

SWS CAPITAL BERHAD (502246-P)
Condensed Consolidated Statement of Financial Position
As At 29 February 2016

	Unaudited As At 29.02.2016	Audited As At 31.08.2015
	RM	RM
ASSETS		
Non-current Assets		
Property, plant and equipment	44,231,303	40,767,084
Investment properties	4,088,000	4,088,000
Deferred tax assets	<u>675,000</u>	<u>675,000</u>
Sub-total	<u>48,994,303</u>	<u>45,530,084</u>
Current Assets		
Inventories	35,177,650	31,926,110
Trade and other receivables	13,679,322	15,729,169
Other current assets	4,965,599	3,250,843
Tax Recoverable	-	141,193
Cash and bank balances	21,404,973	6,856,382
Fixed deposits with licensed bank	<u>1,342,674</u>	<u>1,145,510</u>
Sub-total	<u>76,570,218</u>	<u>59,049,207</u>
TOTAL ASSETS	<u>125,564,521</u>	<u>104,579,291</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	72,937,519	63,252,750
Share premium	18,305,397	12,494,536
Revaluation Reserve	239,000	239,000
Accumulated losses	<u>(10,244,726)</u>	<u>(13,550,374)</u>
Sub-total	81,237,190	62,435,912
Non-controlling interest	<u>5,826,708</u>	<u>4,846,929</u>
Total Equity	<u>87,063,898</u>	<u>67,282,841</u>
LIABILITIES		
Non-current Liabilities		
Loans and borrowings	5,420,588	2,527,211
Deferred tax liabilities	<u>107,528</u>	<u>107,528</u>
Sub-total	<u>5,528,116</u>	<u>2,634,739</u>
Current Liabilities		
Trade and other payables	10,017,203	14,825,970
Tax payables	153,781	-
Derivatives financial instruments at fair value	283,217	283,326
Loans and borrowings	<u>22,518,306</u>	<u>19,552,415</u>
Sub-total	<u>32,972,507</u>	<u>34,661,711</u>
Net Current Assets	43,597,711	24,387,496
Total Liabilities	<u>38,500,623</u>	<u>37,296,450</u>
Net Assets	<u>87,063,898</u>	<u>67,282,841</u>
TOTAL EQUITY AND LIABILITIES	<u>125,564,521</u>	<u>104,579,291</u>
Net asset per share attributable to Owners of the Parent (In RM)	0.5569	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 29 February 2016
(Unaudited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	29.02.2016	28.02.2015	29.02.2016	28.02.2015
	RM	RM	RM	RM
Revenue	38,357,799	29,828,794	78,531,348	62,480,881
Cost of Sales	(28,473,547)	(24,916,713)	(61,766,707)	(52,568,378)
Gross Profit	9,884,252	4,912,081	16,764,641	9,912,503
Administration expenses	(4,796,920)	(3,230,391)	(7,466,123)	(5,341,118)
Selling and distribution expenses	(1,781,285)	(1,544,583)	(4,126,069)	(3,283,762)
Finance costs	(351,150)	(234,302)	(628,432)	(432,026)
Other (expenses) / income	(110,600)	861,774	384,762	1,283,134
Profit before tax	2,844,297	764,579	4,928,779	2,138,731
Income tax expense	(298,048)	(33,996)	(643,352)	(267,996)
Profit for the period	2,546,249	730,583	4,285,427	1,870,735
Profit attributable to :				
Owners of the Parent	1,939,650	403,292	3,305,648	1,282,060
Non-Controlling Interest	606,599	327,291	979,779	588,675
	2,546,249	730,583	4,285,427	1,870,735
Total Comprehensive Income attributable to :				
Owners of the Parent	1,939,650	403,292	3,305,648	1,282,060
Non-Controlling Interest	606,599	327,291	979,779	588,675
	2,546,249	730,583	4,285,427	1,870,735
Basic earnings per share (in sen)	1.38	0.32	2.35	1.01
Fully diluted earnings per share (in sen)	1.38	0.32	2.35	1.01

