

**LEE SWEE KIAT GROUP BERHAD** (Co No: 607583-T)**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 Mar 2012**

(The figures have not been audited)

	Individual Period 3 Months ended		Cumulative Period 3 Months ended	
	31/03/2012 RM'000	31/03/2011 RM'000	31/03/2012 RM'000	31/03/2011 RM'000
Revenue	14,779	13,502	14,779	13,502
Operating profit	625	315	625	315
Other income	73	34	73	34
Finance Cost	(204)	(166)	(204)	(166)
Profit / (loss) Before Tax	494	183	494	183
Income Tax	-	-	-	-
Profit / (loss) After Tax	494	183	494	183
Net Profit / (loss) for The Period	494	183	494	183
Net EPS / (loss) (sen)				
Basic	0.29	0.11	0.29	0.11
Diluted	0.29	0.11	0.29	0.11
Dividend Per Share	-	-	-	-

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 Mar 2012**

(The figures have not been audited)

	As at end of current quarter 31/03/2012 RM'000	Audited As at 31/12/2011 RM'000
PROPERTY, PLANT AND EQUIPMENT	30,907	31,164
Deferred Tax Assets	1,728	1,728
<b>CURRENT ASSETS</b>		
Inventories	6,249	7,407
Trade receivables	4,180	5,655
Other receivables, deposits and prepayments	1,809	1,183
Taxation		3
Deposits, cash and bank balances	4,900	4,131
	<u>17,138</u>	<u>18,379</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	5,690	6,030
Other payables, deposits and accruals	1,956	3,293
Short term borrowings	5,042	5,699
Taxation	32	93
Term loan	1,265	1,265
Hire purchase creditors	121	124
	<u>14,105</u>	<u>16,504</u>
<b>NET CURRENT ASSETS</b>	3,033	1,875
<b>LONG TERM LIABILITIES</b>		
Long term borrowings	8,151	7,718
Hire purchase creditors	211	239
Deferred taxation	1,456	1,456
	<u>9,819</u>	<u>9,412</u>
	<u>25,849</u>	<u>25,355</u>
Financed by:		
SHARE CAPITAL	16,782	16,782
Capital Reserves	5,410	5,410
Retained Earnings	<u>3,658</u>	<u>3,163</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	25,849	25,355
Net Assets per Share of RM0.10 each (RM)	<u>0.15</u>	<u>0.15</u>

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS  
FOR THE PERIOD ENDED 31 Mar 2012

	3 Months ended 31/03/2012 RM'000	3 Months ended 31/03/2011 RM'000
Profit / (loss) before tax	494	183
Adjustments for:-		
Non-cash items - Depreciation	461	440
Operating profit before changes in working capital	<u>955</u>	<u>623</u>
Net Change in current assets	2,007	37
Net Change in current liabilities	(1,678)	(138)
Cash (used in)/generated from operations	<u>1,284</u>	<u>523</u>
Taxation	(57)	(34)
Net cash generated from operating activities	<u>1,227</u>	<u>488</u>
<b>Investing Activities</b>		
(Acquisition) / Disposal of property, plant & equipment	(204)	(708)
Net cash (used in)/generated from investing activities	<u>(204)</u>	<u>(708)</u>
<b>Financing Activities</b>		
Drawdown / (Repayment) of hire purchase creditors - Net	(31)	(93)
Drawdown / (Repayment) of term loan - Net	434	(474)
Drawdown / (Repayment) of other bank borrowings	(657)	260
Net cash used in financing activities	<u>(254)</u>	<u>(307)</u>
	<u>769</u>	<u>(527)</u>
Net change in cash and cash equivalents		
Cash and cash equivalents b/f	4,131	4,027
Cash and cash equivalents c/f	<u>4,900</u>	<u>3,501</u>

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

	31/03/2012 RM'000	31/03/2011 RM'000
Deposits, cash and bank balances	4,900	3,501
Bank overdrafts	-	-
	<u>4,900</u>	<u>3,501</u>
	-	-



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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 Mar 2012

	Share capital RM'000	Capital Reserves RM'000	Retained earnings RM'000	Total RM'000
<b>3 Months ended 31/03/2012</b>				
Balance as at 31 Dec 2011	16,782	5,410	3,163	25,355
Movement during the period				
Profit for the year as per Income Statement	-	-	494	494
Net Movement During the year	-	-	494	494
Balance as at 31 Mar 2012	16,782	5,410	3,658	25,849

