

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021**

**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 financial period ended 31 December 2021, have been prepared in accordance with MFRS 134 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 audited financial statements of the Group for the financial year ended 31 December 2020 are available upon request from the Company registered office at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor.

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 financial year ended 31 December 2020.

The interim financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2020.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2020 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 December 2020 was not subject to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The Group's operation is seasonal and cyclical in nature whereby the performance is normally higher during back-to-school, Christmas, New Year and Hari Raya 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 for the current quarter under review and financial period to-date.

A6. CHANGES IN ESTIMATES OF AMOUNTS REPORTED

There were no material changes in estimates of amounts reported in prior financial periods that have a material effect on the current quarter under review and financial period to-date.

A7. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business segment.

Revenue and Expenses	12 months ended 31 December 2021				Consolidated RM
	Other RM	Manufacturing of furniture RM	Manufacturing of plastic wares RM	Eliminations RM	
External sales	0	62,322,162	97,422,146	0	159,744,308
Management income	390,000	0	0	(390,000)	0
Inter-company transaction	0	8,447,633	21,190,826	(29,638,459)	0
Total	390,000	70,769,795	118,612,972	(30,028,459)	159,744,308

Results	12 months ended 31 December 2021				Consolidated RM
	Other RM	Manufacturing of furniture RM	Manufacturing of plastic wares RM	Eliminations RM	
Interest income	508,976	181,931	65,748	(574,131)	182,524
Finance costs	0	(945,899)	(1,744,182)	574,131	(2,115,950)
Interest expense on lease liabilities	0	(11,215)	0	0	(11,215)
Depreciation of property, plant and equipment	0	(1,888,514)	(3,943,136)	(247,755)	(6,079,405)
Amortisation of ROU	0	(76,656)	(298,439)	0	(375,095)
Taxation	(145,233)	(600,924)	(1,029,994)	0	(1,776,151)
Other non-cash items	0	24,194	0	0	24,194
Segment profit/(loss)	(514,526)	1,950,539	3,126,972	0	4,562,985
Segment assets	90,811,911	106,954,647	122,866,813	(126,875,018)	193,758,353
Segment liabilities	192,475	57,950,882	71,804,035	(45,483,257)	84,464,135

A8. CHANGES IN DEBT AND EQUITY SECURITIES

There was no issuance, repurchase and repayment of debt and equity securities for the current quarter under review and financial period to-date.

A9. DIVIDENDS PAID

There were no dividends paid during the current quarter under review.

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

Other than as disclosed in Note B8, there were no material events subsequent to the end of the interim reporting period reported.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

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

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

There were no material capital commitments during the current quarter under review.

A14. RELATED PARTY TRANSACTIONS

The Group's related party transactions during the current quarter under review and financial year to-date are as follows:

Subsidiaries	Transacting parties	Relationship	Nature of transactions	Current quarter (RM)	Financial year to-date (RM)
Ee-Lian Enterprise (M) Sdn Bhd ("ELE")	Ee Jia Housewares (M) S/B ("EJ")	Director of ELE	Sales of plastic wares and other household products	1,989,865	7,737,941
			Purchases of plastic wares and other household products	125,615	643,230
ELE	PT. Elianware Houseware	Director of ELE	Sales of plastic wares and other household products	578,764	2,837,413
ELE	E Sponge Household S/B ("ES")	Director of ELE	Sales of plastic wares and other household products	12,567	18,476
			Purchases of cleaning products	119,396	236,629
ELE	Ebottles Marketing (M) S/B ("EBM")	Director of ELE	Purchases of water bottles and tumblers	4,800	24,630
Ee-Lian Plastic Industries (M) Sdn Bhd ("ELP")	EJ	Director of ELP	Sales of plastic wares and other household products	7,744	201,992
			Purchases of plastic wares and other household products	48,000	192,000
ELP	EBM	Director of ELP	Sales of printing services	22,854	71,335
ELP	ES	Director of ELP	Sales of plastic wares and cleaning products	0	413

The Group's key management personnel compensation during the current quarter under review and financial year to-date is as follows:

Compensation paid/payable to key management personnel	Current quarter (RM)	Financial year to-date (RM)
Short term employee benefits	436,529	2,350,585
Other employee benefits	63,000	314,741

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

B1. PERFORMANCE REVIEW

Revenue	Individual quarter		+/- (%)	Cumulative quarter		+/- (%)
	31-Dec-21 (RM)	31-Dec-20 (RM)		31-Dec-21 (RM)	31-Dec-20 (RM)	
Furniture Division	22,680,175	21,720,745		62,322,162	63,397,774	
Plastic Wares Division	33,282,266	20,544,673		97,422,146	76,166,430	
Total	55,962,441	42,265,418	32	159,744,308	139,564,204	14

In financial year ended (“FYE”) 31 December 2021, the Group’s revenue increased by 14.5% to RM159.74 million as compared to RM139.56 million recorded in the previous year .

