



LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

UNAUDITED FINANCIAL REPORT FOR QUARTER ENDED 31 DECEMBER 2005

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LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

(The figures have not been audited)

| | 31-Dec-05 | 31-Dec-04 (Audited) |
|-------------------------------------|-----------------------|------------------------|
| Note | RM'000 | RM'000 |
| ASSETS | | |
| PROPERTY, PLANT AND EQUIPMENT | 63,692 | 59,904 |
| INVESTMENT IN JOINT VENTURE COMPANY | 236 | 297 |
| INVESTMENT | 25 | 25 |
| CURRENT ASSETS | | |
| Inventories | 33,205 | 26,077 |
| Trade and Other Debtors | 61,547 | 38,389 |
| Tax recoverable | 756 | 814 |
| Cash and Cash Equivalents | 23,633 | 14,350 |
| | <u>119,141</u> | <u>79,630</u> |
| TOTAL ASSETS | <u><u>183,094</u></u> | <u><u>139,856</u></u> |
| EQUITY AND LIABILITIES | | |
| SHARE CAPITAL | 66,329 | 66,304 |
| RESERVES | 60,666 | 38,800 |
| | <u>126,995</u> | <u>105,104</u> |
| SHAREHOLDERS' FUND | 126,995 | 105,104 |
| MINORITY INTEREST | 75 | 52 |
| DEFERRED INCOME | 62 | 44 |
| DEFERRED TAXATION | 4,208 | 3,250 |
| LONG TERM BORROWINGS | 4,418 | 3,941 |
| CURRENT LIABILITIES | | |
| Trade and Other Creditors | 42,677 | 26,147 |
| Short term borrowings | 2,236 | 1,059 |
| Tax Payable | 2,423 | 259 |
| | <u>47,336</u> | <u>27,465</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>183,094</u></u> | <u><u>139,856</u></u> |
| Net assets per share (sen) | <u><u>191</u></u> | <u><u>159</u></u> |

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Report for the year ended 31 December 2004.

The accompanying notes form an integral part of this interim report

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LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2005**

(The figures have not been audited)

| | Note | Current Quarter | | Cumulative Quarter | |
|--|-------|-----------------------|----------|------------------------|-----------|
| | | 3 months ended 31 Dec | | 12 months ended 31 Dec | |
| | | 2005 | 2004 | 2005 | 2004 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| REVENUE | | 71,194 | 23,914 | 214,587 | 140,245 |
| Cost of support services and goods sold | | (50,227) | (20,335) | (162,605) | (117,219) |
| Gross Profit | | 20,967 | 3,579 | 51,982 | 23,026 |
| Other operating income | | (27) | (171) | 673 | 402 |
| Other operating expenses | | (118) | (463) | (851) | (1,016) |
| Distribution and administrative expenses | | (9,892) | (7,774) | (17,110) | (15,609) |
| Profit/(Loss) From Operations | | 10,930 | (4,829) | 34,694 | 6,803 |
| Finance expenses | | (53) | (242) | (335) | (242) |
| Exceptional item | | - | 3,346 | - | 3,346 |
| Shares of results of joint venture company | | (16) | (23) | (61) | (112) |
| Profit/(Loss) Before Taxation | | 10,861 | (1,748) | 34,298 | 9,795 |
| Taxation | | (2,819) | 1,987 | (8,984) | (1,170) |
| Profit After Taxation | | 8,042 | 239 | 25,314 | 8,625 |
| Minority Interest | | 5 | 7 | (21) | 24 |
| Profit for the period | | 8,047 | 246 | 25,293 | 8,649 |
| Basic earnings per ordinary share (sen) | 27(a) | 12.13 | 0.37 | 38.13 | 13.05 |
| Diluted earnings per ordinary share (sen) | 27(b) | 12.12 | 0.37 | 38.09 | 12.98 |

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2004.

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 2005**

(The figures have not been audited)

