

**SWS CAPITAL BERHAD (502246-P)**  
**Condensed Consolidated Statement of Financial Position**  
**As At 28 February 2015**

	Unaudited As At 28.02.2015	Audited As At 31.08.2014
	RM	RM
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	39,251,660	38,873,709
Investment properties	3,983,000	3,983,000
Deferred tax assets	646,000	646,000
	<u>43,880,660</u>	<u>43,502,709</u>
Sub-total		
<b>Current Assets</b>		
Inventories	35,742,528	34,001,794
Trade and other receivables	14,646,472	14,465,938
Other current assets	3,651,473	4,455,807
Tax Recoverable	458,963	369,197
Derivatives financial instruments at fair value	-	18,759
Cash and bank balances	9,142,079	4,906,467
Fixed deposits with licensed bank	823,795	523,795
Asset classified as held for sale	-	618,332
	<u>64,465,310</u>	<u>59,360,089</u>
Sub-total		
<b>TOTAL ASSETS</b>	<b><u>108,345,970</u></b>	<b><u>102,862,798</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Parent</b>		
Share capital	63,252,750	63,252,750
Share premium	12,494,536	12,494,536
Revaluation Reserve	239,000	239,000
Accumulated losses	(11,305,205)	(12,587,265)
	<u>64,681,081</u>	<u>63,399,021</u>
Sub-total		
Non-controlling interest	4,656,390	4,067,715
	<u>69,337,471</u>	<u>67,466,736</u>
<b>Total Equity</b>		
<b>LIABILITIES</b>		
<b>Non-current Liabilities</b>		
Loans and borrowings	2,686,382	1,702,212
Deferred tax liabilities	988,096	988,096
	<u>3,674,478</u>	<u>2,690,308</u>
Sub-total		
<b>Current Liabilities</b>		
Trade and other payables	9,950,560	13,923,216
Tax payables	217,036	-
Derivatives financial instruments at fair value	78,831	-
Loans and borrowings	25,087,594	18,782,538
	<u>35,334,021</u>	<u>32,705,754</u>
Sub-total		
Net Current Assets	29,131,289	26,654,335
Total Liabilities	39,008,499	35,396,062
	<u>69,337,471</u>	<u>67,466,736</u>
<b>Net Assets</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>108,345,970</u></b>	<b><u>102,862,798</u></b>
<b>Net asset per share attributable to Owners of the Parent (In RM)</b>	<b>0.5113</b>	<b>0.5012</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2014)

**SWS CAPITAL BERHAD (502246-P)**  
**Condensed Consolidated Statement of Comprehensive Income**  
**For the quarter ended 28 February 2015**  
**(Unaudited)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	28.02.2015	28.02.2014	28.02.2015	28.02.2014
	RM	RM	RM	RM
Revenue	29,828,794	31,667,384	62,480,881	64,253,631
Cost of Sales	(24,916,713)	(26,440,766)	(52,568,378)	(53,146,274)
<b>Gross Profit</b>	<b>4,912,081</b>	<b>5,226,618</b>	<b>9,912,503</b>	<b>11,107,357</b>
Administration expenses	(3,230,391)	(2,724,488)	(5,341,118)	(4,761,576)
Selling and distribution expenses	(1,544,583)	(1,660,363)	(3,283,762)	(3,147,847)
Finance costs	(234,302)	(204,429)	(432,026)	(462,170)
Other income	861,774	646,853	1,283,134	633,539
<b>Profit before tax</b>	<b>764,579</b>	<b>1,284,191</b>	<b>2,138,731</b>	<b>3,369,303</b>
Income tax expenses	(33,996)	(282,196)	(267,996)	(512,196)
<b>Profit for the period</b>	<b>730,583</b>	<b>1,001,995</b>	<b>1,870,735</b>	<b>2,857,107</b>
<b>Total Comprehensive Income for the period</b>	<b>730,583</b>	<b>1,001,995</b>	<b>1,870,735</b>	<b>2,857,107</b>
Profit attributable to :				
Owners of the Parent	403,292	739,792	1,282,060	2,181,695
Non-Controlling Interest	327,291	262,203	588,675	675,412
	<b>730,583</b>	<b>1,001,995</b>	<b>1,870,735</b>	<b>2,857,107</b>
Total Comprehensive Income attributable to :				
Owners of the Parent	403,292	739,792	1,282,060	2,181,695
Non-Controlling Interest	327,291	262,203	588,675	675,412
	<b>730,583</b>	<b>1,001,995</b>	<b>1,870,735</b>	<b>2,857,107</b>
Basic Earnings per share (in sen)	0.32	0.58	1.01	1.72
Fully diluted Earnings per share (in sen)	0.32	0.58	1.01	1.72

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2014)

