



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

Condensed Consolidated Statement of Comprehensive Income

For the Period Ended 31 Mar 2022

(The figures have not been audited)

	Individual Period		Changes %	Cumulative Period		Changes %
	1st Quarter			YTD		
	31/03/2022	31/3/2021		31/03/2022	31/3/2021	
	RM'000	RM'000		RM'000	RM'000	
Revenue	30,567	26,269	16.4%	30,567	26,269	16.4%
Operating profit	4,033	3,447	17.0%	4,033	3,447	17.0%
Other income	440	287	53.5%	440	287	53.5%
Finance Cost	(88)	(98)	-11.1%	(88)	(98)	-11.1%
Profit Before Tax	4,385	3,636	20.6%	4,385	3,636	20.6%
Income Tax	(719)	(582)	23.6%	(719)	(582)	23.6%
Profit after tax and before minority interests	3,666	3,054	20.1%	3,666	3,054	20.1%
Minority interests	18	17	3.3%	18	17	3.3%
Profit attributable to Ordinary Equity holders of the parent	3,684	3,071	20.0%	3,684	3,071	20.0%
Earnings per share (sen)						
Basic	2.28	1.90	20.0%	2.28	1.90	20.0%
Diluted	2.28	1.90	20.0%	2.28	1.90	20.0%
Dividend Per Share (sen)						



LEE SWEE KIAT GROUP BERHAD (CO NO: 607583-T)

Condensed Consolidated Statement of Financial Position

As at 31 Mar 2022

(The figures have not been audited)

	As at end of current quarter 31/03/2022 RM'000	Audited As at 31/12/2021 RM'000
Property, Plant and Equipment	39,068	39,503
Intangible Assets	5,858	5,858
Goodwill on consolidation	176	176
Right-of-use Assets	3,824	4,132
Trade receivables	1,434	-
Deferred Tax Assets	18	18
	50,378	49,687
CURRENT ASSETS		
Inventories	16,213	14,960
Trade receivables	13,859	12,822
Other receivables, deposits and prepayments	3,145	2,598
Taxation	662	151
Deposits, cash and bank balances	18,337	21,136
	52,216	51,667
CURRENT LIABILITIES		
Trade payables	15,661	16,448
Other payables, deposits and accruals	4,045	4,890
Short term borrowings	8,169	4,494
Taxation	927	437
Short term lease liabilities	2,052	1,978
	30,854	28,247
NET CURRENT ASSETS	21,362	23,421
LONG TERM LIABILITIES		
Long term borrowings	5,359	5,980
Long term lease liabilities	1,852	2,221
Deferred taxation	2,882	2,882
	10,093	11,083
	61,647	62,025
Financed by:		
Share Capital	16,782	16,782
Treasury shares	(2,594)	(2,594)
Capital Reserves	5,410	5,410
Retained Earnings	41,897	42,257
Minority Interest	153	170
TOTAL SHAREHOLDERS' EQUITY	61,647	62,025
Net Assets per Share (RM)	0.38	0.38



LEE SWEE KIAT GROUP BERHAD (CO NO: 607583-T)

Condensed Consolidated Cashflow Statement
For the Period Ended 31 Mar 2022

	Period ended 31/03/2022 RM'000	Period ended 31/12/2021 RM'000
Profit / (loss) before tax	4,385	3,636
Adjustments for:-		
Non-cash items - Depreciation	684	766
- Depreciation of right of use assets	677	683
Operating profit before changes in working capital	<u>5,747</u>	<u>5,084</u>
Net Change in current assets & receivables	(4,271)	(1,884)
Net Change in current liabilities	(1,631)	(3,232)
Cash (used in)/generated from operations	<u>(155)</u>	<u>(31)</u>
Taxation	(740)	(380)
Net cash generated from operating activities	<u>(896)</u>	<u>(4,455)</u>
Investing Activities		
(Acquisition) / Disposal of property, plant & equipment	(248)	(587)
Changes in Right-of-use assets	(369)	(330)
Net cash (used in)/generated from investing activities	<u>(618)</u>	<u>(917)</u>
Financing Activities		
Drawdown / (Repayment) of lease liabilities	(295)	(371)
Drawdown / (Repayment of bank borrowings)	3,054	2,452
Cash used in Share buyback	-	0
Payment of Dividend	(4,044)	(4,044)
Net cash generated from / (used in) financing activities	<u>(1,285)</u>	<u>2,081</u>
Net change in cash and cash equivalents	(2,798)	(3,291)
Cash and cash equivalents b/f	21,136	24,509
Cash and cash equivalents c/f	<u>18,337</u>	<u>21,218</u>

