

SWS CAPITAL BERHAD (502246-P)
Condensed Consolidated Statement of Financial Position
As At 31 May 2016

	Unaudited As At 31.05.2016	Audited As At 31.08.2015
	RM	RM
ASSETS		
Non-current Assets		
Property, plant and equipment	44,636,135	40,767,084
Investment properties	4,088,000	4,088,000
Deferred tax assets	<u>1,675,000</u>	<u>675,000</u>
Sub-total	<u>50,399,135</u>	<u>45,530,084</u>
Current Assets		
Inventories	34,806,905	31,926,110
Trade and other receivables	14,012,067	15,729,169
Other current assets	1,593,091	3,250,843
Tax Recoverable	-	141,193
Cash and bank balances	26,766,612	6,856,382
Fixed deposits with licensed bank	<u>1,343,922</u>	<u>1,145,510</u>
Sub-total	<u>78,522,597</u>	<u>59,049,207</u>
TOTAL ASSETS	<u>128,921,732</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>(8,359,075)</u>	<u>(13,550,374)</u>
Sub-total	83,122,841	62,435,912
Non-controlling interest	<u>6,618,095</u>	<u>4,846,929</u>
Total Equity	<u>89,740,936</u>	<u>67,282,841</u>
LIABILITIES		
Non-current Liabilities		
Loans and borrowings	5,227,048	2,527,211
Deferred tax liabilities	<u>107,528</u>	<u>107,528</u>
Sub-total	<u>5,334,576</u>	<u>2,634,739</u>
Current Liabilities		
Trade and other payables	10,765,040	14,825,970
Tax payables	336,290	-
Derivatives financial instruments at fair value	322,687	283,326
Loans and borrowings	<u>22,422,203</u>	<u>19,552,415</u>
Sub-total	<u>33,846,220</u>	<u>34,661,711</u>
Net Current Assets	44,676,377	24,387,496
Total Liabilities	<u>39,180,796</u>	<u>37,296,450</u>
Net Assets	<u>89,740,936</u>	<u>67,282,841</u>
TOTAL EQUITY AND LIABILITIES	<u>128,921,732</u>	<u>104,579,291</u>
Net asset per share attributable to Owners of the Parent (In RM)	0.5698	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 31 May 2016
(Unaudited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	31.05.2016	31.05.2015	31.05.2016	31.05.2015
	RM	RM	RM	RM
Revenue	36,589,625	31,447,146	115,120,973	93,928,027
Cost of Sales	(30,529,339)	(29,045,369)	(92,296,047)	(81,613,747)
Gross Profit	6,060,286	2,401,777	22,824,926	12,314,280
Administration expenses	(2,242,762)	(2,620,460)	(9,708,883)	(7,961,578)
Selling and distribution expenses	(2,440,568)	(2,427,326)	(6,566,637)	(5,711,088)
Finance costs	(265,549)	(185,943)	(893,982)	(617,969)
Other (expenses) / income	746,323	(232,084)	1,131,084	1,051,050
Profit before tax	1,857,730	(3,064,036)	6,786,508	(925,305)
Income tax expense	819,309	(171,855)	175,957	(439,851)
Profit for the period	2,677,039	(3,235,891)	6,962,465	(1,365,156)
Profit attributable to :				
Owners of the Parent	1,885,652	(3,336,386)	5,191,299	(2,054,326)
Non-Controlling Interest	791,387	100,495	1,771,166	689,170
	2,677,039	(3,235,891)	6,962,465	(1,365,156)
Total Comprehensive Income attributable to :				
Owners of the Parent	1,885,652	(3,336,386)	5,191,299	(2,054,326)
Non-Controlling Interest	791,387	100,495	1,771,166	689,170
	2,677,039	(3,235,891)	6,962,465	(1,365,156)
Basic earnings per share (in sen)	1.34	(2.64)	3.68	(1.62)
Fully diluted earnings per share (in sen)	1.34	(2.64)	3.68	(1.62)

(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 31 May 2016
(Unaudited)

