

**SWS CAPITAL BERHAD (502246-P)**  
**Condensed Consolidated Statement of Financial Position**  
**As At 30 November 2015**

	Unaudited As At 30.11.2015	Audited As At 31.08.2015
	RM	RM
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	44,110,026	40,767,084
Investment properties	4,088,000	4,088,000
Deferred tax assets	675,000	675,000
	<u>48,873,026</u>	<u>45,530,084</u>
Sub-total		
<b>Current Assets</b>		
Inventories	31,318,677	31,926,110
Trade and other receivables	20,132,768	15,729,169
Other current assets	2,030,786	3,250,843
Tax Recoverable	67,646	141,193
Cash and bank balances	18,487,467	6,856,382
Fixed deposits with licensed bank	842,674	1,145,510
	<u>72,880,018</u>	<u>59,049,207</u>
Sub-total		
	<u>121,753,044</u>	<u>104,579,291</u>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Parent</b>		
Share capital	72,937,519	63,252,750
Share premium	18,305,397	12,494,536
Revaluation Reserve	239,000	239,000
Accumulated losses	(12,184,376)	(13,550,374)
	<u>79,297,540</u>	<u>62,435,912</u>
Sub-total		
Non-controlling interest	5,220,109	4,846,929
	<u>84,517,649</u>	<u>67,282,841</u>
<b>Total Equity</b>		
<b>LIABILITIES</b>		
<b>Non-current Liabilities</b>		
Loans and borrowings	5,479,395	2,527,211
Deferred tax liabilities	107,528	107,528
	<u>5,586,923</u>	<u>2,634,739</u>
Sub-total		
<b>Current Liabilities</b>		
Trade and other payables	11,573,658	14,825,970
Derivatives financial instruments at fair value	279,394	283,326
Loans and borrowings	19,795,420	19,552,415
	<u>31,648,472</u>	<u>34,661,711</u>
Sub-total		
Net Current Assets	41,231,546	24,387,496
Total Liabilities	37,235,395	37,296,450
	<u>84,517,649</u>	<u>67,282,841</u>
<b>Net Assets</b>		
	<u>121,753,044</u>	<u>104,579,291</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		
<b>Net asset per share attributable to Owners of the Parent (In RM)</b>	0.5436	0.4935

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2015)

**SWS CAPITAL BERHAD (502246-P)**  
**Condensed Consolidated Statement of Comprehensive Income**  
**For the quarter ended 30 November 2015**  
**(Unaudited)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	30.11.2015	30.11.2014	30.11.2015	30.11.2014
	RM	RM	RM	RM
Revenue	40,173,549	32,652,087	40,173,549	32,652,087
Cost of Sales	(33,293,160)	(27,651,666)	(33,293,160)	(27,651,666)
<b>Gross Profit</b>	<b>6,880,389</b>	<b>5,000,421</b>	<b>6,880,389</b>	<b>5,000,421</b>
Administration expenses	(2,669,203)	(2,110,726)	(2,669,203)	(2,110,726)
Selling and distribution expenses	(2,344,784)	(1,739,179)	(2,344,784)	(1,739,179)
Finance costs	(277,282)	(197,724)	(277,282)	(197,724)
Other income	495,362	421,360	495,362	421,360
<b>Profit before tax</b>	<b>2,084,482</b>	<b>1,374,152</b>	<b>2,084,482</b>	<b>1,374,152</b>
Income tax expense	(345,304)	(234,000)	(345,304)	(234,000)
<b>Profit for the period</b>	<b>1,739,178</b>	<b>1,140,152</b>	<b>1,739,178</b>	<b>1,140,152</b>
Profit attributable to :				
Owners of the Parent	1,365,998	878,768	1,365,998	878,768
Non-Controlling Interest	373,180	261,384	373,180	261,384
	<b>1,739,178</b>	<b>1,140,152</b>	<b>1,739,178</b>	<b>1,140,152</b>
Total Comprehensive Income attributable to :				
Owners of the Parent	1,365,998	878,768	1,365,998	878,768
Non-Controlling Interest	373,180	261,384	373,180	261,384
	<b>1,739,178</b>	<b>1,140,152</b>	<b>1,739,178</b>	<b>1,140,152</b>
Basic earnings per share (in sen)	0.94	0.69	0.94	0.69
Fully diluted earnings per share (in sen)	0.94	0.69	0.94	0.69

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2015)