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

	31/03/2022 RM'000	31/03/2021 RM'000
Deposits, cash and bank balances	18,337	21,218
Bank overdrafts	-	-
	<u>18,337</u>	<u>21,218</u>



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

Consolidated Statement of Changes in Equity For the Period Ended 31 Mar 2022

Period ended 31/03/2022	Share capital RM'000	Treasury shares RM' 000	Capital Reserves RM'000	Retained earnings RM'000	Minority Interest RM'000	Total RM'000
Balance b/f	16,782	(2,594)	5,410	42,257	170	62,025
Movement during the period						
Profit for the year as per Income Statement			-	3,684	(18)	3,666
Acquisition of new subsidiary						-
Acquisition of treasury shares		-				-
Dividend Payment				(4,044)		(4,044)
Net Movement During the year	-	-	-	(360)	(18)	(378)
Balance c/f	16,782	(2,594)	5,410	41,897	153	61,647

Period ended 31/03/2021	Share capital RM'000	Treasury shares RM' 000	Capital Reserves RM'000	Retained earnings RM'000	Minority Interest RM'000	Total RM'000
Balance b/f	16,782	(2,594)	5,410	38,703	250	58,550
Movement during the period						
Profit for the year as per Income Statement			-	3,071	(17)	3,054
Acquisition of new subsidiary						-
Acquisition of treasury shares		-				-
Dividend Payment				(4,044)		(4,044)
Net Movement During the year	-	-	-	(973)	(17)	(990)
Balance c/f	16,782	(2,594)	5,410	37,730	233	57,560

Notes to Quarterly Report

1. Basis of Accounting and Accounting Policies.

These condensed consolidated interim financial statements for the period ended 31 Mar 2022, have been prepared in accordance with MRFS 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 2021, the Group prepared its financial statements in accordance with applicable Malaysian Financial Reporting Standards ("MFRS")

2. Audit Report on Financial Statements.

The financial statements of the Group for the financial year ended 31 December 2021 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. Segmental Information for the Current Financial Period

No segmental information is presented, as the Group is principally involved in latex bedding business with operations in Malaysia and no overseas plant or office.

8. Valuation of Property, Plant & Equipment

All assets under the Group have not been revalued and are carried at historical cost.

9. Effect of Changes in the Composition of the Group

There is no change in the composition of the Group during the period under review.

10. Status of the Corporate Proposals

There is no corporate proposal being undertaken by the Group as at the reporting date.

11. Profit Forecast / Guarantee

Not applicable.

Notes to Quarterly Reports (cont'd)

12. Discussion and Analysis on Group's Financial Performance

a) Financial review for current quarter and financial year to date

The revenue of the Group for the current quarter increased by 16.4% to RM30.567 million against RM26.269 million in the previous year corresponding quarter. The profit before tax for the current quarter increased by 20.6% to RM4.385 million from RM3.636 million in the previous year corresponding quarter.

The main factors affecting the financial performances are as follow

- i) The market condition – The Group was having strong domestic sales in Q1 of 2022 with the re-opening up of market post Movement Control Order "MCO". The rebound in demand was broad-base with majority of our sales channels showing improved performance.
- ii) Level of operating activities – The Group was operating at satisfactory level in Q1 of 2022 without much limitation.
- iii) Key factors affecting revenue, costs and profit margin
 - a. The average latex price has remained fairly stable in Q1 of 2022 compared to Q4 of 2021.
 - b. There is no significant change in staff costs for the period under review.
 - c. The finance cost has decreased slightly for the period under review compared to previous year corresponding period, mainly due to lower interest rates.
- iv) Unusual or one-off issue – There is no unusual or one-off issue for the period under review.
- v) Diversification or penetration into new market – there is no diversification or new market penetration for the period under review
- vi) Merger and acquisition exercises – There is no Merger and acquisition exercise during the period under review.
 The Group entered into an asset purchase agreement on 27 Jun 2019 to acquire the business of Italhouse furniture retail group through a 70:30 joint venture with the vendor, for a total purchase consideration of approximately RM4.9 million. However, the vendor was unable to fulfill certain conditions precedent and thus the operations was not consolidated into the Group's account. The operation of Italhouse which was based mainly in Johor, remained extremely challenging with the closedown of border with Singapore since 2020. With more than 50% market depending on Singaporean buyers as well as Malaysian working in Singapore, the closedown of border is disastrous to Italhouse's operation. For the 18 months ended 31 Dec 21, Italhouse was forced to close down some stores with heavy write down of renovation assets. These have resulted in the hefty impairment of RM2.7 million impairment charge for the investment in Italhouse in Q4 of 2021. There is no impairment for the period under review.
- vii) New contracts / termination of existing contract – there is no significant new contract or termination of existing contract for the period under review, save for item vi) above.
- viii) Impairment of Assets or receivables – there is no impairment of Assets or receivables for the period under review.
- ix) Fair value gain / loss on investment – there is no fair value gain or loss on investment for the period under review, except the Italhouse impairment as disclosed in item vi) above.
- x) Foreign labour issue – the Group is facing increasing minimum wage issue as well as the temporary freeze of all new foreign labour intake. The Group is actively taking steps to mechanize and automate its operations to mitigate the issue and increase productivity and efficiencies

