



LKT INDUSTRIAL BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR QUARTER ENDED 31 DECEMBER 2007

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LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

(The figures have not been audited)

	As At 31-Dec-07 RM'000	As At 31-Dec-06 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	79,380	66,592
Investment properties	-	439
Prepaid land lease	21,273	21,672
Intangible assets	2,002	-
Investment in joint venture company	-	174
Unquoted investment	-	25
Trade receivables	-	3,768
Current assets		
Receivables, deposits and prepayments	34,927	64,321
Inventories	25,042	36,982
Assets classified as held for sale	298	-
Tax recoverable	9,904	4,236
Cash and cash equivalents	14,509	15,953
	<u>84,680</u>	<u>121,492</u>
TOTAL ASSETS	<u><u>187,335</u></u>	<u><u>214,162</u></u>
EQUITY AND LIABILITIES		
Share capital	70,881	68,710
Reserves	62,517	79,452
Equity attributable to equity holders of the parent	<u>133,398</u>	<u>148,162</u>
Minority interest	48	49
Total equity	<u>133,446</u>	<u>148,211</u>
Non-current liabilities		
Government grants	-	36
Deferred tax liabilities	3,749	4,613
Borrowings	18,745	10,140
Current liabilities		
Trade and other payables	25,207	39,403
Borrowings	6,147	11,727
Tax payable	41	32
	<u>31,395</u>	<u>51,162</u>
TOTAL EQUITY AND LIABILITIES	<u><u>187,335</u></u>	<u><u>214,162</u></u>
Net assets per share (sen)	<u>188</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 YEAR ENDED 31 DECEMBER 2007

(The figures have not been audited)

	Note	Current Quarter		Cumulative Quarter	
		3 months ended		12 months ended	
		31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
		RM'000	RM'000	RM'000	RM'000
Revenue		42,083	51,353	178,877	274,306
Cost of support services and goods sold		(33,220)	(45,105)	(166,106)	(215,464)
Gross Profit		8,863	6,248	12,771	58,842
Other income		950	(609)	4,066	862
Other expenses		(1,575)	(2,817)	(2,850)	(4,885)
Distribution and administrative expenses		(13,610)	(12,339)	(25,741)	(22,720)
Finance costs		(351)	(149)	(1,374)	(374)
Share of loss of jointly controlled entity		(129)	(17)	(174)	(63)
(Loss) / Profit before taxation		(5,852)	(9,683)	(13,302)	31,662
Taxation		1,113	2,717	569	(6,471)
(Loss) / Profit for the period		(4,739)	(6,966)	(12,733)	25,191
Attributable to:					
Equity holders of the parent		(4,738)	(6,960)	(12,732)	25,215
Minority interest		(1)	(6)	(1)	(24)
		(4,739)	(6,966)	(12,733)	25,191
(Loss)/earnings per share					
Basic (loss)/earnings per share (sen)	27(a)	(6.84)	(10.19)	(18.39)	36.92
Diluted (loss)/earnings per share (sen)	27(b)	(6.84)	(10.12)	(18.39)	36.66

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 31 December 2007

Company No: 298188 A

LKT INDUSTRIAL BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007**

(The figures have not been audited)

