

**LEE SWEE KIAT GROUP BERHAD** (Co No: 607583-T)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 Dec 2010**

(The figures have not been audited)

	Individual Period 3 Months ended		Cumulative Period 12 Months ended	
	31/12/2010 RM'000	31/12/2009 RM'000	31/12/2010 RM'000	31/12/2009 RM'000
Revenue	20,942	18,900	60,792	61,568
Operating profit	667	(1,277)	1,542	(12,807)
Other income	38	177	1,448	238
Finance Cost	(528)	(889)	(1,273)	(2,191)
Profit / (loss) Before Tax	177	(1,989)	1,718	(14,760)
Income Tax	152	1,661	152	3,733
Profit / (loss) After Tax	329	(327)	1,870	(11,027)
Net Profit / (loss) for The Period	329	(327)	1,870	(11,027)
Net EPS / (loss) (sen)				
Basic	0.20	(0.20)	1.11	(6.57)
Diluted	0.20	(0.20)	1.11	(6.57)
Dividend Per Share	-	-	-	-

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 Dec 2010**

(The figures have not been audited)

	As at end of current quarter 31/12/2010 RM'000	Audited As at 31/12/2009 RM'000
PROPERTY, PLANT AND EQUIPMENT	23,971	24,623
Deferred Tax Assets	2,249	1,991
CURRENT ASSETS		
Inventories	7,175	4,873
Trade receivables	10,092	13,433
Other receivables, deposits and prepayments	693	16,508
Taxation	34	23
Deposits, cash and bank balances	4,252	1,636
	<u>22,245</u>	<u>36,473</u>
CURRENT LIABILITIES		
Trade payables	6,389	7,261
Other payables, deposits and accruals	2,836	3,987
Short term borrowings	8,978	13,801
Bank Overdraft	-	243
Taxation	-	-
Term loan	1,950	7,707
Hire purchase creditors	254	902
	<u>20,408</u>	<u>33,901</u>
NET CURRENT ASSETS	1,837	2,572
LONG TERM LIABILITIES		
Long term borrowings	3,436	6,165
Hire purchase creditors	32	267
Deferred taxation	1,262	1,158
	<u>4,730</u>	<u>7,590</u>
	<u>23,327</u>	<u>21,595</u>
Financed by:		
SHARE CAPITAL	16,782	83,908
Capital Reserves	5,271	-
Retained Earnings / (Acc loss)	1,274	(62,313)
TOTAL SHAREHOLDERS' EQUITY	23,327	21,595
Net Assets per Share of RM0.10 each (RM)	<u>0.14</u>	<u>0.13</u>

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE PERIOD ENDED 31 Dec 2010

	12 Months ended 31/12/2010 RM'000	12 Months ended 31/12/2009 RM'000
Profit / (loss) before tax	1,718	(14,760)
Adjustments for:-		
Non-cash items - Depreciation	1,492	2,077
Operating profit before changes in working capital	<u>3,209</u>	<u>(12,683)</u>
Net Change in current assets	16,854	4,915
Net Change in current liabilities	(2,022)	4,987
Cash (used in)/generated from operations	<u>18,041</u>	<u>(2,781)</u>
Taxation	(13)	(92)
Net cash generated from operating activities	<u>18,028</u>	<u>(2,873)</u>
Investing Activities		
(Acquisition) / Disposal of property, plant & equipment	(839)	10,195
Net cash (used in)/generated from investing activities	<u>(839)</u>	<u>10,195</u>
Financing Activities		
Drawdown / (Repayment) of hire purchase creditors - Net	(882)	(1,207)
Drawdown / (Repayment) of term loan - Net	(8,487)	7,389
Incidental cost to capital reduction	(138)	-
Drawdown / (Repayment of other bank borrowings)	(4,823)	(14,259)
Net cash used in financing activities	<u>(14,330)</u>	<u>(8,078)</u>
Net change in cash and cash equivalents	2,858	(755)
Cash and cash equivalents b/f	1,393	2,148
Cash and cash equivalents c/f	<u>4,252</u>	<u>1,393</u>

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

	31/12/2010 RM'000	31/12/2009 RM'000
Deposits, cash and bank balances	4,252	1,636
Bank overdrafts	-	(243)
	<u>4,252</u>	<u>1,393</u>

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 Dec 2010**

	Share capital RM'000	Capital Reserves RM'000	Retained earnings RM'000	Total RM'000
12 Months ended 31/12/2010				
Balance as at 31 Dec 2009	83,908	-	(62,313)	21,595
Movement during the period				
Capital reduction	(67,126)	5,410	61,717	-
Incidental cost to capital reduction	-	(138)	-	(138)
Profit for the year as per Income Statement	-	-	1,870	1,870
Net Movement During the year	(67,126)	5,271	63,586	1,731
Balance as at 31 Dec 2010	16,782	5,271	1,274	23,327

**12 Months ended
31/12/2009**

Balance as at 31 Dec 2008	83,908		(51,286)	32,622
Movement during the period				
Profit for the year as per Income Statement	-		(11,027)	(11,027)
Net Movement During the year	-		(11,027)	(11,027)
Balance as at 31 Dec 2009	83,908		(62,313)	21,595

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.

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 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 RM20.942 million and RM0.177 million respectively. The increase in turnover is mainly due to higher selling price to accommodate the hike in raw material cost compared to corresponding quarter in 2009.

The Group recorded revenue of RM18.9 mil and loss before tax of RM1.99 mil in the previous year corresponding quarter, the loss was mainly due to additional cost related to fire incident in 2009.

14. Variation of Results Against Preceding Quarter

The revenue increased from RM14.548 mil to RM20.942 mil compared to previous quarter mainly due to higher selling price to accommodate the higher raw material cost. The profit before tax increase to RM0.177 million from RM0.154 million in the previous quarter.

15. Current Year Prospects

The Group has turnaround in 2010 from the loss position in 2009. The prospect for 2011 remains challenging as raw latex cost has reached historical high level. Nevertheless, the Group has taken necessary actions to mitigate the impact during this difficult period. Barring any unforeseen circumstances, the Group is expected to remain profitable in 2011.

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

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	(1,262)
- Recognition of deferred tax assets on adjusted business loss and net balancing charge	2,249

	987
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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.

20. Status of the Corporate Proposals

There is no on-going corporate proposals for the quarter under review.

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	8,978
Overdraft	-
Long term loans due within twelve months	1,950
Hire purchase creditors	254

	11,182
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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: -

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

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

Long Term Liabilities

	Group RM'000
Term Loans	5,386
Less : Portion due within twelve months	(1,950)

Portion due after twelve months	3,436
Hire purchase creditors payable after one year	32

Total	3,468
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22. Financial Instruments under FRS 139

As at 31 Dec 2010, the unrealized gains or loss for the Group is as follows

	Derivatives / year end balances	Contract value (RM' 000)	Fair Value (RM' 000)	Unrealised Gain / (loss) (RM' 000)
1	Foreign Exchange Contracts			
	- Less than 1 year	3,054	3,180	126
	- 1 year to 3 years	-	-	-
	- More than 3 years	-	-	-
2	Trade related balances	4,014	4,029	15
	Total	7,068	7,209	141

The Foreign Exchange 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 Feb 2011.

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 shares of RM0.10 each of 167,815,704 in issue

	YTD ended 31 Dec 10 RM'000
Profit / (loss) After Taxation	1,870
Number of ordinary shares of RM0.10 each	167,816
Net EPS (sen)	
Basic	1.11
Diluted	1.11

By Order of the Board
Eric Lee
Executive Director

23 February 2011