(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 29 February 2016
(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	-	-	-	3,305,648	3,305,648	979,779	4,285,427
Balance as at 29 February 2016	72,937,519	18,305,397	239,000	(10,244,726)	81,237,190	5,826,708	87,063,898
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
Balance as at 28 February 2015	63,252,750	12,494,536	239,000	(11,305,205)	64,681,081	4,656,390	69,337,471

(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 29 February 2016
(Unaudited)

	CUMULATIVE QUARTERS	
	29.02.2016	28.02.2015
	RM	RM
Cash flows from operating activities		
Profit before taxation	4,928,779	2,138,731
Adjustments for :		
Bad debts recovered	(49,548)	(4,438)
Depreciation of property, plant and equipment	1,443,163	1,343,966
Fair value (gain) / loss on financial instruments measured at fair value	(109)	97,590
Gain on disposal of property, plant & equipments	13,530	(96,935)
Gain on disposal of assets held for sale	-	(281,668)
Finance costs	628,432	432,026
Interest income	(61,686)	(5,393)
Unrealised foreign exchange loss	334,911	239,473
Operating cash flows before changes in working capital	<u>7,237,472</u>	<u>3,863,352</u>
Increase in inventories	(3,251,540)	(1,740,737)
Decrease / (Increase) in trade and other receivables	1,764,484	(415,567)
(Increase) / Decrease in other current assets	(1,714,756)	804,334
Decrease in trade and other payables	<u>(4,808,767)</u>	<u>(3,972,656)</u>
Cash flows used in from operations	(773,107)	(1,461,274)
Income tax paid	(348,374)	(140,726)
Interest paid	<u>(628,432)</u>	<u>(432,026)</u>
Net cash flows used in operating activities	<u>(1,749,913)</u>	<u>(2,034,026)</u>
Purchase of property, plant and equipment	(4,725,688)	(1,765,882)
Proceeds from disposal of property, plant and equipment	70,094	140,900
Proceeds from disposal of assets classified as held for sales	-	900,000
Deposit paid for purchase of PPE	-	(300,000)
Interest received	61,686	5,393
Placement of deposits with licensed banks	<u>(197,164)</u>	<u>-</u>
Net cash flows from / (used in) investing activities	<u>(4,791,072)</u>	<u>(1,019,589)</u>
Increase in borrowings	4,666,095	554,088
Addition of term loans	2,261,462	5,575,076
Addition / (repayment) of obligations under finance lease	147,627	(142,743)
Proceeds from conversion of warrants	<u>15,495,630</u>	<u>-</u>
Net cash flows from financing activities	<u>22,570,814</u>	<u>5,986,421</u>
Net increase in cash and cash equivalents	16,029,829	2,932,806
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>20,607,425</u></u>	<u><u>6,564,689</u></u>
Cash and cash equivalents included in the cash flow statements comprise the followings:		
Bank and cash balances	21,404,973	9,142,079
Less: Bank Overdrafts	<u>(797,548)</u>	<u>(2,577,390)</u>
	<u><u>20,607,425</u></u>	<u><u>6,564,689</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 SECOND QUARTER ENDED 29 FEBRUARY 2016**

**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 29 February 2016, 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 (1st 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 29 February 2016.

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 29 February 2016 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 29 February 2016, capital commitment is as follows:

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 follows:

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	13,011	21,711
PKI	Envision Enterprise	Director of PKI	Purchases of Hardware	17,793	43,834
PKI	R T A Components, Corp	Director of PKI	Sales	Nil	4,206
PKI	Public Furniture Sdn. Bhd.	Director of PKI	Sales of Double Decker	1,357	1,357

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

Compensation paid/payable to key management personnel	Current quarter (RM)	Financial Year-to-date (RM)
Short term employee benefits	1,230,102	1,808,497
Other employee benefits	57,465	97,986

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	
	29-Feb-16 (RM)	28-Feb-15 (RM)	29-Feb-16 (RM)	28-Feb-15 (RM)
Revenue	38,357,799	29,828,794	78,531,348	62,480,881
Profit before tax	2,844,297	764,579	4,928,779	2,138,731

The Group's revenue of RM38.4 million for the second quarter ended 29 February 2016 ("Q2 2016") increased by 28.6% as compared to the revenue in the previous year's corresponding quarter ended 28 February 2015 ("Q2 2015") of RM29.8 million.