	←		Reserves				→		Shareholders Fund	Minority Interest	Total Equity
	Share Capital	Share Premium	Non Distributable	Distributable							
	RM'000	RM'000	Reserve on consolidation	Assets Revaluation Reserve	Translation Reserve	Share Option Reserve	Retained Earnings	RM'000	RM'000	RM'000	
As at 1.1. 2006 (as previously reported)	66,329	3,653	4,475	5,306	(115)	-	47,029	126,677	73	126,750	
Effect of adopting FRS 140	-	-	-	(109)	-	-	109	-	-	-	
Effect of adopting FRS 3	-	-	(4,475)	-	-	-	4,475	-	-	-	
As restated	66,329	3,653	-	5,197	(115)	-	51,613	126,677	73	126,750	
Foreign exchange translation differences	-	-	-	-	384	-	-	384	-	384	
Net gain recognised directly in equity	-	-	-	-	384	-	-	384	-	384	
Profit for the year	-	-	-	-	-	-	25,215	25,215	(24)	25,191	
10% first and final tax exempt dividend - 2005	-	-	-	-	-	-	(6,853)	(6,853)	-	(6,853)	
Share options	2,381	358	-	-	-	-	-	2,739	-	2,739	
As at 31.12.2006	68,710	4,011	-	5,197	269	-	69,975	148,162	49	148,211	
As at 1.1. 2007	68,710	4,011	-	5,197	269	-	69,975	148,162	49	148,211	
Foreign exchange translation differences	-	-	-	-	(168)	-	-	(168)	-	(168)	
Net loss recognised directly in equity	-	-	-	-	(168)	-	-	(168)	-	(168)	
Loss for the year	-	-	-	-	-	-	(12,732)	(12,732)	(1)	(12,733)	
10% first and final tax exempt dividend - 2006	-	-	-	-	-	-	(6,874)	(6,874)	-	(6,874)	
Equity settled share-based transactions	-	-	-	-	-	574	-	574	-	574	
Share options	2,171	2,265	-	-	-	-	-	4,436	-	4,436	
Transfer to share premium for options exercised	-	574	-	-	-	(574)	-	-	-	-	
Balance as at 31.12.2007	70,881	6,850	-	5,197	101	-	50,369	133,398	48	133,446	

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 YEAR ENDED 31 DECEMBER 2007**

(The figures have not been audited)

	12 months ended	
	31-Dec-07 RM'000	31-Dec-06 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(13,302)	31,662
Adjustments for:-		
Non-cash items	9,466	8,156
Non-operating items	1,152	82
Operating loss / (profit) before working capital changes	(2,684)	39,900
Net change in current assets	44,959	(10,022)
Net change in current liabilities	(13,812)	(4,834)
Cash generated from operations	28,463	25,044
Tax paid	(5,955)	(11,750)
Net cash from operating activities	22,508	13,294
CASH FLOW FROM INVESTING ACTIVITIES		
Other investments	(23,127)	(31,715)
Net cash used in investing activities	(23,127)	(31,715)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from shares issued	4,436	2,739
Borrowings	3,025	15,213
Interest paid	(1,374)	(374)
Dividend paid	(6,874)	(6,853)
Net cash from/(used in) financing activities	(787)	10,725
Net change in Cash & Cash Equivalents	(1,406)	(7,696)
Effect of foreign exchange fluctuations	(38)	(80)
Cash & Cash equivalents brought forward	15,927	23,703
Cash & Cash equivalents carried forward	14,483	15,927
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	6,540	15,705
Deposits with licensed banks (excluding pledged deposits)	7,943	222
	14,483	15,927

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 year-to-date.

5. Changes in estimates

There were no changes in estimates that have had material effect in the current quarter and financial year-to-date.

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the financial year ended 31 December 2007 other than the issuance of 2,171,000 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	178,877	-	-	178,877
Inter segment sales	20,697	27,686	(48,383)	-
	<u>199,574</u>	<u>27,686</u>	<u>(48,383)</u>	<u>178,877</u>

	Manufacturing	Others	Eliminations	Consolidated
RESULTS	RM'000	RM'000	RM'000	RM'000
Segment result (external)	(10,871)	19,413	(20,518)	(11,976)
Interest income				222
Finance expenses				(1,374)
Share of result of joint venture				(174)
Loss before taxation				<u>(13,302)</u>
Taxation				569
Loss after tax				<u><u>(12,733)</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	49,771	182,607	23,622
Asia (excludes Malaysia)	61,828	4,728	38
North America	55,651		
Europe	5,207		
Others	6,420		
	<u>178,877</u>	<u>187,335</u>	<u>23,660</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 RM21.442 million were acquired during current year to date (twelve months ended 31 December 2006: RM29.164 million).

Property, plant and equipment costing RM1.001 million were disposed during current year to date (twelve months ended 31 December 2006: RM1.334 million).

10. Subsequent events

There were no material events subsequent to the end of the current year except for Singapore Precision Engineering Ltd ("SPE") and parties acting in concert collectively acquired 61,288,040 ordinary shares representing 86.47% of the issued and paid up share capital of the Company.

