

**LEE SWEE KIAT GROUP BERHAD** (Co No: 607583-T)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 Jun 2011**

(The figures have not been audited)

	Individual Period 3 Months ended		Cumulative Period 6 Months ended	
	30/06/2011 RM'000	30/06/2010 RM'000	30/06/2011 RM'000	30/06/2010 RM'000
Revenue	13,745	13,181	27,248	25,302
Operating profit	805	437	1,121	628
Other income	0	1,318	34	1,343
Finance Cost	(165)	(425)	(331)	(584)
Profit / (loss) Before Tax	641	1,330	824	1,387
Income Tax	-	-	-	-
Profit / (loss) After Tax	641	1,330	824	1,387
Net Profit / (loss) for The Period	641	1,330	824	1,387
Net EPS / (loss) (sen)				
Basic	0.38	0.79	0.49	0.83
Diluted	0.38	0.79	0.49	0.83
Dividend Per Share	-	-	-	-

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 Jun 2011**

(The figures have not been audited)

	As at end of current quarter 30/06/2011 RM'000	Audited As at 31/12/2010 RM'000
PROPERTY, PLANT AND EQUIPMENT	25,213	23,971
Deferred Tax Assets	2,260	2,260
<b>CURRENT ASSETS</b>		
Inventories	6,966	7,175
Trade receivables	7,245	10,120
Other receivables, deposits and prepayments	1,551	742
Taxation	34	2
Deposits, cash and bank balances	2,558	4,027
	18,354	22,066
<b>CURRENT LIABILITIES</b>		
Trade payables	4,265	6,304
Other payables, deposits and accruals	2,379	2,782
Short term borrowings	7,313	7,416
Taxation	-	2
Term loan	1,897	1,897
Hire purchase creditors	168	177
	16,022	18,578
<b>NET CURRENT ASSETS</b>	2,332	3,488
<b>LONG TERM LIABILITIES</b>		
Long term borrowings	4,158	5,051
Hire purchase creditors	266	110
Deferred taxation	1,262	1,262
	5,686	6,423
	24,119	23,295
Financed by:		
SHARE CAPITAL	16,782	16,782
Capital Reserves	5,410	5,410
Retained Earnings	1,928	1,104
<b>TOTAL SHAREHOLDERS' EQUITY</b>	24,119	23,295
Net Assets per Share of RM0.10 each (RM)	0.14	0.14

**CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS  
FOR THE PERIOD ENDED 30 Jun 2011**

	6 Months ended 30/06/2011 RM'000	6 Months ended 30/06/2010 RM'000
Profit / (loss) before tax	824	1,387
Adjustments for:-		
Non-cash items - Depreciation	886	711
Operating profit before changes in working capital	<u>1,710</u>	<u>2,097</u>
Net Change in current assets	2,275	15,050
Net Change in current liabilities	(2,442)	(3,089)
Cash (used in)/generated from operations	<u>1,543</u>	<u>14,058</u>
Taxation	(34)	(34)
Net cash generated from operating activities	<u>1,509</u>	<u>14,024</u>
<b>Investing Activities</b>		
(Acquisition) / Disposal of property, plant & equipment	(2,129)	1,153
Net cash (used in)/generated from investing activities	<u>(2,129)</u>	<u>1,153</u>
<b>Financing Activities</b>		
Drawdown / (Repayment) of hire purchase creditors - Net	148	(509)
Drawdown / (Repayment) of term loan - Net	(893)	(4,854)
Drawdown / (Repayment) of other bank borrowings	(103)	(7,136)
Net cash used in financing activities	<u>(849)</u>	<u>(12,499)</u>
Net change in cash and cash equivalents	(1,469)	2,678
<b>Cash and cash equivalents b/f</b>	4,027	1,393
<b>Cash and cash equivalents c/f</b>	<u>2,558</u>	<u>4,071</u>

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

	30/06/2011 RM'000	30/06/2010 RM'000
Deposits, cash and bank balances	2,558	4,071
Bank overdrafts	-	-
	<u>2,558</u>	<u>4,071</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 30 Jun 2011**

