

**LEE SWEE KIAT GROUP BERHAD** (Co No: 607583-T)**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD ENDED 30 SEPT 2006**

(The figures have not been audited)

	Individual Period 3 Months ended		Cumulative Period 9 Months ended	
	30/09/2006 RM'000	30/09/2005 RM'000	30/09/2006 RM'000	30/09/2005 RM'000
Revenue	16,628	13,645	47,653	43,091
Operating profit	662	607	1,951	2,285
Other income	9	23	27	42
Finance Cost	446	338	1,297	961
Profit Before Tax	225	292	681	1,367
Income Tax	10	46	35	217
Profit After Tax	215	246	646	1,151
Net Profit for The Period	215	246	646	1,151
Net EPS (sen)				
Basic	0.13	0.15	0.38	0.69
Diluted	0.13	0.15	0.38	0.69
Dividend Per Share	-	-	-	-

**CONSOLIDATED BALANCE SHEET  
AS AT 30 SEPT 2006**

(The figures have not been audited)

	As at end of current quarter 30/09/2006 RM'000	Audited As at 31/12/2005 RM'000
PROPERTY, PLANT AND EQUIPMENT	40,065	34,692
<b>CURRENT ASSETS</b>		
Inventories	12,985	12,713
Trade receivables	17,953	17,682
Other receivables, deposits and prepayments	588	608
Taxation	258	253
Fixed deposits	1,039	1,039
Cash and bank balances	2,311	2,969
	<b>35,134</b>	<b>35,265</b>
<b>CURRENT LIABILITIES</b>		
Trade payables	4,967	5,808
Other payables, deposits and accruals	685	929
Short term borrowings	22,037	20,565
Bank Overdraft	685	807
Term loan	1,265	1,265
Hire purchase creditors	1,252	383
	<b>30,891</b>	<b>29,757</b>
<b>NET CURRENT ASSETS</b>	<b>4,244</b>	<b>5,508</b>
<b>LONG TERM LIABILITIES</b>		
Long term borrowings	7,300	6,046
Hire purchase creditors	3,110	900
Deferred taxation	3,035	3,035
	<b>13,445</b>	<b>9,981</b>
	<b>30,864</b>	<b>30,219</b>
Financed by:		
SHARE CAPITAL	83,908	83,908
Accumulated losses	(53,044)	(53,689)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>30,864</b>	<b>30,219</b>
Net Assets per Share of RM0.50 each (RM)	0.18	0.18

CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 SEPT 2006

	9 Months ended 30/09/2006 RM'000	9 Months ended 30/09/2005 RM'000
Profit before tax	681	1,075
Adjustments for:-		
Non-cash items	2,257	1,505
Operating profit before changes in working capital	<u>2,938</u>	<u>2,580</u>
Net Change in current assets	(522)	(1,102)
Net Change in current liabilities	(1,085)	(1,073)
Cash (used in)/generated from operations	<u>1,330</u>	<u>405</u>
Tax paid	(40)	(322)
Net cash generated from operating activities	<u>1,290</u>	<u>83</u>
<b>Investing Activities</b>		
Acquisition of property, plant & equipment	(7,630)	(868)
Net cash (used in)/generated from investing activities	<u>(7,630)</u>	<u>(868)</u>
<b>Financing Activities</b>		
Additional / (Repayment) of hire purchase creditors - Net	3,078	(57)
Additional / (Repayment) of term loan - Net	1,254	(485)
Bank borrowings	1,472	(666)
Net cash used in financing activities	<u>5,804</u>	<u>(1,207)</u>
Net change in cash and cash equivalents	(536)	(1,992)
<b>Cash and cash equivalents at 1 Jan 2006</b>	3,201	5,022
<b>Cash and cash equivalents at 30 Sept 2006</b>	<u>2,665</u>	<u>3,030</u>

Cash and cash equivalents included in the cash flows comprise the following balance sheet amounts:-

	30/09/2006 RM'000	30/09/2005 RM'000
Fixed Deposits	1,039	2,320
Cash and bank balances	2,311	1,578
Bank overdrafts	(685)	(868)
	<u>2,665</u>	<u>3,030</u>



LEE SWEE KIAT GROUP BERHAD (Co No: 607583-T)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPT 2006

	Share capital RM'000	Accumulated loss RM'000	Total RM'000
<b>9 Months ended 30/09/2006</b>			
Balance as at 31 Dec 2005	83,908	(53,689)	30,219
Movement during the period			
Profit for the year as per Income Statement	-	646	646
Net Movement During the year	-	646	646
Balance as at 30 Sept 2006	83,908	(53,044)	30,864

**9 Months ended  
30/09/2005**

Balance as at 31 Dec 2004	83,908	(55,043)	28,865
Movement during the period			
Profit for the year as per Income Statement	-	905	905
Net Movement During the year	-	905	905
Balance as at 30 Sept 2005	83,908	(54,139)	29,769

**A. NOTES TO THE INTERIM FINANCIAL REPORT**

**Basis of Accounting and Accounting Policies.**

The interim financial report is unaudited and has been prepared in accordance with FRS 134 (formerly MASB 26), Interim Financial Reporting and Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad (Bursa Securities) Listing Requirements and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2005.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 December 2005.

