



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 30 Jun 2010**

(The figures have not been audited)

	Individual Period 3 Months ended		Cumulative Period 6 Months ended	
	30/06/2010 RM'000	30/06/2009 RM'000	30/06/2010 RM'000	30/06/2009 RM'000
Revenue	13,181	11,257	25,302	30,254
Operating profit	437	(12,845)	628	(12,090)
Other income	1,318	23	1,343	55
Finance Cost	(425)	(345)	(584)	(827)
Profit / (loss) Before Tax	1,330	(13,167)	1,387	(12,862)
Income Tax	-	(2,095)	-	(2,072)
Profit / (loss) After Tax	1,330	(11,072)	1,387	(10,790)
Net Profit / (loss) for The Period	1,330	(11,072)	1,387	(10,790)
Net EPS / (loss) (sen)				
Basic	0.79	(6.60)	0.83	(6.43)
Diluted	0.79	(6.60)	0.83	(6.43)
Dividend Per Share	-	-	-	-

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 Jun 2010**

(The figures have not been audited)

	As at end of current quarter 30/06/2010 RM'000	Audited As at 31/12/2009 RM'000
PROPERTY, PLANT AND EQUIPMENT	22,759	24,623
Deferred Tax Assets	1,991	1,991
<b>CURRENT ASSETS</b>		
Inventories	5,493	4,873
Trade receivables	12,475	13,433
Other receivables, deposits and prepayments	1,796	16,508
Taxation	57	23
Deposits, cash and bank balances	4,071	1,636
	23,892	36,473
<b>CURRENT LIABILITIES</b>		
Trade payables	5,490	7,261
Other payables, deposits and accruals	2,668	3,987
Short term borrowings	6,665	13,801
Bank Overdraft	-	243
Term loan	5,549	7,707
Hire purchase creditors	611	902
	20,983	33,901
<b>NET CURRENT ASSETS</b>	2,909	2,572
<b>LONG TERM LIABILITIES</b>		
Long term borrowings	3,470	6,165
Hire purchase creditors	49	267
Deferred taxation	1,158	1,158
	4,678	7,590
	22,982	21,595
Financed by:		
SHARE CAPITAL	83,908	83,908
Accumulated losses	(60,926)	(62,313)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	22,982	21,595
Net Assets per Share of RM0.50 each (RM)	0.14	0.13

**CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS  
FOR THE PERIOD ENDED 30 Jun 2010**

	6 Months ended 30/06/2010 RM'000	6 Months ended 30/06/2009 RM'000
Profit / (loss) before tax	1,387	(12,862)
Adjustments for:-		
Non-cash items - Depreciation	711	1,687
Operating profit before changes in working capital	<u>2,097</u>	<u>(11,175)</u>
Net Change in current assets	15,050	234
Net Change in current liabilities	(3,089)	2,889
Cash (used in)/generated from operations	<u>14,058</u>	<u>(8,052)</u>
Taxation	<u>(34)</u>	<u>(75)</u>
Net cash generated from operating activities	<u>14,024</u>	<u>(8,127)</u>
<b>Investing Activities</b>		
(Acquisition) / Disposal of property, plant & equipment	<u>1,153</u>	<u>11,107</u>
Net cash (used in)/generated from investing activities	<u>1,153</u>	<u>11,107</u>
<b>Financing Activities</b>		
Drawdown / (Repayment) of hire purchase creditors - Net	(509)	(523)
Drawdown / (Repayment) of term loan - Net	(4,854)	(424)
Drawdown / (Repayment) of other bank borrowings	<u>(7,136)</u>	<u>(2,257)</u>
Net cash used in financing activities	<u>(12,499)</u>	<u>(3,204)</u>
Net change in cash and cash equivalents	2,678	(223)
<b>Cash and cash equivalents b/f</b>	1,393	2,148
<b>Cash and cash equivalents c/f</b>	<u>4,071</u>	<u>1,925</u>

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

	30/06/2010 RM'000	30/06/2009 RM'000
Deposits, cash and bank balances	4,071	4,176
Bank overdrafts	-	(2,251)
	<u>4,071</u>	<u>1,925</u>



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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 Jun 2010

	Share capital RM'000	Accumulated loss RM'000	Total RM'000
<b>6 Months ended 30/06/2010</b>			
Balance as at 31 Dec 2009	83,908	(62,313)	21,595
Movement during the period			
Profit for the year as per Income Statement	-	1,387	1,387
Net Movement During the year	-	1,387	1,387
Balance as at 30 Jun 2010	83,908	(60,926)	22,982

**6 Months ended  
30/06/2009**

Balance as at 31 Dec 2008	83,908	(51,286)	32,622
Movement during the period			
Profit for the year as per Income Statement	-	282	282
Net Movement During the year	-	282	282
Balance as at 30 Jun 2009	83,908	(51,003)	32,905

## 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, 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 2009.

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 2009 except for the adoption of new standards effective from 01 January 2010 as follows

FRS 132 - Financial Instrument : Presentation  
FRS 139 - Financial Instrument : Recognition and Measurement

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

The financial statements of Group for the financial year ended 31 December 2009 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

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

the period under review.