The Group's profit before tax for the Q2 2016 has increased to RM2.84 million if compared to profit before tax of RM0.76 million recorded in the Q2 2015. The increase of profit for this quarter was mainly due to the change in business strategy which was implemented by the management in both local board lamination division and dining sets division. Through the improvement of the production effectiveness and strengthening of the procurement operations, the Group has succeeded to increase its gross margin.

B2. MATERIAL CHANGE IN PROFIT BEFORE TAX

	Individual quarter		Changes (RM)
	29-Feb-16 (RM)	30-Nov-15 (RM)	
Profit before tax	2,844,297	2,084,482	759,815

The Group recorded profit before tax of RM 2.84 million for the quarter under review compared to RM2.08 million registered in the preceding quarter ended 30 November 2015.

The increase of profit for this quarter was mainly attributed to the change in operation strategy in which the management has successfully converted production wastages into useful raw material for its new products, hence, it succeeded improving the cost efficiency in both local board lamination and dining sets divisions. As such, the gross margin has increased to 25.8% in Q2 2016 from 17.1% in Q1 2016.

B3. PROSPECT FOR THE CURRENT FINANCIAL YEAR

Shortage of workers and increasing of 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 minimum wage for employees in Peninsular Malaysia will be raised by RM100 to RM1,000 per month starting from 1st July 2016.

The Group will continue to develop new products and new design for existing products, derive better cost efficiencies and effective cost management across all functions. The Group is exploring diversification into other industry as and when the opportunities arise.

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	(298,048)	(643,352)
Deferred taxation	Nil	Nil
	<u>(298,048)</u>	<u>(643,352)</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 29 Feb 2016 are as follows:

	RM
Secured Short Term Borrowings	
- denominated in Ringgit Malaysia	9,630,268
- denominated in US Dollar	12,888,038
Secured Long Term Borrowings	
- denominated in Ringgit Malaysia	5,420,588
Total Borrowings	<u>27,938,894</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 29 Feb 2016 are as follows:-

	Notional Amount As At 29 Feb 2016	Fair Value As At 29 Feb 2016
Foreign currency forward contracts		
Less than 1 year :	421,500	283,217

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

The Board of Directors is pleased to propose an interim single tier tax-exempt dividend of 1 sen (net) per ordinary share amounting to approximately RM1.46 million for the financial year ended 31 August 2016.

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 29 Feb 2016 (RM)	As at 31 Aug 2015 (RM)
Total accumulated losses of the SWS Capital Berhad and its subsidiaries:		
- Realised	(10,477,396)	(12,173,804)
- Unrealised	232,670	(1,376,570)
Total group accumulated losses as per consolidated accounts	(10,244,726)	(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 Context 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	15,937	49,548
Depreciation of property, plant and equipment	(728,593)	(1,443,163)
Fair value (loss)/ gain on financial instruments	(3,823)	109
Loss on disposal of property, plant and equipment	(28,624)	(13,530)
Gain/ (loss) on foreign exchange		
Realised	61,463	599,761
Unrealised	(210,845)	(334,911)
Interest income	57,474	61,686
Finance costs	(351,150)	(628,432)
Rental received	38,100	75,300

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)	1,939,650	3,305,648
Weighted average number of shares	(shares)	140,953,270	140,953,270
Basic earnings per share	(sen)	1.38	2.35

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
27th April 2016**