	Attributable to Owners of the Parent					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 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	-	-	-	5,191,299	5,191,299	1,771,166	6,962,465
Balance as at 31 May 2016	72,937,519	18,305,397	239,000	(8,359,075)	83,122,841	6,618,095	89,740,936
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
Dividend paid	-	-	-	(1,265,055)	(1,265,055)	-	(1,265,055)
Total Comprehensive Income for the period	-	-	-	(2,054,326)	(2,054,326)	689,170	(1,365,156)
Balance as at 31 May 2015	63,252,750	12,494,536	239,000	(15,906,646)	60,079,640	4,756,885	64,836,525

(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 31 May 2016
(Unaudited)

	CUMULATIVE QUARTERS	
	31.05.2016	31.05.2015
	RM	RM
Cash flows from operating activities		
Profit / (Loss) before taxation	6,786,508	(925,305)
Adjustments for :		
Allowance for doubtful debts	392	-
Bad debts recovered	(789,171)	(9,411)
Depreciation of property, plant and equipment	2,198,853	2,000,641
Fair value loss on financial instruments measured at fair value	39,360	12,336
Loss / (Gain) on disposal of property, plant & equipments	152,434	(97,935)
Gain on disposal of assets held for sale	-	(281,668)
Finance costs	893,982	617,969
Interest income	(124,898)	(7,884)
Inventories written off	-	1,472,375
Inventories written down	-	927,625
Unrealised foreign exchange loss	424,775	911,552
Operating cash flows before changes in working capital	<u>9,582,235</u>	<u>4,620,295</u>
Increase in inventories	(2,880,796)	(886,603)
Decrease / (Increase) in trade and other receivables	2,081,110	(1,618,555)
Decrease in other current assets	1,657,752	1,718,021
Decrease in trade and other payables	(4,060,931)	(3,934,802)
Cash flows from / (used in) from operations	<u>6,379,370</u>	<u>(101,644)</u>
Income tax (paid) / refund	(346,560)	1,136
Interest paid	(893,982)	(617,969)
Net cash flows from / (used in) operating activities	<u>5,138,828</u>	<u>(718,477)</u>
Purchase of property, plant and equipment	(3,662,687)	(2,630,846)
Proceeds from disposal of property, plant and equipment	81,415	141,900
Proceeds from disposal of assets classified as held for sales	-	900,000
Interest received	124,898	7,884
Placement of deposits with licensed banks	(198,412)	-
Net cash flows used in investing activities	<u>(3,654,786)</u>	<u>(1,581,062)</u>
Dividends paid on ordinary shares	-	(1,265,055)
Increase in borrowings	5,509,690	3,656,782
Addition of term loans	(401,195)	398,579
Addition / (repayment) of obligations under finance lease	62,360	(273,341)
Proceeds from conversion of warrants	15,495,630	-
Net cash flows from financing activities	<u>20,666,485</u>	<u>2,516,965</u>
Net increase in cash and cash equivalents	22,150,527	217,426
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>26,728,123</u>	<u>3,849,309</u>
Cash and cash equivalents included in the cash flow statements comprise the followings:		
Bank and cash balances	26,766,612	5,311,684
Fixed deposit place	-	600,000
Less: Bank Overdrafts	(38,489)	(2,062,375)
	<u>26,728,123</u>	<u>3,849,309</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 THIRD QUARTER ENDED 31 MAY 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 31 May 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 31 May 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

The Group paid a first interim single tier tax exempt dividend of 1 sen (net) per ordinary share amounting to approximately RM1.46 million on 20 July 2016 in respect of the financial year ending 31 August 2016 to all holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 30 June 2016.

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 material events subsequent to the period ended 31 May 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 31 May 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	20,806	42,517
PKI	Envision Enterprise	Director of PKI	Purchases of Hardware	30,667	74,501
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	Nil	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	465,524	2,273,751
Other employee benefits	54,477	152,463

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 quarters	
	31-May-16 (RM)	31-May-15 (RM)	31-May-16 (RM)	31-May-15 (RM)
Revenue	36,589,625	31,447,146	115,120,973	93,928,027
Profit / (loss) before tax	1,857,730	(3,064,036)	6,786,508	(925,305)

The Group's revenue of RM36.6 million for the third quarter ended 31 May 2016 ("Q3 2016") increased by 16.5% as compared to the revenue in the previous year's corresponding quarter ended 31 May 2015 ("Q3 2015") of RM31.4 million.

