



LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR QUARTER ENDED 31 MARCH 2006

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LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

(The figures have not been audited)

	As At 31-Mar-06 RM'000	As At 31-Dec-05 (Restated) RM'000
ASSETS		
NON-CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT	43,762	44,217
INVESTMENT PROPERTY	439	439
PREPAID LEASE PAYMENTS	18,955	19,036
INVESTMENT IN JOINT VENTURE COMPANY	231	236
OTHER INVESTMENT	25	25
CURRENT ASSETS		
Inventories	32,545	33,205
Trade and Other Receivables	76,832	61,547
Tax recoverable	756	756
Cash and Cash Equivalents	24,027	23,633
	<u>134,160</u>	<u>119,141</u>
TOTAL ASSETS	<u><u>197,572</u></u>	<u><u>183,094</u></u>
EQUITY AND LIABILITIES		
SHARE CAPITAL	68,318	66,329
RESERVES	74,382	60,348
SHAREHOLDERS' FUND	<u>142,700</u>	<u>126,677</u>
MINORITY INTEREST	68	75
TOTAL EQUITY	<u>142,768</u>	<u>126,752</u>
NON-CURRENT LIABILITIES		
DEFERRED INCOME	55	62
DEFERRED TAXATION	4,114	4,108
TERM LOANS	3,864	4,418
CURRENT LIABILITIES		
Trade and Other Payables	41,582	43,120
Term Loans	2,236	2,236
Tax Payable	2,953	2,398
	<u>46,771</u>	<u>47,754</u>
TOTAL EQUITY AND LIABILITIES	<u><u>197,572</u></u>	<u><u>183,094</u></u>
Net assets per share (sen)	<u>209</u>	<u>191</u>

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Report for the year ended 31 December 2005.

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 2006**

(The figures have not been audited)

	Note	Current Quarter		Cumulative Quarter	
		3 months ended 31 Mar		3 months ended 31 Mar	
		2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
REVENUE		73,138	37,321	73,138	37,321
Cost of support services and goods sold		(53,374)	(29,297)	(53,374)	(29,297)
<hr/>					
Gross Profit		19,764	8,024	19,764	8,024
Other operating income		553	138	553	138
Other operating expenses		(464)	(145)	(464)	(145)
Distribution and administrative expenses		(3,195)	(2,697)	(3,195)	(2,697)
Finance expenses		(81)	(77)	(81)	(77)
Exceptional item		-	-	-	-
Shares of results of joint venture company		(5)	(15)	(5)	(15)
<hr/>					
Profit/(Loss) Before Taxation		16,572	5,228	16,572	5,228
Taxation		(2,927)	(2,013)	(2,927)	(2,013)
<hr/>					
Profit After Taxation		13,645	3,215	13,645	3,215
<hr/>					
Profit attributable to:					
Equity holders of the parent		13,652	3,171	13,652	3,171
Minority Interest		(7)	44	(7)	44
<hr/>					
		13,645	3,215	13,645	3,215
<hr/>					
Basic earnings per ordinary share (sen)	27(a)	20.22	4.78	20.22	4.78
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Diluted earnings per ordinary share (sen)	27(b)	19.71	4.75	19.71	4.75
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The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2005.

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 2006**

(The figures have not been audited)

