

**LEE SWEE KIAT GROUP BERHAD** (Co No: 607583-T)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 Sep 2010**

(The figures have not been audited)

	Individual Period 3 Months ended		Cumulative Period 9 Months ended	
	30/09/2010 RM'000	30/09/2009 RM'000	30/09/2010 RM'000	30/09/2009 RM'000
Revenue	14,548	12,415	39,850	42,668
Operating profit	247	560	875	(11,530)
Other income	67	5	1,410	60
Finance Cost	(161)	(474)	(745)	(1,301)
Profit / (loss) Before Tax	154	90	1,540	(12,771)
Income Tax	-	-	-	2,072
Profit / (loss) After Tax	154	90	1,540	(10,699)
Net Profit / (loss) for The Period	154	90	1,540	(10,699)
Net EPS / (loss) (sen)				
Basic	0.09	0.05	0.92	(6.38)
Diluted	0.09	0.05	0.92	(6.38)
Dividend Per Share	-	-	-	-

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 30 Sep 2010**

(The figures have not been audited)

	As at end of current quarter 30/09/2010 RM'000	Audited As at 31/12/2009 RM'000
PROPERTY, PLANT AND EQUIPMENT	24,447	24,623
Deferred Tax Assets	1,991	1,991
CURRENT ASSETS		
Inventories	5,815	4,873
Trade receivables	11,992	13,433
Other receivables, deposits and prepayments	1,952	16,508
Taxation	57	23
Deposits, cash and bank balances	2,942	1,636
	22,759	36,473
CURRENT LIABILITIES		
Trade payables	5,903	7,261
Other payables, deposits and accruals	2,676	3,987
Short term borrowings	8,826	13,801
Bank Overdraft	-	243
Taxation	-	-
Term loan	1,950	7,707
Hire purchase creditors	438	902
	19,792	33,901
NET CURRENT ASSETS	2,966	2,572
LONG TERM LIABILITIES		
Long term borrowings	5,075	6,165
Hire purchase creditors	35	267
Deferred taxation	1,158	1,158
	6,268	7,590
	23,136	21,595
Financed by:		
SHARE CAPITAL	16,782	83,908
Capital Reserves	5,410	-
Retained Earnings	944	(62,313)
TOTAL SHAREHOLDERS' EQUITY	23,136	21,595
Net Assets per Share of RM0.10 each (RM)	0.14	0.13

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

	9 Months ended 30/09/2010 RM'000	9 Months ended 30/09/2009 RM'000
Profit / (loss) before tax	1,540	(12,771)
Adjustments for:-		
Non-cash items - Depreciation	1,066	1,882
Operating profit before changes in working capital	<u>2,607</u>	<u>(10,890)</u>
Net Change in current assets	15,054	2,474
Net Change in current liabilities	(2,669)	5,392
Cash (used in)/generated from operations	<u>14,992</u>	<u>(3,024)</u>
Taxation	(34)	(131)
Net cash generated from operating activities	<u>14,958</u>	<u>(3,155)</u>
Investing Activities		
(Acquisition) / Disposal of property, plant & equipment	(890)	10,433
Net cash (used in)/generated from investing activities	<u>(890)</u>	<u>10,433</u>
Financing Activities		
Drawdown / (Repayment) of hire purchase creditors - Net	(696)	(847)
Drawdown / (Repayment) of term loan - Net	(6,848)	(532)
Drawdown / (Repayment) of other bank borrowings	(4,976)	(6,016)
Net cash used in financing activities	<u>(12,519)</u>	<u>(7,395)</u>
Net change in cash and cash equivalents	1,549	(117)
Cash and cash equivalents b/f	1,393	2,148
Cash and cash equivalents c/f	<u>2,942</u>	<u>2,031</u>

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

	30/09/2010 RM'000	30/09/2009 RM'000
Deposits, cash and bank balances	2,942	4,282
Bank overdrafts	-	(2,251)
	<u>2,942</u>	<u>2,031</u>



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

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

	Share capital RM'000	Capital Reserves RM'000	Retained earnings RM'000	Total RM'000
9 Months ended 30/09/2010				
Balance as at 31 Dec 2009	83,908	-	(62,313)	21,595
Movement during the period				
Capital reduction	(67,126)	5,410	61,717	-
Profit for the year as per Income Statement	-		1,540	1,540
Net Movement During the year	(67,126)	5,410	63,257	1,540
Balance as at 30 Sep 2010	16,782	5,410	944	23,136

9 Months ended
30/09/2009

Balance as at 31 Dec 2008	83,908		(51,286)	32,622
Movement during the period				
Profit for the year as per Income Statement	-		(10,699)	(10,699)
Net Movement During the year	-		(10,699)	(10,699)
Balance as at 30 Sep 2009	83,908		(61,985)	21,923

NOTES TO THE INTERIM FINANCIAL REPORT

1. 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.

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

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.

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 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 RM14.548 million and RM0.154 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 RM12.415 mil and profit before tax of RM0.09 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 RM13.181 mil to RM14.548 mil compared to previous quarter. The high profit before tax in previous quarter 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
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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. The Proposal has been completed on 30 August 2010 and the effect has been reflected in the current quarter.

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	8,826
Overdraft	-
Long term loans due within twelve months	1,950
Hire purchase creditors	438

	11,214
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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	7,025
Less : Portion due within twelve months	(1,950)

Portion due after twelve months	5,075
Hire purchase creditors payable after one year	35

Total	5,110
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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)
	Foreign Exchange Contracts			
	- Less than 1 year	4,116	4,372	256
	- 1 year to 3 years	-	-	-
	- More than 3 years	-	-	-
	Total	4,116	4,372	256

The above contracts are part of the Group's strategy to ensure stable conversion of export proceeds to Malaysian Ringgit and 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 23 Nov 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 profit after taxation on the number of ordinary shares of RM0.10 each of 167,815,704 in issue

	YTD ended 30 Sep 10 RM'000
Profit / (loss) After Taxation	154
Number of ordinary shares of RM0.10 each	167,816
Net EPS (sen)	
Basic	0.09
Diluted	0.09

By Order of the Board
Eric Lee
Executive Director
 24 Nov 2010