

**LEE SWEE KIAT GROUP BERHAD** (Co No: 607583-T)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 Dec 2011**

(The figures have not been audited)

	Individual Period 3 Months ended		Cumulative Period 12 Months ended	
	31/12/2011 RM'000	31/12/2010 RM'000	31/12/2011 RM'000	31/12/2010 RM'000
Revenue	19,871	20,942	61,538	60,792
Operating profit	2,218	667	3,839	1,362
Other income	(0)	38	34	1,448
Finance Cost	(338)	(528)	(983)	(1,273)
Profit / (loss) Before Tax	1,880	177	2,890	1,537
Income Tax	(884)	152	(884)	163
Profit / (loss) After Tax	996	329	2,006	1,700
Net Profit / (loss) for The Period	996	329	2,006	1,700
Net EPS / (loss) (sen)				
Basic	0.59	0.20	1.20	1.01
Diluted	0.59	0.20	1.20	1.01
Dividend Per Share	-	-	-	-

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 Dec 2011**

(The figures have not been audited)

	As at end of current quarter 31/12/2011 RM'000	Audited As at 31/12/2010 RM'000
PROPERTY, PLANT AND EQUIPMENT	29,797	23,971
Deferred Tax Assets	1,728	2,260
CURRENT ASSETS		
Inventories	7,372	7,175
Trade receivables	4,933	10,120
Other receivables, deposits and prepayments	1,554	742
Taxation		2
Deposits, cash and bank balances	4,127	4,027
	17,986	22,066
CURRENT LIABILITIES		
Trade payables	5,358	6,304
Other payables, deposits and accruals	2,262	2,782
Short term borrowings	5,699	7,416
Taxation	89	2
Term loan	1,897	1,897
Hire purchase creditors	124	177
	15,430	18,578
NET CURRENT ASSETS	2,556	3,488
LONG TERM LIABILITIES		
Long term borrowings	7,086	5,051
Hire purchase creditors	239	110
Deferred taxation	1,456	1,262
	8,780	6,423
	25,301	23,295
Financed by:		
SHARE CAPITAL	16,782	16,782
Capital Reserves	5,410	5,410
Retained Earnings	3,110	1,104
TOTAL SHAREHOLDERS' EQUITY	25,301	23,295
Net Assets per Share of RM0.10 each (RM)	0.15	0.14

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE PERIOD ENDED 31 Dec 2011

	12 Months ended 31/12/2011 RM'000	12 Months ended 31/12/2010 RM'000
Profit / (loss) before tax	2,890	1,537
Adjustments for:-		
Non-cash items - Depreciation	1,816	1,492
Operating profit before changes in working capital	<u>4,706</u>	<u>3,029</u>
Net Change in current assets	4,178	16,810
Net Change in current liabilities	(1,465)	(2,022)
Cash (used in)/generated from operations	<u>7,419</u>	<u>14,788</u>
Taxation	(69)	(13)
Net cash generated from operating activities	<u>7,349</u>	<u>17,804</u>
Investing Activities		
(Acquisition) / Disposal of property, plant & equipment	(7,643)	(839)
Net cash (used in)/generated from investing activities	<u>(7,643)</u>	<u>(839)</u>
Financing Activities		
Drawdown / (Repayment) of hire purchase creditors - Net	76	(882)
Drawdown / (Repayment) of term loan - Net	2,034	(8,487)
Incidental cost to capital reduction	-	(138)
Drawdown / (Repayment) of other bank borrowings	(1,717)	(4,823)
Net cash used in financing activities	<u>394</u>	<u>(14,330)</u>
Net change in cash and cash equivalents	100	2,634
Cash and cash equivalents b/f	4,027	1,393
Cash and cash equivalents c/f	<u>4,127</u>	<u>4,027</u>

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

	31/12/2011 RM'000	31/12/2010 RM'000
Deposits, cash and bank balances	4,127	4,027
Bank overdrafts	-	-
	<u>4,127</u>	<u>4,027</u>



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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 Dec 2011

	Share capital RM'000	Capital Reserves RM'000	Retained earnings RM'000	Total RM'000
12 Months ended 31/12/2011				
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	-	-	2,006	2,006
Net Movement During the year	-	-	2,006	2,006
Balance as at 31 Dec 2011	16,782	5,410	3,110	25,301

**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	-
Profit for the year as per Income Statement			1,700	1,700
Net Movement During the year	(67,126)	5,410	63,416	1,700
Balance as at 31 Dec 2010	16,782	5,410	1,104	23,295

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 RM19.871 million and RM1.88 million respectively. The Group recorded revenue of RM20.942 mil and profit before tax of RM0.177 mil in the previous year corresponding quarter.

The huge increase in the current quarter profit before tax is mainly due to receipt of insurance compensation of RM1.6 million for loss of profit cover arising from the fire incident which occurred in 2009.

The price of raw latex remained highly volatile in 2011 which had a direct impact on the performance of the Group.

The Group is currently experiencing shortage of labour which indirectly affects its capacity to meet any additional demand.

14. Variation of Results Against Preceding Quarter

The revenue in Quarter 4 increased from RM14.419 mil to RM19.871 mil and profit before tax increased from RM0.186 mil to RM1.88 mil. The increase in revenue was mainly due to seasonally higher sales during the year end period.

The increase in profit before tax is mainly due to receipt of insurance compensation of RM1.6 million for loss of profit cover arising from the fire incident which occurred in 2009.

15. Current Year Prospects

In view of the current uncertainties in the world economy, the Board expects challenging times ahead in the coming months. The changes in any of the following factors may have a direct impact on the performance of the Group in 2012

- i) Increase in the raw latex price due to recent Government intervention in Thailand.
- ii) The changes in exchange rate especially the US Dollar which remains the main foreign currency for our export business. Nevertheless, the Group has implemented forex hedging to mitigate extreme fluctuations in the exchange rate.

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

- iii) The availability of additional foreign labour. Currently the Government has temporarily stopped Malaysian companies from importing new foreign labour. As a result the Group is unable to obtain new labour to replace those who had returned after completion of their contract. This may affect the capacity of the Group to continue meeting its demand.

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	(1,456)
- Recognition of deferred tax assets on adjusted business loss and net balancing charge	1,728
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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.

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

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	5,699
Long term loans due within twelve months	1,897
Hire purchase creditors	124

	7,720
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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	8,983
Less : Portion due within twelve months	(1,897)

Portion due after twelve months	7,086
Hire purchase creditors payable after one year	239

Total	7,325
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22. Financial Instruments under FRS 139

As at 31 Dec 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	1,426	1,381	(45)
	- 1 year to 3 years	-	-	-
	- More than 3 years	-	-	-
2	Trade related balances	899	923	24
	Total	2,325	2,304	(21)

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

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. Breakdown of Realised and Unrealised profits or loss

The breakdown of the retained earnings / (accumulated loss) of the Group as at 31 Dec 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	<u>RM '000</u>
- Realised	22,796
- Unrealised gains / (loss)	<u>(21)</u>
	22,775
Less: Consolidated adjustments	<u>(19,665)</u>
Retained earnings / (accumulated losses)	<u>3,110</u>

24. Material Litigation

The Group does not have any material litigation as at 28 Feb 2012.

25. Dividend

No dividend has been declared for the quarter under review.

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

26. 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 2011 RM'000
Profit / (loss) After Taxation	2,006
Number of ordinary shares of RM0.10 each	167,816
Net EPS (sen)	
Basic	1.20
Diluted	1.20

By Order of the Board

Eric Lee
Managing Director

28 Feb 2012