Furniture division recorded revenue of RM62.32 million for FYE 2021, 1.7% decreased as compared to previous year of RM63.40 million. Furniture division was mostly shut down in Q3 2021 under Malaysia Movement Control Order (“MCO”). Furniture division suffered slowdown in export market due to worldwide practises to prevent covid-19 pandemic and increased in global logistic charges.

The revenue contribution from the plastic wares division increased by 27.9% to RM97.42 million as compared to previous year of RM76.16 million. Plastic wares division was operating with MITI approval as essential services during MCO. The local sales and e-commerce recovered during FYE 2021. The export market demands decreased since the lockdown and continued closure of international borders.

For current quarter under review, the Group recorded a higher turnover of RM55.96 million compared to RM42.27 million recorded in the previous year corresponding quarter ended 31 December 2020.

Profit / (Loss) Before Tax	Individual quarter		+/- (%)	Cumulative quarter		+/- (%)
	31-Dec-21 (RM)	31-Dec-20 (RM)		31-Dec-21 (RM)	31-Dec-20 (RM)	
Furniture Division	1,495,454	(210,810)		1,950,539	(1,592,917)	
Plastic Wares Division	1,755,307	(255,225)		3,126,972	2,544,484	
Others	(46,690)	(1,190,503)		(514,526)	(1,579,651)	
Total	3,204,071	(1,656,540)	(293)	4,562,985	(628,084)	736

In FYE 2021, the Group recorded a total gross profit of RM22.74 million as compared to RM23.11 million recorded in the previous year.

B1. PERFORMANCE REVIEW (Cont'd)

Furniture division's gross profit margin decreased from 11.2% in FYE 2020 to 8.2% in FYE 2021, recorded RM5.13 million gross profit. Plastic wares division's gross profit margin decreased from 21.0% in FYE 2020 to 18.1% in FYE 2021, recorded RM17.61 million gross profit. The gross profit margin for both divisions are more challenging due to reduce in operation and production capacity during MCO. Both divisions are facing increased in raw material cost and shortage of production labour.

For the quarter under review, the Group recorded total gross profit of RM8.35 million compared to RM6.26 million recorded in Q4 2020. Gross profit margin increased marginally from 14.8% in Q4 2020 to 14.9% in Q4 2021. Furniture and plastic wares division contributed RM2.28 million and RM6.07 million respectively.

In FYE 2021, the Group recorded profit before tax of RM4.56 million as compared to loss before tax of RM0.63 million recorded in the previous year.

Furniture division recorded profit before tax of RM1.95 million as compared to loss before tax of RM1.59 million in FYE 2020. Plastic wares division's profit before tax increased by 22.9% to RM3.13 million as compared to previous year of RM2.54 million.

The Group has recorded profit before tax of RM3.20 million for Q4 2021 compared to loss before tax of RM1.66 million recorded in Q4 2020. Furniture and plastic wares divisions recorded profit before tax of RM1.50 million and RM1.76 million respectively.

B2. VARIANCE IN PROFIT / (LOSS) BEFORE TAX

Profit / (Loss) Before Tax	Individual quarter 31-Dec-21 (RM)	Preceding quarter 30-Sept-21 (RM)	+ / - (RM)
Furniture Division	1,495,454	(3,966,461)	5,461,915
Plastic Wares Division	1,755,307	(218,198)	1,973,505
Others	(46,690)	(142,805)	96,109
Total	3,204,071	(4,327,464)	7,531,529

The Group recorded a higher turnover of RM55.96 million during the quarter under review against turnover of RM22.77 million in the preceding quarter ended 30 September 2021. Gross profit margin was higher at 14.9% against 2.4% in the preceding quarter while absolute amount was higher at RM8.35 million against RM0.55 million in the preceding quarter.

The gross profit margin for furniture division recovered from negative 64.1% in preceding quarter to 10.0% in Q4 2021. Gross profit margin of plastic wares division increased from 16.1% in preceding quarter to 18.2% in Q4 2021.

In addition, the Group has recorded profit before tax of RM3.20 million for the quarter under review compared to loss before tax to RM4.33 million registered in the preceding quarter.

B3. PROSPECT

Budget 2022 themed "Keluarga Malaysia, Makmur Sejahtera (A Prosperous Malaysian Family)" which was presented by Finance Minister in Parliament on 30 October 2021. With the impressive vaccine rollout and swift implementation of economic policy support measures by the authorities, Malaysia's economy is set for a gradual recovery with projected 6.2% GDP growth in 2022 from 3.5% in 2021.