**SWS CAPITAL BERHAD (502246-P)**  
**Condensed Consolidated Statement of Changes In Equity**  
**For the quarter ended 28 February 2015**  
**(Unaudited)**

	Attributable to Owners of the Parent					Total RM	Non-Controlling Interest RM	Total Equity RM
	Share Capital RM	Share Premium RM	Revaluation reserve RM	Accumulated Losses RM	Total RM			
Balance as at 1 September 2014	63,252,750	12,494,536	239,000	(12,587,265)	63,399,021	4,067,715	67,466,736	
Total Comprehensive Income for the period	-	-	-	1,282,060	1,282,060	588,675	1,870,735	
<b>Balance as at 28 February 2015</b>	<b>63,252,750</b>	<b>12,494,536</b>	<b>239,000</b>	<b>(11,305,205)</b>	<b>64,681,081</b>	<b>4,656,390</b>	<b>69,337,471</b>	
Balance as at 1 September 2013	63,252,750	12,494,536	-	(15,958,224)	59,789,062	2,968,689	62,757,751	
Total Comprehensive Income for the period	-	-	-	2,181,695	2,181,695	675,412	2,857,107	
<b>Balance as at 28 February 2014</b>	<b>63,252,750</b>	<b>12,494,536</b>	<b>-</b>	<b>(13,776,529)</b>	<b>61,970,757</b>	<b>3,644,101</b>	<b>65,614,858</b>	

(The Condensed Consolidated Statement of Change In Equity should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2014)

**SWS CAPITAL BERHAD (502246-P)**  
**Condensed Consolidated Cash Flows Statement**  
**For the quarter ended 28 February 2015**  
**(Unaudited)**

	CUMULATIVE QUARTERS	
	28.02.2015	28.02.2014
	RM	RM
Cash flows from operating activities		
Profit before taxation	2,138,731	3,369,303
Adjustments for :		
Allowance for doubtful debts	-	169,591
Bad debts recovered	(4,438)	-
Depreciation of property, plant and equipment	1,343,966	1,168,232
Fair value loss/ (gain) on financial instruments measured at fair value	97,590	(81,093)
Gain on disposal of property, plant & equipments	(96,935)	(10,100)
Gain on disposal of assets held for sale	(281,668)	-
Impairment loss on property, plant & equipment	-	87,000
Finance costs	432,026	462,170
Interest income	(5,393)	-
Inventories written down	-	330,534
Unrealised foreign exchange loss/ (gain)	239,473	(125,251)
Operating cash flows before changes in working capital	<u>3,863,352</u>	<u>5,370,386</u>
(Increase) / Decrease in inventories	(1,740,737)	1,067,279
(Increase) / Decrease in receivables	(415,567)	3,161,182
Decrease in other current assets	804,334	-
Decrease in payables	<u>(3,972,656)</u>	<u>(3,259,939)</u>
<b>Cash flows (used in) /from operations</b>	<b>(1,461,274)</b>	<b>6,338,908</b>
Income tax (paid) / refund	(140,726)	12,375
Interest paid	<u>(432,026)</u>	<u>(462,170)</u>
<b>Net cash flows (used in) / from operating activities</b>	<b><u>(2,034,026)</u></b>	<b><u>5,889,113</u></b>
Purchase of property, plant and equipment	(1,765,882)	(531,454)
Proceeds from disposal of property, plant and equipment	140,900	1,460,100
Proceeds from disposal of assets classified as held for sales	900,000	-
Net increase in fixed deposits pledged	<u>(300,000)</u>	<u>-</u>
<b>Net cash flows (used in) / from investing activities</b>	<b><u>(1,024,982)</u></b>	<b><u>928,646</u></b>
Increase/ (decrease) in short term borrowings	5,575,076	(3,763,093)
Addition/ (repayment) of term loans	554,088	(330,582)
Repayment of obligations under finance lease	(142,743)	(175,961)
Interest received	5,393	-
<b>Net cash flows from/ (used in) financing activities</b>	<b><u>5,991,814</u></b>	<b><u>(4,269,636)</u></b>
Net increase in cash and cash equivalents	2,932,806	2,548,123
Cash and cash equivalents at beginning of financial period	3,631,883	3,002,118
Cash and cash equivalents at end of financial period	<b><u>6,564,689</u></b>	<b><u>5,550,241</u></b>

Cash and cash equivalents included in the cash flow statements comprise the followings:

Bank and cash balances	9,142,079	5,983,283
Less: Bank Overdrafts	<u>(2,577,390)</u>	<u>(433,042)</u>
	<b><u>6,564,689</u></b>	<b><u>5,550,241</u></b>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2014.)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2015**

**PART A – EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL  
REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING**

**A1. BASIS OF PREPARATION**

These condensed consolidation interim financial statements, for the period ended 28 February 2015, have been prepared in accordance with MFRS134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The consolidated financial statements of the Group for the year ended 31 August 2014 are available upon request from the Company registered office at No. 7 (1<sup>st</sup> Floor), Jalan Pesta 1/1, Taman Tun Dr Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Ta’zim.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 August 2014.

