

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 2007.

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 2007.

2. Audit Report on Financial Statements.

The financial statements of LSKG for the financial year ended 31 December 2007 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

The group has disposed off a dormant subsidiary, Easysleep Marketing (M) Sdn Bhd for RM600,000 during the quarter, based on the net book value of the company.

12. Contingent Liabilities

There is an award by the industrial court to allow for joinder application by an ex-employee of Long Huat Group Bhd on 7th August 2008. The amount of claim is approximately RM130,000. The case involved industrial dispute in 2001 between the claimant and Long Huat Group Bhd. After seeking legal opinion, the Board of Directors is of the view that S176 of the Companies Act shall restrict such claim on the white knight and the possibility of the claim is remote, and thus no provision will be made.

13. Review of Financial Performance

The revenue and profit before tax of the Group for the current quarter amounted to RM18.990 million and RM0.303 million respectively. Turnover has increased by 10.7% as compared to previous year's corresponding quarter and profit before tax has improved by 32.3% compared to the previous year's corresponding quarter of RM0.229 million. The greater percentage increase in profit before tax compared to turnover is mainly due

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

to better product mix for the current quarter.

14. Variation of Results Against Preceding Quarter

The current quarter's profit before taxation of RM0.303 million represent an increase of 30.6% compared to the preceding quarter's profit before taxation of RM0.232 million mainly due to better product mix in the current quarter.

15. Current Year Prospects

The Group has continued to achieve satisfactory sales for the period under review. Baring unforeseen circumstances, the group is expected to achieve satisfactory result in the coming year.

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:

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	Group RM'000
Tax effect of	
- Excess of capital allowances over accumulated Depreciation on property, plant and equipment	3,166

	3,166
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18. Sale of Unquoted Investments and Properties

There is no purchase or disposal of unquoted investment and properties except as per note 11) above.

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

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

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:

Short Term Borrowings

	Group RM'000
Bankers' acceptances	25,523
Overdraft	1,285
Long term loans due within twelve months	1,891
Hire purchase creditors	1,660

	30,359
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The bankers acceptances and loans of LSKG bear interest at rates ranging from 4.03% 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	7,048
Less : Portion due within twelve months	(1,891)

Portion due after twelve months	5,157
Hire purchase creditors payable after one year	1,547

Total	6,704
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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

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

The Group does not have any material litigation as at 28 Aug 2008.

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 30 Jun 2008 RM'000
Profit After Taxation	535
Number of ordinary shares of RM0.50 each	167,816
Net EPS (sen)	
Basic	0.32
Diluted	0.32

By Order of the Board

Eric Lee
Executive Director

28 Aug 2008