Covid-19 pandemic continues unabated. To contain the Covid-19 pandemic, the government has imposed National Recovery Plan (PPN) which come effective from 20 August 2021. Malaysia is suffering the highest rates of diagnosed but less hospitalisation and sever cases report. Like most societies worldwide, Malaysian will need to learn to live with COVID-19, at least over the medium term from pandemic to endemic.

Plastic wares division anticipates that the conditions of the plastic wares sector will be challenging for local and export market demand. The Group is focusing on planning to stay competitive and exploring the opportunity to expand. Marketing strategies including promotion and new design play an important role to improve the revenue. The management is working hard on the production planning mainly due to the shortage of manpower.

Furniture division is recovering since the re-open of operations in Q4 2021. The export demand remains challenging due to the increased in raw material cost and logistic charges. The Group is working on improving the local sales and securing sales orders from foreign customers. The Group focus on the cost monitoring, manufacturing efficiency and utilisation of available resources to recover the negative impact and poor operations of MCO lockdown.

The management foresee the significant increase in raw material cost in 2022. Both divisions are monitoring the inventories level and production schedule to minimise the impact. The management also take note on the possibility of shortage of labour and increased in labour cost due to MCO. The Group is working on adoption and improvement in automated technology, thereby reducing reliance on labour-intensive manufacturing practices and increase the productivity.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B5. TAXATION

	Current quarter RM	Financial year to-date RM
Current taxation	(642,452)	(1,776,151)
Deferred taxation	143,682	143,682
	<u>(498,770)</u>	<u>(1,632,469)</u>

The Group's effective tax rate for the quarter under review was higher than the statutory tax rate due to tax effects of non-deductible expenses and deferred tax assets not recognised.

B6. SALE OR PURCHASE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

B7. QUOTED SECURITIES

There was no purchase or disposal of quoted securities by the Group for the financial period under review.

B8. STATUS OF CORPORATE PROPOSALS

On 6 May 2021, the Group proposed to undertake a private placement of up to 97,046,000 new ordinary shares of SWS at an issue price to be determined later ("Proposed Private Placement"). A revision was announced on 12 May 2021 on the proposed issued price. The proposal was duly passed by the shareholders by way of poll at the Extraordinary General Meeting ("EGM") held on 30 July 2021.

On 9 December 2021, an application has been submitted to Bursa Securities to seek for an extension of time of six (6) months up to 23 June 2022 to enable SWS to complete the Proposed Private Placement. Bursa Securities had on 21 December 2021 resolved to approved the application extension of time.

Details of the proposal can be obtained from the website of Bursa Malaysia Berhad.

B9. GROUP'S BORROWINGS

The Group's borrowings as at 31 December 2021 are as follows:

	RM
Secured Short Term Borrowings	
- denominated in Ringgit Malaysia	48,100,056
- denominated in US Dollar	0
Secured Long Term Borrowings	
- denominated in Ringgit Malaysia	5,295,444
Total Borrowings	<u>53,395,500</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 31 December 2021 are as follows:-

	Notional Amount As At 31.12.2021	Fair Value As At 31.12.2021
Foreign currency forward contracts		
Less than 1 year	841,900	835,471

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 based on 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 period under review.

B12. DIVIDEND

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

B13. NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Current quarter RM	Financial year to-date RM
Allowance for bad and doubtful debts	543,233	543,233
Amortisation of ROU	45,963	375,095
Bad debts recovered	(2,591)	(26,490)
Bad debts written off	11,000	0
Depreciation of property, plant and equipment	1,720,660	6,079,405
Fair value gain on financial instruments	(8,692)	(4,957)
Finance costs	433,637	2,115,950
Finance income	(4,635)	(182,524)
Gain on disposal of assets held for sale	0	(3,309,690)
Gain on disposal of property, plant and equipment	52,628	(7,194)
(Gain)/Loss on foreign exchange		
Realised	(38,464)	176,309
Unrealised	142,238	24,194
Interest expense on lease liabilities	9,402	11,215
Impairment loss on receivables	0	66,217
Rental received	(21,000)	(80,500)

B14. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share amount are calculated by dividing the profit attributable to Owners of the Parent by the weighted average number of ordinary shares outstanding during the period.

		Current quarter	Financial year-to-date
Profit attributable to			
Owners of the Parent	(RM)	2,731,375	2,884,244
Weighted average number of shares	(shares)	211,578,160	211,578,160
Basic earnings per share	(sen)	1.29	1.36

Diluted earnings per share

There is no dilutive effect of the potential ordinary shares convertible under warrants and ESOS issued during the financial quarter. Warrants and ESOS have dilutive effect only when the average market price of ordinary share during the financial period under review exceeds the exercise price of the warrant.

Board of Directors
SWS Capital Berhad
28th February 2022