LCTH CORPORATION BERHAD
(Company No: 633871-A)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

A COMPLIANCE WITH FINANCIAL REPORTING STANDARDS ("FRS") 134 : INTERIM FINANCIAL REPORTING

A1 Basis of Preparation

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in compliance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial statements provide an explanation of 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.

A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised FRS effective for the financial period beginning 1 January 2006:

FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets

The Group has not adopted the following FRSs which are applicable to financial statements for annual periods beginning on or after 1 October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of the new/revised FRSs does not have significant financial impact on the Group.

A3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements of the Company for the year ended 31 December 2005 was not qualified.

A4 Segmental Information

No segment analysis is prepared as the Group is involved in a single industry segment relating to the manufacturing and sub-assembly of precision plastic parts and components and fabrication of precision moulds and dies. The business of the Group is entirely carried out in Malaysia.

A5 Unusual Items due to their Nature, Size and Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial year ended 31 December 2006.

A6 Changes in Estimates

There were no material changes in estimates used for the preparation of the interim financial statements.

A7 Comments about Seasonal or Cyclical Factors

The normal sales trend in the past has been that the first and last quarters have the lowest sales with the peak periods being in the second and third quarters. Therefore, the quarterly results generally fluctuate due to this seasonality.

A8 Dividends Paid

No dividend was paid during the current quarter.

The 3rd interim dividend of 2.0 sen (less 28% taxation) declared on 8 November 2006 was paid on 18 January 2007.

To-date, the Company has paid a total interim dividend of 4.0 sen (less 28% taxation) per ordinary share of RM0.20 each for the financial year ended 31 December 2006.

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A9 Carrying Amount of Revalued Assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. There was no revaluation of property, plant and equipment for the current quarter and financial period to-date.

A10 Debts and Equity Securities

There were no issuances, cancellations, repurchase, resale and repayments of debt and equity securities for the current financial period to-date.

A11 Changes in the Composition of the Group

On 13 July 2006, the Company announced that it has entered into a Joint Venture Agreement ("JVA") on 12 July 2006 with Owens-Illinois Plastics Pte. Ltd. ("OIP"), a private limited company incorporated in Singapore and a member company of Owens-Illinois, Inc., a corporation listed on the New York Stock Exchange, to set out the understanding of both parties' relationship with the joint venture company, O-I Plastics Sdn Bhd, "OIM" (formerly known as Valencia Villa Sdn Bhd).

The principal business of OIM will be to manufacture, sell and distribute specialty plastic moulded parts, assemblies and filled goods. OIM will initially make plastic parts for ink printer cartridges that OIP currently manufactures in Singapore.

LCTH has subscribed 1,000,000 ordinary shares of RM1.00 each in OIM and the investment was paid in full by cash of RM1,000,000. The investments represent 40% of OIM's equity and LCTH has regarded OIM as its associate company.

A12 Capital Commitments

The amount of capital commitments not provided for in the interim financial statements as at 31 December 2006 are as follows:

	RM'000
Approved and contracted for	17,040
Approved but not contracted for	231
	17,271

A13 Contingent Liabilities and Contingent Assets

Contingent liabilities arising from corporate guarantees given to banks for credit facilities utilised by subsidiaries amounted to RM2,613,000.

There were no contingent assets since the last annual balance sheet as at 31 December 2005.

A14 Subsequent Events

In the opinion of the Directors, no material events have arisen between the end of the reporting quarter and the date of this announcement.

B COMPLIANCE WITH APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B1 Performance Review

The Group recorded a revenue of RM83.4 million and profit before tax ("PBT") of RM6.9 million for the current quarter ended 31 December 2006.

The Group's revenue of RM313.0 million for the year ended 31 December 2006 was slightly lower compared to RM331.3 million for the same period of 2005. The decrease in revenue was contributed by delays on the launching of new models coupled with early "End-Of-Life ("EOL")" models by the customers and also intense price pressure.

Lower revenue achieved has consequently affected the Group's PBT, a reduction from RM49.9 million for the year ended 31 December 2005 to RM34.3 million in 2006.