	← Non Distributable		Reserves			Shareholders Fund	Minority Interest	Total Equity
	Share Capital	Share Premium	Reserve on Consolidation	Assets Revaluation Reserve	Currency Translation Reserve			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 .1. 2005	66,304	3,647	4,475	5,306	2	25,370	105,104	105,104
Reclass revaluation surplus for Investment property				(45)		45		-
Reclass opening minority interest							52	52
Restated balances as at 1.1.2005	66,304	3,647	4,475	5,261	2	25,415	105,104	105,156
Currency translation differences					(9)		(9)	(9)
Loss recognised directly to equity	-	-	-	-	(9)	-	(9)	(9)
Net profit attributable to shareholders						3,171	3,171	3,215
Issue of shares								-
- ESOS exercised	25						25	25
- Share premium from ESOS		6					6	6
Balance as at 31.3.2005	66,329	3,653	4,475	5,261	(7)	28,586	108,297	108,393
Balance as at 31 .12. 2005	66,329	3,653	4,475	5,306	(115)	47,029	126,677	126,677
Reclass revaluation surplus for Investment property				(45)		45		
Reclass opening minority interest							75	75
Restated balances as at 31.12.2005	66,329	3,653	4,475	5,261	(115)	47,074	126,677	126,752
Reclassification of reserve on consolidation			(4,475)			4,475		
Restated balances as at 1.1.2006	66,329	3,653	-	5,261	(115)	51,549	126,677	126,752
Currency translation differences					91		91	91
Profit recognised directly to equity					91		91	91
Net profit attributable to shareholders						13,652	13,652	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	-	5,261	(24)	65,201	142,700	142,768

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Report for the year ended 31 December 2005. 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 2006**

(The figures have not been audited)

	Note	3 months ended 31 March	
		2006 RM'000	2005 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		16,572	5,228
Adjustments for:-			
Non-cash items		2,330	2,366
Non-operating items		3	78
Operating profit before working capital changes		18,905	7,672
Net change in current assets		(14,958)	(14,490)
Net change in current liabilities		(1,791)	10,701
Cash generated from operations		2,156	3,883
Tax paid		(2,366)	(737)
Tax refund			322
Net cash from / (used in) operating activities		(210)	3,468
CASH FLOW FROM INVESTING ACTIVITIES			
Other investments		(1,079)	(1,271)
Net cash used in investing activities		(1,079)	(1,271)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from shares issued		2,280	31
Borrowings		(554)	
Interest paid		(81)	(81)
Net cash (used in) / from financing activities		1,645	(50)
Net change in Cash & Cash Equivalents		356	2,147
Effect on foreign exchange translation		38	(9)
Cash & Cash equivalents brought forward		23,633	14,350
Cash & Cash equivalents carried forward		24,027	16,488
REPRESENTED BY:-			
Cash and bank balances		12,755	16,321
Deposits with licensed banks		11,272	167
		24,027	16,488

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Report for the year ended 31 December 2005.

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 2005.

The adoption of the new FRSs has resulted in an increase profit before tax and net assets for the current period amounting to RM244,000 as at 31 March 2006.

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 2005 except as noted under note 2.

2. Adoption of new and revised Financial Reporting Standards

The Group has adopted all the 18 new and revised Financial Reporting Standards (“FRS”) issued by the Malaysian Accounting Standards Board (“MASB”) that are relevant to its operations effective from accounting periods beginning on 1 January 2006.

In addition, the Group has elected to adopt FRS 117, 124 and 139 in advance of their effective date of 1 October 2006.

The impact of these new and changes in accounting policies is disclosed in note 3 below.

3. Summary of new and changes in accounting policies

The adoption of these new and revised FRS has resulted in changes to the Group’s accounting policies in the following areas that have affected the amounts reported for the current or prior years:

a. Share-based Payments (FRS 2)

FRS 2 requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date. Prior to the adoption of FRS 2, the Group did not recognise the financial effect of share-based payments until such payments were settled.

In accordance with the transitional provisions of FRS 2, the Standard has been applied prospectively to all equity instruments granted after 1 January 2005 which were unvested as of 1 January 2006. The change in accounting policy has no impact on the results for the current financial period.

b. Business Combinations (FRS 3)

Reserve on consolidation

FRS 3 requires that, after reassessment, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognized immediately in profit or loss. FRS 3 prohibits the recognition of negative goodwill in the balance sheet. Previously, the Group had reflected the negative goodwill as reserve on consolidation under Equity. In accordance with the transitional provision of FRS 3, the Group has applied the new accounting policy prospectively from 1 January 2006. Therefore, the change has had no impact on amounts reported for 2005 or prior periods.