**SWS CAPITAL BERHAD (502246-P)**  
**Condensed Consolidated Statement of Changes In Equity**  
**For the quarter ended 30 November 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			
Balance as at 1 September 2015	63,252,750	12,494,536	239,000	(13,550,374)	62,435,912	4,846,929	67,282,841
Conversion of warrants	9,684,769	5,810,861	-	-	15,495,630	-	15,495,630
Total Comprehensive Income for the period	-	-	-	1,365,998	1,365,998	373,180	1,739,178
<b>Balance as at 30 November 2015</b>	<b>72,937,519</b>	<b>18,305,397</b>	<b>239,000</b>	<b>(12,184,376)</b>	<b>79,297,540</b>	<b>5,220,109</b>	<b>84,517,649</b>
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	-	-	-	878,768	878,768	261,384	1,140,152
<b>Balance as at 30 November 2014</b>	<b>63,252,750</b>	<b>12,494,536</b>	<b>239,000</b>	<b>(11,708,497)</b>	<b>64,277,789</b>	<b>4,329,099</b>	<b>68,606,888</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 2015)

**SWS CAPITAL BERHAD (502246-P)**  
**Condensed Consolidated Cash Flows Statement**  
**For the quarter ended 30 November 2015**  
**(Unaudited)**

	CUMULATIVE QUARTERS	
	30.11.2015	30.11.2014
	RM	RM
Cash flows from operating activities		
Profit before taxation	2,084,482	1,374,152
Adjustments for :		
Bad debts recovered	(33,612)	(4,438)
Depreciation of property, plant and equipment	714,570	685,186
Fair value (gain) / loss on financial instruments measured at fair value	(3,932)	84,191
Gain on disposal of property, plant & equipments	(15,094)	(60,000)
Gain on disposal of assets held for sale	-	(281,668)
Finance costs	277,282	197,724
Interest income	(4,211)	(1,960)
Unrealised foreign exchange loss	124,066	381,058
Operating cash flows before changes in working capital	<u>3,143,551</u>	<u>2,374,245</u>
Decrease in inventories	607,433	700,542
Increase in trade and other receivables	(4,494,053)	(276,521)
Decrease in other current assets	1,220,057	1,367,744
Decrease in trade and other payables	(3,252,312)	(604,532)
<b>Cash flows (used in) / from operations</b>	<u>(2,775,324)</u>	<u>3,561,478</u>
Income tax paid	(271,755)	(79,605)
Interest paid	(277,282)	(197,724)
<b>Net cash flows from operating activities</b>	<u>(3,324,361)</u>	<u>3,284,149</u>
Purchase of property, plant and equipment	(3,840,276)	(1,415,892)
Proceeds from disposal of property, plant and equipment	15,094	60,000
Proceeds from disposal of assets classified as held for sales	-	900,000
Interest received	4,211	1,960
Withdrawal of deposits with licensed banks	302,836	-
Proceeds from conversion of warrants	15,495,630	-
<b>Net cash flows from / (used in) investing activities</b>	<u>11,977,495</u>	<u>(453,932)</u>
Increase / (decrease) in short term borrowings	377,704	(1,222,604)
Addition / (repayment) of term loans	2,511,438	(177,427)
Addition / (repayment) of obligations under finance lease	232,506	(101,488)
<b>Net cash flows from / (used in) financing activities</b>	<u>3,121,648</u>	<u>(1,501,519)</u>
Net increase in cash and cash equivalents	11,774,782	1,328,698
Cash and cash equivalents at beginning of financial period	4,577,596	3,631,883
Cash and cash equivalents at end of financial period	<u><u>16,352,378</u></u>	<u><u>4,960,581</u></u>
Cash and cash equivalents included in the cash flow statements comprise the followings:		
Bank and cash balances	18,487,467	6,860,274
Less: Bank Overdrafts	(2,135,089)	(1,899,693)
	<u><u>16,352,378</u></u>	<u><u>4,960,581</u></u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2015)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 30 NOVEMBER 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 30 November 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 2015 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 2015.

The interim financial statements should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 August 2015.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 August 2015 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 2015 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 30 November 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 30 November 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

As at 30 November 2015, capital commitment is as follow:

Approved and contracted for purchase of property RM 475,000

## A14. RELATED PARTY TRANSACTIONS

The Group's related party transactions in the current quarter and financial year-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	8,670	8,670
PKI	Envision Enterprise	Director of PKI	Purchases of Hardware	26,041	26,041
PKI	R T A Components, Corp	Director of PKI	Sales	4,206	4,206

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	578,395	578,395
Other employee benefits	40,521	40,521

**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	
	30-Nov-15 (RM)	30-Nov-14 (RM)	30-Nov-15 (RM)	31-Nov-14 (RM)
Revenue	40,173,549	32,652,087	40,173,549	32,652,087
Profit before tax	2,084,482	1,374,152	2,084,482	1,374,152

The Group's revenue of RM40.2 million for the first quarter ended 30 November 2015 ("Q1 2016") increased by 23% as compared to the revenue in the previous year's corresponding quarter ended 30 November 2014 ("Q1 2015") of RM32.7 million.