Notes to Quarterly Reports (cont'd)
13. Financial Review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes %
	31/03/2022	31/12/2021	
	RM' 000	RM' 000	
Revenue	30,567	32,619	- 6.3%
Operating Profit	4,033	988	+ 308.2%
Other Income	440	1,134	- 61.2%
Finance cost	(88)	(69)	+ 27.5%
Profit Before Tax	4,385	2,052	+ 113.7%
Profit After Tax	3,666	1,642	+ 123.3%
Profit Attributable to Ordinary Equity Holders of the Parent	3,684	1,633	+ 125.6%

The revenue for current quarter decreased by 6.3% to RM30.567 million from RM32.619 million in the preceding quarter. Profit before tax increased by 113.7% from RM2.052 million to RM4.385 million against preceding quarter mainly due to previous quarter was affected by one-off impairment charge of RM2.7 million on the investment in Italhouse.

14. Other Income / Expenses

	Current Quarter	Preceding year Corresp'g quarter
	RM' 000	RM' 000
Interest income	40.6	50.8
Other income	399.7	236.0
Changes in (Provision for)/recovery of doubtful debts	-	-
Gain/ (loss) on disposal of Fixed assets	-	-
Changes in (Provision for)/recovery of Stocks	-	-

The other income in current quarter includes transportation charge for certain retail customers and sale of scraps.

15. Deferred Taxation

The deferred tax liabilities on deductible temporary differences recognised in the financial statements as required under the MFRS 112 were as follows: -

	YTD ended 31 Mar 2022
Tax effect of	RM' 000
Excess of capital allowance over accumulated depreciation on property, plant & equipments	(2,882.1)
Recognition of deferred tax assets on adjusted business loss and net balancing charge	17.7
	(2,864.4)

16. Group Borrowings

a) The Group borrowings as at the end of the reporting quarter are as follows:

	As at 1 st Quarter ended 2022					
	Long Term		Short Term		Total Borrowings	
	Foreign deno' RM' 000	RM deno'n RM' 000	Foreign deno' RM' 000	RM deno'n RM' 000	Foreign deno' RM' 000	RM deno'n RM' 000
Secured	-	5,359	-	8,169	-	13,528
Unsecured	-	-	-	-	-	-

Notes to Quarterly Reports (cont'd)

	As at 1 st Quarter ended 2021					
	Long Term		Short Term		Total Borrowings	
	Foreign deno RM' 000	RM deno'n RM' 000	Foreign deno RM' 000	RM deno'n RM' 000	Foreign deno RM' 000	RM deno'n RM' 000
Secured	-	6,615	-	3,351	-	9,966
Unsecured	-	-	-	-	-	-

b) Group net gearing or net cash position

	Current Quarter	Preceding year Corresp'g quarter
	RM' 000	RM' 000
Total borrowings	(13,528)	(9,966)
Cash	18,337	21,218
Net (Borrowings)/ Cash	4,809	11,252
Net Assets	61,647	57,560
Net Gearing Ratio	Net cash	Net cash

Commentaries on Group Borrowings and Debt Securities

- i) Total borrowings increased from RM9.966 million to RM13.528 million against previous year corresponding quarter due higher trade receivables and stock holdings, mainly resulting from the Cuckoo Napure mattress collaboration.
- ii) The net cash position decreased to RM4.809 million in Q1 of 2022 from RM11.252 million in previous year corresponding quarter mainly due to the Cuckoo Napure mattress collaboration.
- iii) The interest rates remain fairly stable for the period under review. Some of the term loan interest is calculated after netting off the cash balance in specific bank accounts, thus resulting in savings in overall interest costs.
- iv) The Group occasionally financed certain import purchase denominated in USD using Foreign Currency Trade Loan (FCTL). The Group is having more USD proceeds from export than USD imports thus is practicing natural hedging for USD imports as well as settlement of FCTL.