	Share capital RM'000	Capital Reserves RM'000	Retained earnings RM'000	Total RM'000
<b>6 Months ended 30/06/2011</b>				
Balance as at 31 Dec 2010	16,782	5,410	1,104	23,295
Movement during the period				
Profit for the year as per Income Statement	-	-	824	824
Net Movement During the year	-	-	824	824
Balance as at 30 Jun 2011	16,782	5,410	1,928	24,119

**6 Months ended  
30/06/2010**

<b>Balance as at 31 Dec 2009</b>	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

## **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 2010.

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 2010 except the following FRS's which are effective from 1 January 2011:

FRS 1	– Amendments to FRS 1
FRS 2	– Group Cash-settled Share-based payment
FRS 3	– Amendments to FRS 3
FRS 7	– Improving Disclosures about financial instruments & Amendments to FRS 7
FRS 101	– Amendments to FRS 101
FRS 121	– Amendments to FRS 121
FRS 128	– Amendments to FRS 128
FRS 131	– Amendments to FRS 131
FRS 132	– Amendments to FRS 132
FRS 134	– Amendments to FRS 134
FRS 139	– Amendments to FRS 139
IC Interpretation 4	– Determining Whether an Arrangement contains a lease
IC Interpretation 13	– Amendments to IC Interpretation 13
IC Interpretation 14	– Prepayments of a Minimum Funding Requirement
IC Interpretation 18	– Transfer of Assets from Customers

The above FRS's, however, do not have any significant effect on the Group's Quarterly Financial Statements.

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

The financial statements of Group for the financial year ended 31 December 2010 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.

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

**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.

**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.

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

**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 RM13.7 million and RM0.641 million respectively. The Group recorded revenue of RM13.18 mil and profit before tax of RM1.33 mil in the previous year corresponding quarter. The higher profit before tax in the previous year corresponding quarter was mainly due to one-off capital gain of RM1.29 mil arising from disposal of one piece of land.

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

The revenue & profit before tax in Quarter 2 increased from RM13.5 mil to RM13.7 mil & RM0.183 mil to RM0.641 mil respectively compared to previous quarter. The increase in Quarter 2 profit before tax was mainly due to insurance compensation of RM0.50 mil under increase cost of working for the fire incident in 2009.

**15. Current Year Prospects**

In view of the current uncertainties in the world economy, the Board expect challenging times ahead for the 2<sup>nd</sup> half of the 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 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	2,260

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

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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	7,313
Overdraft	-
Long term loans due within twelve months	1,897
Hire purchase creditors	168
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	9,378
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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	6,055
Less : Portion due within twelve months	(1,897)
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Portion due after twelve months	4,158
Hire purchase creditors payable after one year	266



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

Total	----- 4,424 =====
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22. Financial Instruments under FRS 139

As at 30 Jun 2011, 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	-	-	-
	- 1 year to 3 years	-	-	-
	- More than 3 years	-	-	-
2	Trade related balances	1,001	1,002	1
	Total	1,001	1,002	1

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. There is no foreign exchange contracts outstanding as at 30 Jun 2011.

23. Breakdown of Realised and Unrealised profits or loss

The breakdown of the retained earnings / (accumulated loss) of the Group as at 30 Jun 2011 into realized and unrealized profit / (loss) is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Total retained profits / (accumulated losses) Of the Group	<b><u>RM '000</u></b>
- Realised	20,594
- Unrealised gains / (loss)	<u>999</u>
	21,593
Less: Consolidated adjustments	<u>(19,665)</u>
Retained earnings / (accumulated losses)	<u>1,928</u> -----

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

**24. Material Litigation**

The Group does not have any material litigation as at 26 Aug 2011.

**25. 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 Jun 2011 RM'000
Profit / (loss) After Taxation	824
Number of ordinary shares of RM0.10 each	167,816
Net EPS (sen)	
Basic	0.49
Diluted	0.49

By Order of the Board

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

25 Aug 2011