The PBT was achieved despite the higher cost of sales incurred by the Group, attributed to the increase in the cost of raw materials, other indirect costs and overheads as a result of the increase in crude oil prices and the lifting of petrol and diesel oil subsidies. The Group's gross margins were also eroded as a result of price pressure from customers. The new tool and dies division has yet to contribute to profitability.

B2 Comment on Material Change in PBT of Current Quarter Compared With Preceding Quarter

The Group's PBT for the current quarter of RM6.9 million saw a decrease of 38% as compared to RM11.1 million registered for the preceding quarter ended 30 September 2006.

The decrease in PBT was partly attributed to the decrease in revenue of 4th Quarter from RM86.1 million (for 3rd Quarter) to RM83.4 million. In addition, gross margins for the 4th Quarter has slightly eroded from 16.1% in 3rd Quarter to 14.2% in 4th Quarter.

B3 Commentary on Prospects

The Group continues to operate in a very competitive environment and factors such as continued price pressures from customers, volatile crude oil prices and rising operating costs add challenges to the Group's operations. However, the Group will continue to improve its performance.

B4 Profit Forecast or Profit Guarantee

This is not applicable for the current quarter.

B5 Income Tax Expense

	Current Quarter 3 months ended 31.12.2006 RM'000	Cumulative Quarter Year ended 31.12.2006 RM'000
Income tax	670	2,301
Deferred tax	(724)	376
	(54)	2,677

The tax expense of the Group for the current quarter and financial year to-date is lower than the statutory rate mainly due to utilization of unabsorbed Reinvestment Allowances brought forward from prior years to off set against current period chargeable income and lower deferred tax charge following the reduction in the income tax rate as announced in the 2007 budget proposal by the government.

B6 Sale of Unquoted Investments and/or Properties

There were no sales of unquoted securities and /or properties for the current quarter under review.

B7 Quoted Securities

There were no purchases or disposals of quoted securities for the current quarter under review.

B8 Corporate Proposals

Status of Utilisation of Proceeds

As at 31 December 2006, the gross proceeds arising from the Public Issue of RM156.325 million has been used in the following manner:

	Approved RM'000	Utilised RM'000	Balance RM'000	Note
Purchase of land	16,000	16,037	(37)	1
Construction of buildings	55,000	55,000	-	
Purchase of machineries	25,000	25,000	-	
Mould and dies fabrication	25,000	15,287	9,713	
Working capital	28,125	36,454	(8,329)	2
Plants relocation and consolidation	3,000	1,533	1,467	
Estimated listing expenses	4,200	4,200	-	
	156,325	153,511	2,814	

Notes:

1. This was utilized from working capital as mentioned below.
2. The shortfall is utilised from funds approved for plants relocation and consolidation and Mould and dies fabrication. The utilization amounts include payments for the followings:
   - balance for the purchase consideration of land of RM37,000;
   - additional listing expenses of RM1.165 million;
   - operating expenses of the Group;
   - injection moulding machines and related accessories/spares not budgeted for under the RM25 million for purchase of machineries stated above;
   - investment in OIM of RM1 million as mentioned in Section A11 above.
   - down payment for assets of RM2.9 million, where the assets will be part of LCTH's contributions in OIM.

B9 Borrowings

The Group does not have any outstanding interest bearing bank borrowings, other than hire purchase payables.

B10 Changes in Material Litigation

There were no material litigations pending as at the date of this announcement.

B11 Dividends

The Directors are recommending a final gross dividend of 2.00 sen tax exempt per ordinary share of RM0.20 each. This will be subject to shareholders' approval at the Annual General Meeting.

B12 Earnings per share

Basic

Basic earnings per share is calculated by dividing the net profit after tax attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Current Quarter 3 months ended 31.12.2006	**Cumulative Quarter Year ended 31.12.2006**
Profit attributable to shareholders (RM'000)	6,848	31,643
Weighted average number of ordinary shares in issue ('000)	600,000	600,000
Basic earnings per share (sen)	1.14	5.27

There are no diluted earnings per share as the Company does not have any convertible financial instruments as at the current quarter and current year to date.

By Order of the Board

Company Secretary