Upon completion of the aforesaid acquisition, SPE will become the immediate holding company of the Company while Singapore Aerospace Manufacturing Pte. Ltd and Accuron Technologies Limited will become the penultimate holding companies.

The ultimate holding company is Temasek Holdings (Private) Limited.

All the above companies are incorporated in the Republic of Singapore.

11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current year 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

	31 December 2007 RM'000	31 December 2006 RM'000
Contracted but not provided for	315	17,786

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 RM42.1 million as compared to RM48.8 million in the preceding quarter. However, loss before tax was RM5.9 million for the current quarter or RM0.5 million lower as compared to loss before tax of RM6.1 million in the preceding quarter, mainly due to the provision on inventory and ESOS share-based payment in the preceding quarters, but offset with provision for doubtful debts during the quarter amounting to RM5.3 million mainly on long outstanding equipments delivered to a customer in China.

For the financial year ended 31 December 2007, the Group recorded a loss before tax of RM13.3 million as compared to a profit before tax of RM31.7 million last year. The significant drop in profit was mainly attributed by the drop in revenue in view of the softer equipment demand in the semiconductor industry as anticipated, additional provision for doubtful debts and inventory, coupled with the weakening US Dollar against Ringgit Malaysia.

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

The Group's revenue for the quarter dropped to RM42.1 million as compared to RM51.4 million in the immediate preceding year's corresponding quarter. Nevertheless, the loss before tax of RM5.9 million for the current quarter was lower than loss before tax of RM9.7 million in the immediate preceding year's corresponding quarter mainly due to several cost containment activities implemented during the year and higher foreign exchange losses on receivables in the immediate preceding year's corresponding quarter.

17. Current year prospects

The Group anticipates that the softer demand on the worldwide semiconductor equipment will continue into this year. In addition, the further weakening US Dollar will deteriorate the Group's future earning.

Nevertheless, the potential synergistic benefits with the entry of Singapore Precision Engineering ("SPE") as a strategic investor will develop the Group business by expanding its capabilities and capacity into high precision aerospace manufacturing industry. This enables the Group to increase its revenue contribution from the aerospace industry and see less volatility in its earnings stream. The Group expects the performance to be satisfactory in the current year.

18. Profit forecast and profit guarantee

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

19. Taxation

	31 December 2007 RM'000	31 December 2006 RM'000
Current year		
- provision for taxation	188	6,714
- deferred taxation	(619)	(95)
	<u>(431)</u>	<u>6,619</u>
Prior year		
- over provision for taxation	106	(748)
- deferred taxation	(244)	600
	<u>(569)</u>	<u>6,471</u>

The effective tax rate was lower than the statutory tax rate principally due to tax incentives enjoyed by certain subsidiaries under the Promotion of Investment Act, 1986 (as amended) and Section 127 (3)(b) of the Income Tax Act, 1967.

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

21. Quoted investments

There are no purchases 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

	As At 31 December 2007 RM'000	As At 31 December 2006 RM'000
Short term borrowings		
Secured	6,147	4,029
Unsecured	-	7,698
	<u>6,147</u>	<u>11,727</u>
Long term borrowings		
Secured	18,745	10,140
TOTAL	<u>24,892</u>	<u>21,867</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)	28,489
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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

The Board of Directors proposed a first and final tax exempt dividend of 5 sen per share for the financial year ended 31 December 2007 subject to shareholders' approval at the forthcoming Annual General Meeting.

27. (Loss) / earnings per share

(a) Basic (loss) / earnings per share

The basic loss per share for the financial year has been calculated based on the Group's net loss attributable to shareholders of 12.732 million for the 12 months over the weighted average number of ordinary shares in issue of 69,235,024.

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

	12 months ended 31 December 2007	12 months ended 31 December 2006
Issued ordinary shares at beginning of year	68,710,357	66,329,357
Effect of shares issued during the year	524,667	1,972,167
Weighted average number of ordinary shares	<u>69,235,024</u>	<u>68,301,524</u>

(b) Diluted (loss) / earnings per share

The diluted loss per share for the financial year is the same as the basic (loss)/earnings per share as the effect of anti-dilutive potential shares are ignored in calculating diluted (loss)/earnings per share in accordance with the FRS 133 on earnings per share.

28. Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 29th February 2008.

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

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
29 February 2008