| | ← Non Distributable → | | | | | Distributable | Total |
|---|-----------------------|------------------|-----------------------------|----------------------------------|------------------------------------|--|---------|
| | Share Capital | Share Premium | Reserve on Consolidation | Assets Revaluation Reserve | Currency Translation Reserve | Accumulated Profit Carried Forward | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance as at 1 .1. 2004 | 66,220 | 3,627 | 4,475 | 4,483 | 10 | 19,372 | 98,187 |
| Surplus on revaluation | | | | 1,319 | | | 1,319 |
| Deferred tax on revaluation | | | | (496) | | | (496) |
| Currency translation differences | | | | | (8) | | (8) |
| Net gains not recognized in the income statement | | | | 823 | (8) | | 815 |
| Net profit attributable to shareholders | | | | | | 8,649 | 8,649 |
| 4% first and final tax exempt dividend -2003 | | | | | | (2,651) | (2,651) |
| Issue of shares | | | | | | | |
| - ESOS exercised | 84 | | | | | | 84 |
| - Share premium from ESOS | | 20 | | | | | 20 |
| Balance as at 31.12.2004 | 66,304 | 3,647 | 4,475 | 5,306 | 2 | 25,370 | 105,104 |
| Balance as at 1 .1. 2005 | 66,304 | 3,647 | 4,475 | 5,306 | 2 | 25,370 | 105,104 |
| Currency translation differences | | | | | (117) | | (117) |
| Net losses not recognized in the income statement | | | | | (117) | | (117) |
| Net profit attributable to shareholders | | | | | | 25,293 | 25,293 |
| 5% first and final tax exempt dividend -2004 | | | | | | (3,316) | (3,316) |
| Issue of shares | | | | | | | |
| - ESOS exercised | 25 | | | | | | 25 |
| - Share premium from ESOS | | 6 | | | | | 6 |
| Balance as at 31.12.2005 | 66,329 | 3,653 | 4,475 | 5,306 | (115) | 47,347 | 126,995 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Report for the year ended 31 December 2004.

The accompanying notes form an integral part of this interim report

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LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2005**

(The figures have not been audited)

| | Note | 12 months ended 31 December | |
|---|------|-----------------------------|----------------|
| | | 2005 RM'000 | 2004 RM'000 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 34,298 | 9,795 |
| Adjustment for:- | | | |
| Non-cash items | | 10,645 | 9,167 |
| Non-operating items | | 211 | (3,520) |
| Operating profit before working capital changes | | 45,154 | 15,442 |
| Net change in current assets | | (33,575) | (29,409) |
| Net change in current liabilities | | 15,905 | 11,127 |
| Cash from / (used in) operations | | 27,484 | (2,840) |
| Tax paid | | (5,627) | (1,786) |
| Tax refund | | 669 | 488 |
| Net cash from / (used in) operating activities | | 22,526 | (4,138) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Other investments | | (10,805) | (5,734) |
| Net cash used in investing activities | | (10,805) | (5,734) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from shares issued | | 31 | 104 |
| Government grant received | | 35 | 14 |
| Borrowings | | 1,654 | 5,000 |
| Interest paid | | (320) | (4) |
| Dividend paid | | (3,316) | (2,651) |
| Net cash (used in) / from financing activities | | (1,916) | 2,463 |
| Net change in Cash & Cash Equivalents | | 9,805 | (7,409) |
| Unrealised loss on foreign exchange | | (469) | - |
| Effect on foreign exchange translation | | 47 | |
| Cash & Cash equivalents brought forward | | 14,350 | 21,736 |
| Effect on foreign exchange translation | | (100) | 23 |
| Cash & cash equivalents carried forward | | 23,633 | 14,350 |
| REPRESENTED BY:- | | | |
| Cash and bank balances | | 12,062 | 14,184 |
| Deposits with licensed banks | | 11,571 | 166 |
| | | 23,633 | 14,350 |

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2004.

The accompanying notes form an integral part of this interim report

3D-05

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 (previously known as MASB 26), 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 2004.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statement for the year ended 31 December 2004.

2. Audit opinion

The audit report for the audited financial statements of the Group for the year ended 31 December 2004 was not subject to any qualification.

3. Seasonality or cyclical of interim operations

The Group's operation is largely dependent on the cyclical trend of the electronics and semiconductors industries.

4. Unusual items

There are no unusual items during the current financial year.

5. Material changes in estimates

There are no changes to the estimates reported in the current or prior financial year.

6. Debt and equity securities

There are no issuance and repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury share other than the issuance of 25,000 fully paid up ordinary shares of RM1.00 each for the year ended 31 December 2005.

7. Dividends paid

A 5% first and final tax exempt dividend amounting to RM3,316,467 for the financial year ended 31 December 2004 was paid on 15 July 2005.

