



**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 MAR 2007**

(The figures have not been audited)

	Individual Period 3 Months ended		Cumulative Period 3 Months ended	
	31/03/2007 RM'000	31/03/2006 RM'000	31/03/2007 RM'000	31/03/2006 RM'000
Revenue	17,336	15,608	17,336	15,608
Operating profit	725	570	725	570
Other income		-		-
Finance Cost	476	344	476	344
Profit Before Tax	249	226	249	226
Income Tax	20	15	20	15
Profit After Tax	229	210	229	210
Net Profit for The Period	229	210	229	210
Net EPS (sen)				
Basic	0.14	0.13	0.14	0.13
Diluted	0.14	0.13	0.14	0.13
Dividend Per Share	-	-	-	-

**CONSOLIDATED BALANCE SHEET
AS AT 31 DEC 2006**

(The figures have not been audited)

	As at end of current quarter 31/03/2007 RM'000	Audited As at 31/12/2006 RM'000
PROPERTY, PLANT AND EQUIPMENT	41,825	41,737
CURRENT ASSETS		
Inventories	14,563	14,554
Trade receivables	19,626	19,878
Other receivables, deposits and prepayments	785	1,118
Taxation	186	216
Fixed deposits	1,074	1,074
Cash and bank balances	796	833
	37,029	37,673
CURRENT LIABILITIES		
Trade payables	4,241	4,121
Other payables, deposits and accruals	1,850	2,408
Short term borrowings	24,032	23,894
Bank Overdraft	1,065	953
Term loan	1,891	1,891
Hire purchase creditors	1,660	1,660
	34,739	34,927
NET CURRENT ASSETS	2,290	2,746
LONG TERM LIABILITIES		
Long term borrowings	6,313	6,450
Hire purchase creditors	3,429	3,890
Deferred taxation	3,309	3,309
	13,051	13,649
	31,064	30,834
Financed by:		
SHARE CAPITAL	83,908	83,908
Accumulated losses	(52,844)	(53,074)
TOTAL SHAREHOLDERS' EQUITY	31,064	30,834
Net Assets per Share of RM0.50 each (RM)	0.19	0.18

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MAR 2007

	3 Months ended 31/03/2007 RM'000	3 Months ended 31/03/2006 RM'000
Profit before tax	249	226
Adjustments for:-		
Non-cash items	866	787
Operating profit before changes in working capital	<u>1,115</u>	<u>1,013</u>
Net Change in current assets	576	271
Net Change in current liabilities	(438)	(210)
Cash (used in)/generated from operations	<u>1,253</u>	<u>1,075</u>
Tax paid	10	10
Net cash generated from operating activities	<u>1,263</u>	<u>1,085</u>
Investing Activities		
Acquisition of property, plant & equipment	(953)	(4,679)
Net cash (used in)/generated from investing activities	<u>(953)</u>	<u>(4,679)</u>
Financing Activities		
Additional / (Repayment) of hire purchase creditors - Net	(462)	2,300
Additional / (Repayment) of term loan - Net	(136)	817
Bank borrowings	138	(980)
Net cash used in financing activities	<u>(460)</u>	<u>2,136</u>
Net change in cash and cash equivalents	(150)	(1,458)
Cash and cash equivalents b/f	954	3,201
Cash and cash equivalents c/f	<u>805</u>	<u>1,743</u>

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

	31/03/2007 RM'000	31/03/2006 RM'000
Fixed Deposits	1,074	1,039
Cash and bank balances	796	1,239
Bank overdrafts	(1,065)	(535)
	<u>805</u>	<u>1,743</u>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MAR 2007**

	Share capital RM'000	Accumulated loss RM'000	Total RM'000
3 Months ended 31/03/2007			
Balance as at 31 Dec 2006	83,908	(53,074)	30,834
Movement during the period			
Profit for the year as per Income Statement	-	229	229
Net Movement During the year	-	229	229
Balance as at 31 Mar 2007	83,908	(52,844)	31,064

**3 Months ended
31/03/2006**

Balance as at 31 Dec 2005	83,908	(53,689)	30,219
Movement during the period			
Profit for the year as per Income Statement	-	210	210
Net Movement During the year	-	210	210
Balance as at 31 Mar 2006	83,908	(53,479)	30,429

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 2006.

The preparation of an interim financial report in conformity with FRS134, Interim Financial Reporting requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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 2006.

2. Audit Report on Financial Statements.

The financial statements of LSKG for the financial year ended 31 December 2006 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.

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

7. Dividend

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

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 RM17.34 million and RM0.249 million respectively. Turnover has increased by 11.1% as compared to previous year's corresponding quarter and profit before tax has increased by 10.2% to RM0.249 million as compared to the previous year's corresponding quarter of RM0.226 million.

14. Variation of Results Against Preceding Quarter

The current quarter's profit before taxation of RM0.249 million has shown an increase of about 19% as compared to the preceding quarter's profit before

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

taxation of RM0.209 million.

15. Current Year Prospects

The Group has continued to achieve satisfactory sales for the period under review. The cost cutting exercise has helped to maintain margin and enable the group to remain competitive. The new latex plant will contribute positively in the medium to long term prospect of the group. In the short term the performance will be negatively affected due to the gestation period of the new latex plant with high depreciation and finance cost.

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	3,309

	3,309
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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.

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

21. Group Borrowings

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

Short Term Borrowings

	Group RM'000
Bankers' acceptances	24,032
Overdraft	1,065
Long term loans due within twelve months	1,891
Hire purchase creditors	1,660

	28,648
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The bankers acceptances and loans of LSKG bear interest at rates ranging from 4.11% to 8.30% per annum and are secured by: -

- (i) Fixed charge on land and building of a subsidiary company
- (ii) Fixed deposits;

Long Term Liabilities

	Group RM'000
Term Loans	8,204
Less : Portion due within twelve months	(1,891)

Portion due after twelve months	6,313
Hire purchase creditors payable after one year	3,429

Total	9,742
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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 28 May 2007.

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

24. Dividend

No dividend has been declared for the quarter under review.

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 31 Mar 2007 RM'000
Profit After Taxation	229
Number of ordinary shares of RM0.50 each	167,816
Net EPS (sen)	
Basic	0.14
Diluted	0.14

By Order of the Board

Eric Lee
Executive Director

28 May 2007