency:

	USD'000	RM'000 Equivalent
Short term borrowings		
Unsecured	3,621	12,510
	3,621	12,510

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)	68,399
	68,399

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

25. Material litigation

There is no pending material litigation.

26. Proposed dividend

No dividend has been recommended for the current quarter.

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 RM1.91 million for the 6 months over the weighted average number of ordinary shares in issue of 68,723,024.

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

	6 months ended 30 June 2007	6 months ended 30 June 2006
Issued ordinary shares at beginning of period	68,710,357	66,329,357
Effect of shares issued during the period	12,667	1,637,833
Weighted average number of ordinary shares	<u>68,723,024</u>	<u>67,967,190</u>

(b) Diluted (loss) / earnings per share

The diluted loss per share for the financial period is not presented as the effect is anti-dilutive.

28. Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 13th August 2007.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
13 August 2007