8. Segmental reporting

(a) Analysis by business segment

| | Manufacturing | Others | Eliminations | Consolidated |
|-----------------------------------|----------------|---------------|-----------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| REVENUE | | | | |
| External sales | 214,566 | 21 | - | 214,587 |
| Inter segment sales | 35,167 | 11,487 | (46,654) | - |
| | <u>249,733</u> | <u>11,508</u> | <u>(46,654)</u> | <u>214,587</u> |
| RESULTS | | | | |
| Segment result (external) | 34,526 | 4,260 | (4,189) | 34,597 |
| Interest income | | | | 97 |
| Finance expenses | | | | (335) |
| Share of result of joint venture | | | | (61) |
| Profit before taxation | | | | <u>34,298</u> |
| Taxation | | | | (8,984) |
| Profit after tax | | | | <u>25,314</u> |
| Minority interest | | | | (21) |
| Profit for the year | | | | <u>25,293</u> |
| OTHER INFORMATION | | | | |
| Segment assets | 171,453 | 10,649 | | 182,102 |
| Investment in joint venture | 237 | | | 237 |
| Unallocated corporate assets | | | | <u>756</u> |
| Total assets | | | | <u>183,094</u> |
| Segment liabilities | 40,751 | 1,926 | | 42,677 |
| Unallocated corporate liabilities | | | | <u>13,285</u> |
| Total liabilities | | | | <u>55,962</u> |
| Capital expenditure | 10,867 | 479 | | 11,346 |
| Depreciation | <u>6,271</u> | <u>322</u> | | <u>6,593</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 | 52,726 | 178,906 | 10,691 |
| Asia (excludes Malaysia) | 79,057 | 4,188 | 655 |
| North America | 70,206 | | |
| Europe | 9,562 | | |
| Others | 3,036 | | |
| | <u>214,587</u> | <u>183,094</u> | <u>11,346</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 statement.

Property, plant and equipment amounting to RM6,906,000 and RM11,346,000 were acquired during the quarter and current year to date.

Property, plant and equipment costing RM1,096,000 and RM2,835,000 were disposed during the quarter and current year to date.

10. Subsequent events

There are no material events subsequent to the end of the reporting year.

11. Changes in the composition of the Group

There are no changes in the composition of the Group for the current year.

12. Contingent liabilities

There is no contingent liability for the current year.

13. Capital commitments

| | 31 December 2005 RM'000 | 31 December 2004 RM'000 |
|---------------------------------|----------------------------|----------------------------|
| Contracted but not provided for | <u>21,903</u> | <u>470</u> |

14. Related party transactions

There are 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 profit before tax of RM10,861,000 as compared to RM11,913,000 in the last quarter. This is basically due to additional provision of incentive to management during the quarter.

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

The Group recorded a profit before tax of RM10,861,000 for the current quarter as compared to a loss before tax of RM1,748,000 in the immediate preceding year's corresponding quarter mainly due to almost three (3) fold hike in its revenue.

17. Current year prospects

Barring any unforeseen circumstances, LKT will be able to sustain its current performance in the next financial year.

18. Profit forecast and profit guarantee

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

19. Taxation

| | 31 December 2005 RM'000 | 31 December 2004 RM'000 |
|-------------------------------|----------------------------|----------------------------|
| Current year | | |
| - provision for taxation | 8,485 | 1,033 |
| - deferred taxation | 437 | 274 |
| | 8,922 | 1,307 |
| Prior year | | |
| - over provision for taxation | (460) | (59) |
| - deferred taxation | 521 | (78) |
| | 8,984 | 1,170 |

The effective tax rate for the period is close to the statutory tax rate.

20. Unquoted investments and properties

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

21. Quoted investments

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

22. Corporate proposal

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

23. Borrowings and debt securities

There are no debts securities as at 31 December 2005 other than the two term loans obtained by a subsidiary. The term loans are repayable by 36 to 60 monthly installments commencing on May and October 2005 with interest rates ranging from 3.20% to 6.75% pa. All borrowings are denominated in Ringgit Malaysia.

| | 31 December 2005 | 31 December 2004 |
|-------------------------------|------------------|------------------|
| | RM'000 | RM'000 |
| Amount due within 1 year | 2,236 | 1,059 |
| Amount due after 1 to 5 years | 4,418 | 3,941 |
| | <u>6,654</u> | <u>5,000</u> |

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) | 55,540 |
| | ===== |

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

The Board of Directors proposed a first and final tax exempt dividend of 10 cent per share for the financial year ended 31 December 2005.

27. 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 RM25,293,000 for the 12 months over the weighted average number of ordinary shares in issue of 66,329,357.

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

| | 12 months ended 31 December 2005 | 12 months ended 31 December 2004 |
|---|-------------------------------------|-------------------------------------|
| Issued ordinary shares at beginning of year | 66,304,357 | 66,220,357 |
| Effect of shares issued during the year | 25,000 | 65,167 |
| Weighted average number of ordinary shares | <u>66,329,357</u> | <u>66,285,524</u> |

(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 RM25,293,000 for the 12 months over the adjusted weighted average number of ordinary shares issue and issuable of 66,405,071.

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

| | 12 months ended 31 December 2005 | 12 months ended 31 December 2004 |
|---|-------------------------------------|-------------------------------------|
| Issued ordinary shares at beginning of year | 66,304,357 | 66,220,357 |
| Effect of shares issued during the year | 25,000 | 65,167 |
| Effect of share options | 75,714 | 337,460 |
| Adjusted weighted average number of ordinary shares issued and issuable | <u>66,405,071</u> | <u>66,622,984</u> |

28. Authorisation for issue

The Board of Directors authorised the issue of this unaudited financial report on 21st February 2006.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
21 February 2006