**3 Months ended  
31/03/2011**

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	-	-	183	183
Net Movement During the year	-	-	183	183
Balance as at 31 Mar 2011	16,782	5,410	1,287	23,478

NOTES TO THE INTERIM FINANCIAL REPORT

**1. Basis of Accounting and Accounting Policies.**

These condensed consolidated interim financial statements for the period ended 31 March 2012, have been prepared in accordance with MFRS 134, Interim Financial Reporting and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (Bursa Securities) Listing Requirements. For the periods up to and including the year ended 31 Dec 2011, the Group prepared its financial statements in accordance with applicable Financial Reporting Standards ("FRS").

This is the first time MFRS is applied to the Group for the condensed consolidated interim financial statements for the year ending 31 Dec 2012. MFRS 1 First time adoption of Malaysia Financial Reporting Standards ("MFRS 1") has been applied.

The transition from FRS to MFRS has not affected the Group's financial performance, and thus no reconciliation to the statement of comprehensive income is prepared. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

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

The financial statements of Group for the financial year ended 31 December 2011 have been reported without any audit qualification.

**3. Seasonal or Cyclical Factors**

The business activities of the Group tend to have higher sales near the year end festive season but are not significantly affected by any 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, latex and bedding 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**

	<b>RM' 000</b>
Corporate guarantees issued to licensed banks for credit facilities granted to subsidiaries	14,790

**13. Review of Financial Performance**

The revenue and profit before tax of the Group for the current quarter amounted to RM14,779 million and RM0.494 million respectively. The Group recorded revenue of RM13.502 mil and profit before tax of RM0.183 mil in the previous year corresponding quarter. This represents an increase of 9.5% and 170% respectively.

The price of raw latex had softened in early 2012 which resulted in higher operating profit for the current quarter.

The continued branding exercise for our bedding brands also contributed positively to the improved operating margin for the Group for the current quarter under review.

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

The revenue for current quarter compared against preceding quarter decreased from RM19.871 mil to RM14.779 mil and profit before tax decreased from RM0.996 mil to RM0.494 mil. The decrease in revenue was mainly due to seasonally higher sales during the year end period.

The decrease in profit before tax is mainly due to receipt of one-off insurance compensation of RM1.6 million for loss of profit cover as well as a reversal of deferred taxation assets of RM0.725 million in the preceding quarter.

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

15. Current Year Prospects

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

- i) Fluctuation in the raw latex price.
- 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.
- 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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	272
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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.

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

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

The Group has appointed OSK Investment Bank, to arrange for a proposed special Bumiputera issue of 18,000,000 new ordinary shares of RM0.10 each in Lee Swee Kiat Group Bhd at an issue price to be determined later, to the Bumiputera Investors to be identified and / or approved by the Ministry of International Trade and Industry. The main purpose of this proposal is to meet the requirements by Securities Commission of an additional 9.69% of Bumiputera equity.

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	5,042
Long term loans due within twelve months	1,265
Hire purchase creditors	121
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	6,428
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The bankers acceptances and loans of LSKG bear interest at rates ranging from 4.2% 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	9,416
Less : Portion due within twelve months	(1,265)
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Portion due after twelve months	8,151
Hire purchase creditors payable after one year	211
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Total	8,362
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A. NOTES TO THE INTERIM FINANCIAL REPORT (cont'd)

22. Financial Instruments under FRS 139

As at 31 Mar 2012, 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	1,837	1,843	6
	- 1 year to 3 years	-	-	-
	- More than 3 years	-	-	-
2	Trade related balances	2,103	2,089	(14)
	Total	3,940	3,932	(8)

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 Mar 2012 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>RM '000</b>
- Realised	23,331
- Unrealised gains / (loss)	<u>(8)</u>
	23,323
Less: Consolidated adjustments	<u>(19,665)</u>
Retained earnings / (accumulated losses)	<u>3,658</u> -----

24. Material Litigation

The Group does not have any material litigation as at 22 May 2012.

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

**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 31 Mar 2012 RM'000
Profit / (loss) After Taxation	494
Number of ordinary shares of RM0.10 each	167,816
Net EPS (sen)	
Basic	0.29
Diluted	0.29

By Order of the Board

**Eric Lee**  
**Managing Director**

22 May 2012