



LKT INDUSTRIAL BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR QUARTER ENDED 30 SEPTEMBER 2007

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LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2007

(The figures have not been audited)

	As At 30-Sep-07 RM'000	As At 31-Dec-06 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	80,998	66,592
Investment properties	439	439
Prepaid land lease	21,381	21,673
Intangible assets	2,095	-
Investment in joint venture company	129	174
Unquoted investment	-	25
Trade receivables	4,425	3,767
Current assets		
Inventories	25,840	36,982
Trade and other receivables	59,328	67,994
Tax recoverable	217	562
Cash and cash equivalents	8,464	15,954
	<u>93,849</u>	<u>121,492</u>
TOTAL ASSETS	<u><u>203,316</u></u>	<u><u>214,162</u></u>
EQUITY AND LIABILITIES		
Share capital	69,081	68,710
Reserves	65,414	79,452
Equity attributable to equity holders of the parent	<u>134,495</u>	<u>148,162</u>
Minority interest	49	49
Total equity	<u>134,544</u>	<u>148,211</u>
Non-current liabilities		
Government grants	12	36
Deferred tax liabilities	4,669	4,613
Borrowings	7,676	10,140
Current liabilities		
Trade and other payables	32,327	39,403
Borrowings	24,088	11,727
Tax payable	-	32
	<u>56,415</u>	<u>51,162</u>
TOTAL EQUITY AND LIABILITIES	<u><u>203,316</u></u>	<u><u>214,162</u></u>
Net assets per share (sen)	<u>195</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 SEPTEMBER 2007

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30-Sep-07	30-Sep-06	30-Sep-07	30-Sep-06
		RM'000	RM'000	RM'000	RM'000
Revenue		48,841	79,501	136,794	222,953
Cost of support services and goods sold		(48,518)	(62,874)	(132,886)	(170,359)
Gross Profit		323	16,627	3,908	52,594
Other income		304	523	3,116	1,471
Other expenses		(641)	(714)	(1,275)	(2,068)
Distribution and administrative expenses		(5,632)	(3,905)	(12,131)	(10,381)
Finance costs		(429)	(78)	(1,023)	(225)
Share of loss of jointly controlled entity		(15)	(16)	(45)	(46)
(Loss) / Profit before taxation		(6,090)	12,437	(7,450)	41,345
Taxation		6	(3,476)	(544)	(9,188)
(Loss) / Profit for the period		(6,084)	8,961	(7,994)	32,157
Attributable to:					
Equity holders of the parent		(6,084)	8,967	(7,994)	32,175
Minority interest		-	(6)	-	(18)
		(6,084)	8,961	(7,994)	32,157
(Loss)/earnings per share					
Basic (loss)/earnings per share (sen)	27(a)	(8.85)	13.15	(11.62)	47.18
Diluted (loss)/earnings per share (sen)	27(b)	-	13.03	-	46.75

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

Unaudited Interim Financial Report 30 September 2007

Company No: 298188 A

LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2007**

(The figures have not been audited)

	←		Reserves			→		Shareholders Fund	Minority Interest	Total Equity
	Share Capital	Share Premium	Non Distributable Assets Revaluation Reserve	Capital Reserve	Currency Translation Reserve	Distributable Accumulated Profit				
	RM'000	RM'000	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					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	55	154,950	
Balance as at 1.1. 2007	68,710	4,011	5,197	-	269	69,975	148,162	49	148,211	
Currency translation differences					(59)		(59)		(59)	
Loss recognised directly to equity	-	-	-	-	(59)	-	(59)	-	(59)	
Net loss attributable to shareholders						(7,994)	(7,994)		(7,994)	
Equity settled share-based transactions				575			575		575	
10% first and final tax exempt dividend - 2006						(6,874)	(6,874)		(6,874)	
Issue of shares										
- ESOS exercised	371						371		371	
- Share premium from ESOS		314					314		314	
Balance as at 30.9.2007	69,081	4,325	5,197	575	210	55,107	134,495	49	134,544	

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 SEPTEMBER 2007**

(The figures have not been audited)