**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 the Group is principally involved in the foam, laminated foam, latex, mattress and its related businesses.

**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 material events subsequent to the end of the period under review which have not been reflected in this interim financial report

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

There is no change in the composition of the Group during the period under review.

**12. Contingent Liabilities**

There were no contingent liabilities and assets and no changes in material litigations as at the end of the reporting period.

**13. Review of Financial Performance**

The revenue and profit before tax of the Group for the current quarter amounted to RM13.181 million and RM1.33 million respectively. The increase in turnover is due to partial recovery of loss of turnover in the corresponding quarter in 2009 which was affected by fire incident in May 2009. The Group recorded revenue of RM11.257 mil and loss before tax of RM13.167 mil in the previous year corresponding quarter.

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

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

The revenue increased from RM12.122 mil to RM13.181 mil compared to previous quarter. The huge increase in profit before tax is mainly due to recognition of one-off capital gains on disposal of land of approximately RM1.29 mil.

**15. Current Year Prospects**

The Group is recovering from the massive loss caused by the fire incident in May 2009. The hike in raw latex price has affected operating margin of the group. Nevertheless, barring any unforeseen circumstances, the Group is expected to turnaround in 2010 against previous year's heavy loss.

**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 FRS 112 were as follows: -

	Group RM'000
Tax effect of	
- Excess of capital allowances over accumulated Depreciation on property, plant and equipment	(1,158)
- Recognition of deferred tax assets on adjusted business loss and net balancing charge	1,991
	----- 833 =====

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

No profit/loss has been recognized on any sale of unquoted investments and/or properties during the current quarter and financial year to date.

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

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

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

20. Status of the Corporate Proposals

The Group had on 14 May 2010 via OSK Investment Bank announced a proposal to reduce the existing issued and paid-up share capital comprising ordinary shares of RM0.50 to RM0.10, as well as amendment to the Memorandum of Association. Shareholders approval has been obtained via an EGM on 28 June 2010. A petition has been filed to the High Court of Malaya pending sanction of the Court.

21. Group Borrowings

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

<u>Short Term Borrowings</u>	Group RM'000
Bankers' acceptances	6,665
Overdraft	-
Long term loans due within twelve months	5,549
Hire purchase creditors	611
	-----
	12,825
	=====

The bankers acceptances and loans of LSKG bear interest at rates ranging from 3.8% to 8.05% 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	9,019
Less : Portion due within twelve months	(5,549)
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Portion due after twelve months	3,470
Hire purchase creditors payable after one year	49
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Total	3,519
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22. Financial Instruments under FRS 139

As at the date of this report, the Group has entered into forward foreign currency contracts as part of the hedging instruments towards fluctuating currencies as follows



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

	Derivatives	Contract value (RM' 000)	Fair Value (RM' 000)	Unrealised Gain / (loss) (RM' 000)
I	Foreign Exchange Contracts			
	- Less than 1 year	6,661	6,845	184
	- 1 year to 3 years	-	-	-
	- More than 3 years	-	-	-
	Total	6,661	6,845	184

The above contracts are part of the Group's strategy to ensure stable conversion of export proceeds to Malaysia Ringgit so that to minimise the impact of currency exchange rate fluctuation to our margin. The above contracts were entered into without any upfront cash requirements. The gains or loss arising from the fair value adjustment is reflected in the interim report as necessary.

**23. Material Litigation**

The Group does not have any material litigation as at 25 Aug 2010.

**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 loss after taxation on the number of ordinary shares of RM0.50 each of 167,815,704 in issue

	Current Year-To-Date Ended 30 Jun 2010 RM'000
Profit / (loss) After Taxation	1,387
Number of ordinary shares of RM0.50 each	167,816
Net EPS (sen)	
Basic	0.83
Diluted	0.83

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

By Order of the Board

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

25 Aug 2010