The interim financial statements should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 August 2014.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 August 2014 and include the adoption of MFRS Framework and Interpretation which applicable to the Group. The adoption of MFRS, amendments to MFRSs and Interpretation Committee Interpretations do not have material impact on the financial statement in the period of initial application.

**A3. AUDITORS’ REPORT**

The audited financial statements for the financial year ended 31 August 2014 was not subject to any qualification.

**A4. SEASONAL OR CYCLICAL FACTORS**

The Group's operation is seasonal and cyclical in nature whereby the performance for the second quarter (December to February) is normally poorer than the rest of the quarters. This is due mainly to the long festive holidays in Malaysia as well as lower demand for the export markets after Christmas and New Year celebration.

**A5. EXTRAORDINARY AND EXCEPTIONAL ITEMS**

There were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income, or cash flows in the interim financial period ended 28 February 2015.

**A6. CHANGES IN ESTIMATES OF AMOUNTS REPORTED**

There were no material changes in estimates of amounts reported in prior interim periods or prior financial year that have a material effect in the current financial period to-date.

**A7. CHANGES IN DEBT AND EQUITY SECURITIES**

There were no issuance, repurchase and repayment of debt and equity securities for the financial period-to-date.

**A8. DIVIDENDS PAID**

There were no dividends paid during the reporting period.

**A9. SEGMENTAL INFORMATION**

The Group operates principally within the business of design, manufacture and sale of leather upholstery and wooden furniture products in Malaysia. Accordingly, information by operating segments on the Group's operations as required by MFRS 8 is not presented.

**A10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM REPORT**

No materials events subsequent to the period ended 28 February 2015 that have not been reflected in the financial statements for the interim period.

**A11. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the financial period.

## A12. CHANGES IN CONTINGENT LIABILITIES/ASSETS

There were no changes in contingent liabilities/assets since previous reporting date and there were no contingent liabilities pending at the date of this report.

## A13. CAPITAL COMMITMENTS

Capital commitment not recognised in the current interim financial statements during the current reporting period is as follow:

Approved but not contracted for purchase of property RM 475,000

## A14. RELATED PARTY TRANSACTIONS

The Group's related party transactions in the current quarter and financial period-to-date are as follow:

Subsidiaries	Transacting parties	Relationship	Nature of transactions	Current quarter (RM)	Financial year-to-date (RM)
PKI	Dee Sin Agency	A firm in which Gan Poh Keong, a director of PKI, is sole proprietor	Foreign workers' expenses paid/ payable	12,237	122,865
PKI	Envision Enterprise	Director of PKI	Purchases of Hardware	19,517	49,345
PKI	Public Furniture Sdn. Bhd.	Director of PKI	Sales of Double Decker	800	1,440

The Group's key management personnel compensation is as follow:

Compensation paid/payable to key management personnel	Current quarter (RM)	Financial year-to-date (RM)
Short term employee benefits	879,781	1,359,914
Other employee benefits	44,148	79,344

**PART B - EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. PERFORMANCE REVIEW**

	Individual quarter		Cumulative quarter	
	28-Feb-15 (RM)	28-Feb-14 (RM)	28-Feb-15 (RM)	28-Feb-14 (RM)
Revenue	29,828,794	31,667,384	62,480,881	64,253,631
Profit before tax	764,579	1,284,191	2,138,731	3,369,303

The Group's revenue of RM29.8 million for the second quarter ended 28 February 2015 ("Q2 2015") decreased by 5.9% as compared to the revenue in the previous year's corresponding quarter ended 28 February 2014 ("Q2 2014") of RM31.67 million. The drop of Group revenue was mainly due to the lower sales in leather upholstery sofa, whereby it decreased by 5.8% from RM20.8 million in Q2 2014 to RM19.6 million in Q2 2015. The decrease of demand for leather upholstery sofa was caused by the lower purchasing power in Europe countries as a result of strong USD recently.

The Group's profit before tax for the Q2 2015 has decreased to RM0.76 million if compared to profit before tax of RM1.28 million recorded in the Q2 2014.

**B2. MATERIAL CHANGE IN PROFIT BEFORE TAX**

	Individual quarter		Changes
	28-Feb-15 (RM)	30-Nov-14 (RM)	
Profit before tax	764,579	1,374,152	(609,573)

The Group recorded profit before tax at RM 0.76 million for the quarter under review compared to RM1.37 million profit registered in the preceding quarter ended 30 November 2014.

The decrease of profit for this quarter was mainly due to the pay-out bonus and performance incentives during Chinese New Year which is approximately to RM500,000.