The carrying amount of reserve on consolidation as at 1 January 2006 has been derecognised with an adjustment of RM4.475 million made to the opening retained earnings at 1 January 2006.

Minority interests

Minority interests in the net assets of one of the subsidiaries which was previously reported as a separate line item in the Balance Sheet is now presented as part of Equity separately from the Group's equity therein. This reclassification has no impact on the financial statements of the Group other than the presentation in Statement of Changes in Equity.

c. Investment property (FRS 140)

Investment properties, being properties held to earn rentals and/or for capital appreciation, previously included under property, plant and equipment at valuation less accumulated depreciation, are now disclosed as a separate line item and will be carried at fair value. The revaluation surplus for the investment properties amounting to RM45,000, previously included under Assets Revaluation Reserve, had accordingly been reclassified to retained earnings at the earliest period presented in the Statement of Changes in Equity.

Gains or losses arising from changes in the fair value of investment properties are included in the income statement for the period in which they arise.

d. Property, plant and equipment (FRS 116)

All leasehold land and certain freehold buildings, which were previously carried at cost/valuation less accumulated amortisation under property, plant and equipment, are now treated as prepaid lease payments and investment properties respectively under non current assets.

FRS116 requires the review of the residual value and remaining useful life of each item of property, plant and equipment at least at each financial year-end. The Group shall revise the residual value and the estimated useful lives of certain property, plant and equipment with effect from 1 January 2006. The revisions will be accounted for as change of accounting estimates.

e. Leases (FRS 117)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant leases.

f. Financial instruments : Disclosure and presentation (FRS 132)
 Recognition and measurement (FRS139)

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Upon the adoption of FRS 139, the management has decided that the measurement basis for the financial instruments will vary depending on the various purposes and categories to determine their accounting treatment.

Purpose	Category	Accounting treatment
Trading	Trading investments	Carried at fair value with changes to fair value charged to income statement in the period the change arises.
Held to maturity debt investment	Held to maturity investments	Carried at cost and amortised using effective interest rates less impairment
Other long term investments	Available for sale investments	Carried at fair value with changes to fair value charged to income statement in the period the change arises
Derivatives	Fair value hedge derivatives	Carried at fair value with changes to fair value charged to income statement in the period the change arises
	Cash flow hedge derivatives	Carried at fair value with changes to fair value charged to hedge reserve in the period the change arises
Trading derivatives	Trading investments	Carried at fair value with changes to fair value charged to income statement in the period the change arises

g. Earnings per share (FRS133)

FRS 133, Earnings Per Share, requires that if the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the balance sheet date but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

The impact of changes in basic and diluted earnings per share resulting from the adoption of FRS133 are the decrease of 0.05 sen and the increase of 0.06 sen respectively.

2. Audit opinion

The audit report for the audited financial statements of the Group for the year ended 31 December 2005 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 period.

5. Material changes in estimates

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

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 1,989,000 fully paid up ordinary shares of RM1.00 each for the period ended 31 March 2006.

7. Dividends paid

No dividend is paid during the current financial period.

8. Segmental reporting

(a) Analysis by business segment

	Manufacturing	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
REVENUE				
External sales	73,120	18	-	73,138
Inter segment sales	15,368	2,076	(17,444)	-
	<u>88,488</u>	<u>2,094</u>	<u>(17,444)</u>	<u>73,138</u>

RESULTS	Manufacturing RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Segment result (external)	16,731	16	(164)	16,583
Interest income				75
Finance expenses				(81)
Share of result of joint venture				(5)
Profit before taxation				<u>16,572</u>
Taxation				<u>(2,927)</u>
Profit after tax				<u><u>13,645</u></u>
Profit attributable to:				
Equity holders of the parent				13,652
Minority interest				(7)
				<u><u>13,645</u></u>
OTHER INFORMATION				
Segment assets	182,696	13,012		195,708
Investment in joint venture	231			231
Unallocated corporate assets				1,714
Total assets				<u><u>197,653</u></u>
Segment liabilities	40,799	838		41,637
Unallocated corporate liabilities				13,167
Total liabilities				<u><u>54,804</u></u>
Capital expenditure	1,066	145		1,211
Depreciation	1,644	118		1,762

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	13,911	193,079	1,125
Asia (excludes Malaysia)	31,952	4,574	86
North America	22,276		
Europe	3,512		
Others	1,487		
	<u><u>73,138</u></u>	<u><u>197,653</u></u>	<u><u>1,211</u></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 RM1,211,000 was acquired during the quarter.