17. Contingent Liabilities

Corporate guarantees issued to licensed banks for credit facilities granted to subsidiaries	RM' 000 13,528
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18. Financial Instruments under MFRS 139

As at 31 Mar 2022, the unrealized gains or loss for the Group is as follows

	Derivatives / year end balances	Contract value (RM' 000)	Balance Sheet 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	-	(508.2)	(514.3)	(6.1)
	Total		(508.2)	(514.3)	(6.1)

19. Foreign Exchange Exposure / Hedging Policy

Notes to Quarterly Reports (cont'd)

The main export currency is USD. The Group has imports in USD for certain of its raw materials and trading goods. The Group practices natural hedging for export proceeds with import payments and may occasionally hedge some of the expected excess USD proceeds.

20. Trade Receivables

The Group practices prudent credit control with average debtor days of within 1-2 months. The increase in total trade receivables compared to previous year corresponding quarter was mainly due to the financing of Cuckoo Napure mattress collaboration under the rental model. Under this rental sharing model, the collection would be spread over 36 months and the Group would recognize profit spreading over the period.

During the period under review, there is no material provision and write-off of trade receivables.

21. Related Party Transactions

There is no significant related party transactions during the period under review, save for some tenancy agreements.

22. Material Impairment of Assets

There is no material impairment of Assets during the period under review.

23. Prospects for the Current Financial Year

The Board expects that the changes in any of the following factors may have a direct impact on the performance of the Group in 2022 :

- i) Any resurgence of The Covid 19 or other pandemic that may result in lockdowns of operations by the Government.
- ii) Key Raw Material – The fluctuation of the centrifuged latex price which is the main raw materials for the Group's operation. For the period under review, the average latex price was stable.
- iii) The Cuckoo Napure mattress collaboration – this is expected to be a strong growth pillar for the Group. Any increase in sales under this collaboration is expected to bring in significant income for the group in the following 3 years. With increased sales, the Group is expected to channel substantial working capital to finance this which would put our excess cash in hand into profitable use.
- iv) Foreign Exchange - The changes in exchange rate especially the US Dollar which remains the main foreign currency for our export business, would impact on the Group's operations and margins. Nevertheless, the Group is reasonably well balanced in exposure to foreign currency fluctuation due to the following reasons
 - a. Reasonably well balanced of export and local sales.
 - b. The natural hedging of USD by matching majority of imports and exports in same currency.
- v) Consumer sentiment and confidence level in spending.
- vi) Property sector - The health of the property sector will have direct impact on furnishing requirements, any recovery in the residential property sector would have positive impact on the Group performance.
- vii) Foreign workers – The imposition of the revised minimum wages to RM1,500 will bring extra operation cost to the Group. Nevertheless, the Group is well positioned at the premium bedding segment to absorb or pass on the cost increase.

Notes to Quarterly Reports (cont'd)

24. Material Litigation

The Group does not have any material litigation as at 23 May 2022.

25. Dividend

The interim tax-exempt dividend of 2.5 sen per ordinary shares for FY 2021 amounting to approximately RM4.04 million was paid on 31 Mar 2022.

The interim tax-exempt dividend of 2.5 sen per ordinary shares for FY 2020 amounting to approximately RM4.04 million was paid on 31 Mar 2021.

26. Significant Subsequent Events

There are no material events subsequent to the end of the period under review which have not been reflected in this interim financial report.

27. 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 161,755,304 in issue (net of treasury shares).

	YTD ended 31 Mar 2022
	RM' 000
Profit attributable to ordinary equity holders of the parent	3,684
No of Ordinary shares of RM0.10 each (net of treasury shares)	161,755
Net EPS - Basic (sen)	2.28
Net EPS – Diluted (sen)	2.28

By Order of the Board

Dato' Eric Lee
Managing Director

23 May 2022