**2. Audit Report on Financial Statements.**

The financial statements of LSKG for the financial year ended 31 December 2005 have been reported without any audit qualification.

**3. Seasonal or Cyclical Factors**

The business activities of the Group are not significantly affected by seasonal and cyclical factors.

**4. Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows**

There is no unusual item affecting the assets, liabilities, equity, net income or cash flows of the Group for the period under review.

**5. Material changes in estimates**

There is no material change in estimates for the period under review.

**6. Issuance and Repayment of Debt and Equity Securities**

There is no issuance or repayment of any debt and equity securities during the period under review.

**7. Dividend**

LSKG has not declared or paid any dividends in respect of the financial period under review.

**A. NOTES TO THE INTERIM FINANCIAL REPORT (cont'd)**

**8. Segmental Information for the Current Financial Period**

No segmental information is presented, as LSKG is principally involved in the foam, laminated foam, mattress and its related products.

**9. Valuation of Property, Plant & Equipment**

All assets under the Group have not been revalued and are carried at historical cost.

**10. Significant Subsequent Events**

There is no significant event subsequent to the date of this report which will significantly affect the content of this report

**11. Effect of Changes in the Composition of the Group**

There is no change to the composition of the group during the period under review.

**12. Contingent Liabilities**

As at the date of this announcement, the directors of the Group are not aware of any contingent liabilities, which upon becoming enforceable may have a material impact of the financial position of the Group.

**13. Review of Financial Performance**

The revenue and profit before tax of the Group for the current quarter amounted to RM16.6 million and RM0.225 million respectively. Turnover has increased by 21.9% as compared to previous year's corresponding quarter and profit before tax has declined to RM0.225 million as compared to the previous year's corresponding quarter of RM0.292 as the group continued to suffer under high raw material costs.

**14. Variation of Results Against Preceding Quarter**

The current quarter's profit before taxation of RM0.225 million remain stable as compared to the preceding quarter's profit before taxation of RM0.230 million.

A. NOTES TO THE INTERIM FINANCIAL REPORT (cont'd)

**15. Current Year Prospects**

The Group has continued to achieve satisfactory sales for the period under review despite high raw materials prices. This trend is expected to continue judging from current economic conditions.

**16. Profit Forecast / Guarantee**

Not applicable.

**17. Taxation**

The deferred tax liabilities on deductible temporary differences recognised in the financial statements as required under the MASB 25 were as follows:

	Group RM'000
-	
Tax effect of	
- Excess of capital allowances over accumulated Depreciation on property, plant and equipment	3,035
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	3,035
	=====

**18. Sale of Unquoted Investments and Properties**

There was no purchase or disposal of quoted securities for the quarter under review.

**19. Purchase / Disposal of Quoted Securities**

There was no purchase or disposal of quoted securities for the quarter under review.

**20. Status of the Corporate Proposals**

There is no impending corporate proposal for the period under review.

**21. Group Borrowings**

The Group borrowings as at the end of the reporting quarter are as follows:

A. NOTES TO THE INTERIM FINANCIAL REPORT (cont'd)

Short Term Borrowings

	Group RM'000
Bankers' acceptances	22,037
Overdraft	685
Long term loans due within twelve months	1,265
Hire purchase creditors	1,252
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	25,239
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The bankers acceptances and loans of LSKG bear interest at rates ranging from 4.11% to 8.00% per annum and are secured by: -

- (i) Fixed charge on land and building of a subsidiary company
- (ii) Fixed deposits;
- (iii) Joint and several guarantees by certain directors of the group.

Long Term Liabilities

	Group RM'000
Term Loans	8,565
Less : Portion due within twelve months	(1,265)
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Portion due after twelve months	7,300
Hire purchase creditors payable after one year	3,110
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Total	10,410
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**22. Off Balance Sheet Financial Instruments**

As at the date of this report, the Group does not have any off balance sheet financial instruments.

**23. Material Litigation**

The Group does not have any material litigation as at 29 Nov 2006.

**24. Dividend**

No dividend has been declared for the quarter under review.



**A. NOTES TO THE INTERIM FINANCIAL REPORT (cont'd)**

**25. Net Earnings Per Ordinary Share**

The earnings per ordinary share is calculated based on the Group's profit after taxation on the number of ordinary share of RM0.50 each of 167,815,704 in issue

	Current Year-To-Date Ended 30 Sept 2006 RM'000
Profit After Taxation	215
Number of ordinary shares of RM0.50 each	167,816
Net EPS (sen)	
Basic	0.13
Diluted	0.13

By Order of the Board

**Eric Lee**  
**Executive Director**

29 Nov 2006