Property, plant and equipment costing RM112,000 was disposed during the quarter.

10. Subsequent events

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

11. Changes in the composition of the Group

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

12. Contingent liabilities

There is no contingent liability for the current period.

13. Capital commitments

	31 March 2006 RM'000	31 March 2005 RM'000
Contracted but not provided for	21,163	3,359

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 RM16,572,000 as compared to RM10,418,000 in the last quarter. This is basically due to the favourable group sales coupled with better product mix and prudent cost control.

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

The Group recorded a profit before tax of RM16,572,000 for the current quarter as compared to RM5,228,000 in the immediate preceding year's corresponding quarter mainly due to almost two (2) fold hike in its revenue.

17. Current year prospects

Barring any unforeseen circumstances, the directors expect the performance to be better for the current financial year.

18. Profit forecast and profit guarantee

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

19. Taxation

	31 March 2006 RM'000	31 March 2005 RM'000
Current period		
- provision for taxation	3,593	1,893
- deferred taxation	7	120
	<hr/> 3,600	<hr/> 2,013
Prior period		
- over provision for taxation	(672)	-
- deferred taxation	(1)	-
	<hr/> <hr/> 2,927	<hr/> <hr/> 2,013

The effective tax rate for the period is lower than statutory tax rate mainly due to the approval of pioneer certificate granted by MITI during the period.

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

There are no debts securities as at 31 March 2006 other than the two secured term loans obtained by a subsidiary. The secured 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 March 2006 RM'000	31 March 2005 RM'000
Amount due within 1 year	2,236	1,372
Amount due after 1 to 5 years	3,864	3,628
	<hr/> <hr/> 6,100	<hr/> <hr/> 5,000

24. Off balance sheet financial instruments

There are no off balance sheet financial instruments as at the date of this report.

25. Material litigation

There is no pending material litigation.

26. Proposed dividend

The Board of Directors recommended a first and final tax exempt dividend of 10% for the financial year ended 31 December 2005 which was approved at the annual general meeting held on 21 March 2006. The dividend will be paid on 16 May 2006 to shareholders registered at the close of business on 28 April 2006.

27. Earnings per share

(a) Basic earnings per share

The basic earnings per share for the financial period has been calculated based on the Group's net profit attributable to shareholders of RM13,652,000 for the 3 months over the weighted average number of ordinary shares in issue of 67,512,500.

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

	3 months ended 31 March 2006	3 months ended 31 March 2005
Issued ordinary shares at beginning of period	66,329,357	66,304,357
Effect of shares issued during the period	1,015,000	19,333
Effect of shares issued after the period and before interim report is authorised for issue	168,143	
Weighted average number of ordinary shares	67,512,500	66,323,690

(b) Diluted earnings per share

The diluted earnings per share for the financial period has been calculated based on the Group's net profit attributable to shareholders of RM13,652,000 for the 3 months over the adjusted weighted average number of ordinary shares issue and issuable of 69,257,667.

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

	3 months ended 31 March 2006	3 months ended 31 March 2005
Issued ordinary shares at beginning of period	66,329,357	66,304,357
Effect of shares issued during the period	1,015,000	19,333
Effect of shares issued after the period and before interim report is authorised for issue	168,143	
Effect of share options	1,745,167	442,285
Adjusted weighted average number of ordinary shares issued and issuable	69,257,667	66,765,975

28. Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 25th April 2006.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
25 April 2006

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