	9 months ended	
	30-Sep-07 RM'000	30-Sep-06 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(7,450)	41,345
Adjustments for:-		
Non-cash items	19,255	6,348
Non-operating items	877	(8)
Operating profit before working capital changes	12,682	47,685
Net change in current assets	12,188	(31,992)
Net change in current liabilities	(7,009)	2,711
Cash generated from operations	17,861	18,404
Tax paid	(5,915)	(6,427)
Tax refund	265	191
Net cash from operating activities	12,211	12,168
CASH FLOW FROM INVESTING ACTIVITIES		
Other investments	(22,549)	(20,399)
Net cash used in investing activities	(22,549)	(20,399)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from shares issued	685	2,692
Borrowings	9,897	4,111
Interest paid	(1,023)	(225)
Dividend paid	(6,874)	(6,853)
Net cash from/(used in) financing activities	2,685	(275)
Net change in Cash & Cash Equivalents	(7,653)	(8,506)
Effect of foreign exchange fluctuations	164	128
Cash & Cash equivalents brought forward	15,928	23,633
Cash & Cash equivalents carried forward	8,439	15,255
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	8,333	11,365
Deposits with licensed banks (excluding pledged deposits)	106	3,890
	8,439	15,255

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 the 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 September 2007 other than the issuance of 371,000 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	Others	Eliminations	Consolidated
REVENUE	RM'000	RM'000	RM'000	RM'000
External sales	136,794	-	-	136,794
Inter segment sales	17,471	4,583	(22,054)	-
	<u>154,265</u>	<u>4,583</u>	<u>(22,054)</u>	<u>136,794</u>

	Manufacturing	Others	Eliminations	Consolidated
RESULTS	RM'000	RM'000	RM'000	RM'000
Segment result (external)	(4,759)	(1,596)	(198)	(6,553)
Interest income				171
Finance expenses				(1,023)
Share of result of joint venture				(45)
Loss before taxation				<u>(7,450)</u>
Taxation				<u>(544)</u>
Loss after tax				<u><u>(7,994)</u></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	Total Assets	Capital
	RM'000	Employed	Expenditure
	RM'000	RM'000	RM'000
Malaysia	34,871	196,728	22,905
Asia (excludes Malaysia)	45,843	4,998	30
North America	40,773		
Europe	493		
Others	14,814		
	<u>136,794</u>	<u>201,726</u>	<u>22,935</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 RM20.717 million were acquired during current year to date (nine months ended 30 September 2006: RM20.743 million).

Property, plant and equipment costing RM0.729 million were disposed during current year to date (nine months ended 30 September 2006: RM0.832 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 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.

12. Contingent liabilities

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

13. Capital commitments

	30 September 2007 RM'000	30 September 2006 RM'000
Contracted but not provided for	825	23,237

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 RM48.8 million, representing a 7% increase in revenue as compared to RM45.8 million in the preceding quarter. Nonetheless, the Group has registered a loss before tax of RM6.1 million as compared to a loss before tax of RM1.41 million in the preceding quarter mainly due to the additional provision in inventory, allowance of doubtful debts and ESOS share-based payment during the quarter.

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

The Group's revenue for the quarter dropped to RM48.8 million as compared to RM79.5 million in the immediate preceding year's corresponding quarter due to the softer equipment demand in the semiconductor industry as anticipated. The Group registered a loss before tax of RM6.1 million for the current quarter as compared to a profit before tax of RM12.4 million in the immediate preceding year's corresponding quarter due to the lower revenue, further appreciation of Ringgit Malaysia against US Dollar and the reasons stated above.

17. Current year prospects

The directors anticipate the revenue for the next quarter will be fairly consistent with current level in view of the decline in the semiconductor equipment in year 2007. The Group will continue to diversify within its core business by venturing into Aerospace business to mitigate the exposure to the volatility of the semiconductor equipment market.

18. Profit forecast and profit guarantee

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

19. Taxation

	30 September 2007 RM'000	30 September 2006 RM'000
Current period		
- provision for taxation	487	9,633
- deferred taxation	57	307
	<hr/> 544	<hr/> 9,940
Prior period		
- over provision for taxation	-	(751)
- deferred taxation	-	(1)
	<hr/> 544	<hr/> 9,188

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 except for the Group had written off the entire unquoted investment totaling RM25,000 at cost during the quarter.

21. Quoted investments

There are no purchases 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 September 2007 RM'000	As At 31 December 2006 RM'000
Short term borrowings		
Secured	3,510	4,029
Unsecured	20,578	7,698
	24,088	11,727
Long term borrowings		
Secured	7,676	10,140
TOTAL	31,764	21,867

Borrowings denominated in foreign currency:

	USD'000	RM'000 Equivalent
Short term borrowings		
Unsecured	2,604	8,897
	2,604	8,897

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)	45,754
	45,754

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 RM7.99 million for the 9 months over the weighted average number of ordinary shares in issue of 68,776,690.

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

	9 months ended 30 September 2007	9 months ended 30 September 2006
Issued ordinary shares at beginning of period	68,710,357	66,329,357
Effect of shares issued during the period	66,333	1,871,111
Weighted average number of ordinary shares	<u>68,776,690</u>	<u>68,200,468</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 November 2007.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
13 November 2007

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