### **B3. PROSPECT FOR THE CURRENT FINANCIAL YEAR**

The Group is operating in global economic uncertainties as well as facing increases in its raw materials costs and fluctuation in foreign exchange rates. The Group had taken action to strengthen the procurement operations to further ensure the quality of raw materials that will meet the customers' satisfaction at competitive prices. The Group is continuing with the effort to develop new products and new design, drive better cost efficiencies and effective cost management across all divisions. The Group continues to stay focus on our strategy of introducing value-based products.

Barring unforeseen circumstances, the Board believes that the Group would continue to be profitable in the current financial year ending 31 August 2015.

### **B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

The Group did not issue any profit forecast or profit guarantee for the period.

### **B5. INCOME TAX EXPENSE**

	Current quarter RM	Financial year-to-date RM
Current taxation	(33,996)	(267,996)
Deferred taxation	0	0
	<u>(33,996)</u>	<u>(267,996)</u>

The Group's effective tax rate for the quarter under review was lower than the statutory tax rate mainly due to the utilisation of unabsorbed business losses and tax credits i.e. allowances for increased in exports and reinvestment allowances.

### **B6. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There was no sale of unquoted investments and/or properties by the Group for the current quarter.

### **B7. QUOTED SECURITIES**

There was no purchase or disposal of quoted securities by the Group for the current quarter.

### **B8. STATUS OF CORPORATE PROPOSALS**

There were no corporate proposals announced which remain uncompleted as at the date of this report.

## B9. GROUP'S BORROWINGS

The Group's borrowings, all denominated in Ringgit Malaysia, as at 28 February 2015 are as follow:

	RM
Secured Short Term Borrowings	25,087,594
Secured Long Term Borrowings	2,686,382
Total Borrowings	<u>27,773,976</u>

## B10. FINANCIAL INSTRUMENTS - DERIVATIVES

The Group uses derivative financial instruments, mainly foreign currency forward contracts to hedge its exposure to fluctuations in foreign exchange arising from sales. The Group does not hold or issue derivative financial instruments for trading purposes.

The details of the outstanding foreign currency forward contracts as at 28 February 2015 are as follows:-

	Notional Amount As At 28 February 2015	Fair Value As At 28 February 2015
Foreign currency forward contracts		
Less than 1 year :	1,181,275	1,278,865

The above instruments are executed with credit worthy financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength. There are also no cash requirements risks as the Group only uses foreign currency forward contracts as its hedging instruments. The fair value changes have been recognised in the profit and loss.

## B11. MATERIAL LITIGATION

There was no material litigation during the financial quarter.

## B12. DIVIDEND

No dividend was proposed by the Board of Directors for the current quarter under review.

**B13. REALISED AND UNREALISED PROFITS/(LOSS)**

Bursa Malaysia Securities Berhad ("Bursa Malaysia") has, on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of retained profits or accumulated losses into realised and unrealised in quarterly reports and annual audited financial statements.

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised losses is as follows:

	As at 28 Feb 2015 (RM)	As at 31 Aug 2014 (RM)
Total accumulated losses of the SWS Capital Berhad and its subsidiaries:		
- Realised	(10,626,046)	(12,839,454)
- Unrealised	(679,159)	252,189
Total group accumulated losses as per consolidated accounts	(11,305,205)	(12,587,265)

The determination of realised and unrealised profits is made based on the Guidance on Special Matter No. 1, *determination of Realised and Unrealised Profits or Losses in the Contest of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

**B14. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME**

Profit for the period has been arrived at after crediting / (charging):-

	Current quarter RM	Financial year-to-date RM
Bad debts recovered	0	4,438
Depreciation of property, plant and equipment	(685,186)	(1,343,966)
Fair value loss on financial instruments	(13,399)	(97,590)
Gain on disposal of property, plant and equipment	36,936	96,936
Gain on disposal of assets held for sale	0	281,668
Gain/ (loss) on foreign exchange		
Realised	520,368	520,368
Unrealised	141,585	(239,473)
Interest income	3,432	5,393
Finance costs	(234,302)	(432,026)
Rental received	42,780	74,980

**B15. EARNINGS PER SHARE*****Basic earnings per share***

The basic earnings per share is calculated by dividing the profit attributable to Owners of the Parent by the weighted average number of ordinary shares in issue during the period.

		Current quarter	Financial year-to-date
Earnings attributable to Owners of the Parent	(RM)	403,292	1,282,060
Weighted average number of shares	(shares)	126,505,500	126,505,500
Basic earnings per share	(sen)	0.32	1.01

***Diluted earnings per share***

The fully diluted earnings per share is the same as the basic earnings per ordinary share, as the effects of warrants are ignored as they are all anti-dilutive, in calculating the diluted earnings per ordinary share in accordance with MFRS 133 on Earnings per Share.

**Board of Directors  
SWS Capital Berhad  
23<sup>rd</sup> April 2015**