The Group has recorded profit before taxation of RM1.86 million for Q3 2016 compared to loss before tax of RM3.06 million recorded in Q3 2015. The main reason for the improvement in results was due to the written off of inventory and provision for obsolete goods of approximately RM2.4 million in leather upholstery sofa division in Q3 2015.

The increase in profit was mainly generated from local board lamination division and dining sets division which have successfully increased their revenue by 11% and 50% in Q3 2016 if compared with Q3 2015. Besides, the Group also managed to recover bad debts amounting to RM730,000 in the local board lamination division.

B2. VARIANCE IN PROFIT BEFORE TAX

	Individual quarter		Changes (RM)
	31-May-16 (RM)	29-Feb-16 (RM)	
Profit before tax	1,857,730	2,844,297	(986,567)

The Group recorded profit before tax of RM 1.86 million for the quarter under review compared to RM2.84 million registered in the preceding quarter ended 29 February 2016.

The decrease in profit for this quarter was mainly due to the poor performance in the leather upholstery sofa division as a result of shortage in foreign workers which in turn has caused the increase in labour costs. The leather upholstery sofa division is labour intensive, any shortage of foreign workers will require the increase of overtime.

In addition, the decrease of profit also due to the exhibition expenses incurred in the leather upholstery sofa division amounting to RM707,000.

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.

With effect from 1st July 2016, minimum wage for employees in Peninsular Malaysia raised to RM1,000 per month, had resulted extra cost to the Group especially in the leather upholstery sofa division which is labour intensive.

The management is in the process to increase in productivity and investment in technology, thereby reducing reliance on labour-intensive manufacturing practices especially in wood based division.

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	(180,691)	(824,043)
Deferred taxation	1,000,000	1,000,000
	<u>819,309</u>	<u>175,957</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 31 May 2016 are as follows:

	RM
Secured Short Term Borrowings	
- denominated in Ringgit Malaysia	8,822,460
- denominated in US Dollar	13,599,743
Secured Long Term Borrowings	
- denominated in Ringgit Malaysia	5,227,048
Total Borrowings	<u>27,649,251</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 May 2016 are as follows:-

	Notional Amount As At 31 May 2016	Fair Value As At 31 May 2016
Foreign currency forward contracts		
Less than 1 year	1,124,250	1,163,610

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 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 31 May 2016 (RM)	As at 31 Aug 2015 (RM)
Total accumulated losses of the SWS Capital Berhad and its subsidiaries:		
- Realised	(9,462,411)	(12,173,804)
- Unrealised	1,103,336	(1,376,570)
Total group accumulated losses as per consolidated accounts	(8,359,075)	(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 RM	Financial year-to-date RM
Allowance for doubtful debts	(392)	(392)
Bad debts recovered	739,623	789,171
Depreciation of property, plant and equipment	(755,690)	(2,198,853)
Fair value loss on financial instruments	(39,469)	(39,360)
Loss on disposal of property, plant and equipment	(138,905)	(152,434)
(Loss) / Gain on foreign exchange		
Realised	(111,617)	488,144
Unrealised	(89,864)	(424,775)
Interest income	63,213	124,898
Finance costs	(265,549)	(893,982)
Rental received	338,100	413,400

B15. 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
Earnings attributable to Owners of the Parent	(RM)	1,885,652	5,191,299
Weighted average number of shares	(shares)	140,953,270	140,953,270
Basic earnings per share	(sen)	1.34	3.68

Diluted earnings per share

The diluted earnings per share amounts are calculated by dividing the profit attributable to Owners of the Parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that issued on the conversion of warrants into ordinary shares.

**Board of Directors
SWS Capital Berhad
28th July 2016**