All the three division's revenue increased in this quarter. The revenue of leather upholstery sofa was the major contributor and increased from RM21.3 million in Q1 2015 to RM26.4 million in Q1 2016. Meanwhile, the revenue of dining sets increased from RM5.2 million in Q1 2015 to RM6.9 million in Q1 2016. And the revenue of local lamination boards also increased from RM6.2 million in Q1 2015 to RM6.9 million in Q1 2016.

The Group's profit before tax for the Q1 2016 has increased to RM2.08 million if compared to profit before tax of RM1.37 million recorded in the Q1 2015. The increase of profit for this quarter was mainly due to the appreciation of USD. The gross margin has increase from 15.3% in Q1 2015 to 17.1% in Q1 2016.

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

	Individual quarter		Changes (RM)
	30-Nov-15 (RM)	31-Aug-15 (RM)	
Profit before tax	2,084,482	1,403,817	680,665

The Group recorded profit before tax at RM 2.08 million for the quarter under review compared to RM1.40 million profit registered in the preceding quarter ended 31 August 2015.

The increase of the profit was mainly due to the increase of demand of leather upholstery sofa and dining sets from overseas whereby the revenue of leather upholstery sofa has increased 30.9% from RM20.1 mil in Q4 2015 to RM26.4 mil in Q1 2016 while the revenue of dining sets has increased 67.4% from RM4.1 mil in Q4 2015 to RM6.9 mil in Q1 2016. Although the gross margin has dropped from 20.2% in Q4 2015 to 17.1% in Q1 2016, the gross profit still increase due to the higher increase in revenue in Q1 2016.



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

Shortage of workers and increasing material cost will remain major challenges to the Group. The management needs time to train new batch of workers and emphasises mix combination of foreign workers and local workers. Besides, 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 would continue to face stiff competitions amid the volatile economic condition and operating environment. To promote sustainability of the Group as a whole, Management would prioritise new product offering to the existing customers and penetrating new market through participation in new exhibitions.

Barring unforeseen circumstances, the Board believes that the Group would continue to be profitable in the current financial year ending 31 August 2016.

**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	(345,304)	(345,304)
Deferred taxation	Nil	Nil
	<u>(345,304)</u>	<u>(345,304)</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 as at 30 Nov 2015 are as follow:

	RM
Secured Short Term Borrowings	
- denominated in Ringgit Malaysia	11,381,129
- denominated in US Dollar	8,414,291
Secured Long Term Borrowings	5,479,396
Total Borrowings	<u>25,274,816</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 30 Nov 2015 are as follows:-

	Notional Amount As At 30 Nov 2015	Fair Value As At 30 Nov 2015
Foreign currency forward contracts		
Less than 1 year	647,425	3,932

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

On 30 November 2015, the Company proposed to undertake a private placement of new ordinary shares of RM0.50 each of up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Private Placement"). The Company had obtained the approval from its shareholders at the last annual general meeting ("AGM") convened on 25 February 2015. The placement shares will be issued based on a discount of not more than ten percent (10%) to the five (5)-day volume-weighted average market price ("VWAP") of the Company's shares immediately preceding the price-fixing date, to be determined by the Board of Directors after taking into consideration the prevailing market conditions.

On 4 December 2015, the Company and the Board of Directors had been served with a court order issued by the Kuala Lumpur High Court filed by certain shareholders ordering an injunction to prevent and/or restrain the Company and the Board of Directors from implementing and/or giving effect to the Proposed Private Placement. The hearing of the Notice of Application was fixed on 16 December 2015.

On 16 December 2015, the Company aborted the Proposed Private Placement and provided an undertaking that it would not pursue the same. The Kuala Lumpur High Court granted an ad interim injunction until 23 December 2015 for the final disposal of the matter. On 23 December 2015, the Plaintiffs had withdrawn their action.

## B12. DIVIDEND

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

## B13. REALISED AND UNREALISED PROFIT

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 30 Nov 2015 (RM)	As at 31 Aug 2015 (RM)
Total accumulated losses of the SWS Capital Berhad and its subsidiaries:		
- Realised	(12,631,714)	(12,173,804)
- Unrealised	447,338	(1,376,570)
Total group accumulated losses as per consolidated accounts	(12,184,376)	(13,550,374)

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	Financial year-to-date
	RM	RM
Bad debts recovered	33,612	33,612
Depreciation of property, plant and equipment	(714,570)	(714,570)
Fair value gain on financial instruments	3,932	3,932
Gain on disposal of property, plant and equipment	15,094	15,094
Loss on foreign exchange		
Unrealised	(124,066)	(124,066)
Interest income	4,211	4,211
Finance costs	(277,282)	(277,282)
Rental received	37,200	37,200

#### 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)	1,365,998	1,365,998
Weighted average number of shares	(shares)	145,875,038	145,875,038
Basic earnings per share	(sen)	0.94	0.94

##### **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**  
**29<sup>th</sup> January 2016**