

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 30 September 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	9 months ended 30 September 2021				Consolidated RM
	Other RM	Manufacturing of furniture RM	Manufacturing of plastic wares RM	Eliminations RM	
External sales	0	39,641,987	64,139,880	0	103,781,867
Management income	292,500	0	0	(292,500)	0
Inter-company transaction	0	4,900,812	16,111,433	(21,012,245)	0
Total	292,500	44,542,799	80,251,313	(21,304,745)	103,781,867

Results	9 months ended 30 September 2021				Consolidated RM
	Other RM	Manufacturing of furniture RM	Manufacturing of plastic wares RM	Eliminations RM	
Interest income	343,403	137,065	64,447	(367,026)	177,889
Finance costs	0	(652,431)	(1,396,908)	367,026	(1,682,313)
Interest expense on lease liabilities	0	(1,813)	0	0	(1,813)
Depreciation of property, plant and equipment	0	(1,329,052)	(2,843,877)	(185,816)	(4,358,745)
Amortisation of ROU	0	(30,693)	(298,439)	0	(329,132)
Taxation	(90,436)	(844,758)	(198,505)	0	(1,133,699)
Other non-cash items	0	(121,780)	0	0	(121,780)
Segment profit/(loss)	(467,836)	455,085	1,371,665	0	1,358,914
Segment assets	90,674,445	91,883,763	121,833,368	(114,936,274)	189,455,302
Segment liabilities	143,608	44,474,045	71,935,554	(33,686,822)	82,866,385

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 period-to-date are as follows:

Subsidiaries	Transacting parties	Relationship	Nature of transactions	Current quarter (RM)	Financial period 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	1,336,362	5,748,076
			Purchases of plastic wares and other household products	83,230	517,615
ELE	PT. Elianware Houseware	Director of ELE	Sales of plastic wares and other household products	461,684	2,258,649
ELE	E Sponge Household S/B ("ES")	Director of ELE	Sales of plastic wares and other household products	(311)	5,910
			Purchases of cleaning products	38,876	117,232
ELE	Ebottles Marketing (M) S/B ("EBM")	Director of ELE	Purchases of water bottles and tumblers	10	19,830
Ee-Lian Plastic Industries (M) Sdn Bhd ("ELP")	EJ	Director of ELP	Sales of plastic wares and other household products	34,692	194,248
			Purchases of plastic wares and other household products	48,000	144,000
ELP	EBM	Director of ELP	Sales of printing services	19,336	48,481
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 period-to-date is as follows:

Compensation paid/payable to key management personnel	Current quarter (RM)	Financial period to-date (RM)
Short term employee benefits	450,841	1,914,056
Other employee benefits	61,116	251,741

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		+/- (%)
	30-Sept-21 (RM)	30-Sept-20 (RM)		30-Sept-21 (RM)	30-Sept-20 (RM)	
Furniture Division	3,885,986	18,878,441		39,641,987	41,677,030	
Plastic Wares Division	18,887,090	26,028,778		64,139,880	55,621,756	
Total	22,773,076	44,907,219	(49)	103,781,867	97,298,786	6

For current quarter under review, the Group recorded a lower turnover of RM22.77 million compared to RM44.91 million recorded in the previous year corresponding quarter ended 30 September 2020.

2020 Malaysia Movement Control Order (“MCO”) was implemented by the federal government of Malaysia towards the covid-19 pandemic on 18 March 2020. In view of the situation, Malaysian government impose second MCO on 13 January 2021 and third MCO starting on 12 May 2021.

As furniture divisions do not fall within the approve industries, the operations were mostly shut down in Q3 2021. Furniture division only manage to generate RM3.89 million sales for Q3 2021, 79.4% decreased as compared to previous year corresponding quarter of RM18.88 million.

Plastic wares division was operating at minimum capacity with MITI approval as essential services. The market demands decreased since the lockdown and continued closure of international borders. The revenue contribution from the plastic wares division decreased by 27.4% to RM18.89 million as compared to previous year corresponding quarter of RM26.03 million.

Profit / (Loss) Before Tax	Individual quarter		+/- (%)	Cumulative quarter		+/- (%)
	30-Sept-21 (RM)	30-Sept-20 (RM)		30-Sept-21 (RM)	30-Sept-20 (RM)	
Furniture Division	(3,966,461)	660,064		455,085	(1,382,107)	
Plastic Wares Division	(218,198)	1,798,639		1,371,665	2,799,709	
Others	(142,805)	(125,758)		(467,836)	(389,145)	
Total	(4,327,464)	2,332,945	(285)	1,358,914	1,028,456	32

For the quarter under review, the Group recorded total gross profit of RM0.55 million compared to RM7.89 million recorded in Q3 2020. Gross profit margin decreased from 17.6% in Q3 2020 to 2.4% in Q3 2021.

B1. PERFORMANCE REVIEW (Cont'd)

Furniture division's gross profit margin decreased from 14.8% in Q3 2020 to negative 64.1% in Q3 2021, recorded RM2.49 million gross loss due to MCO lockdown. Plastic wares division's gross profit margin decreased from 19.6% in Q3 2020 to 16.1% in Q3 2021, recorded RM3.04 million gross profit. The decreased in gross profit margin mainly due to reduce in operation and production capacity during MCO.

The Group has recorded loss before tax of RM4.33 million for Q3 2021 compared to profit before tax of RM2.33 million recorded in Q3 2020. Furniture and plastic wares divisions recorded loss before tax of RM3.97 million and RM0.22 million respectively.

B2. VARIANCE IN PROFIT / (LOSS) BEFORE TAX

Profit / (Loss) Before Tax	Individual quarter 30-Sept-21 (RM)	Preceding quarter 30-June-21 (RM)	+ / - (RM)
Furniture Division	(3,966,461)	236,745	(4,203,206)
Plastic Wares Division	(218,198)	1,000,681	(1,218,879)
Others	(142,805)	(198,352)	55,547
Total	(4,327,464)	1,039,074	(5,366,538)

The Group recorded a lower turnover of RM22.77 million during the quarter under review against turnover of RM36.30 million in the preceding quarter ended 30 June 2021, due to third MCO lockdown. Gross profit margin was lower at 2.4% against 17.6% in the preceding quarter while absolute amount was lower at RM0.55 million against RM6.40 million in the preceding quarter.

The gross profit margin for furniture division was lower from 14.0% in preceding quarter to negative 64.1% in Q3 2021. Gross profit margin of plastic wares division decreased from 20.2% in preceding quarter to 16.1% in Q3 2021.

In addition, the Group has recorded loss before tax of RM4.33 million for the quarter under review compared to profit before tax to RM1.04 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. Fiscal deficit for 2022 is projected to shrink to 6.0% of GDP from 6.5% in 2021. This is the highest value budget compared to previous budgets, including RM23 billion under the COVID-19 Fund.

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

B3. PROSPECT (Cont'd)

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.

Since the re-open of operations in September 2021 with approval from MITI based on staff vaccination rate, furniture division is recovering and secured most of the sales orders from local and 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 period to-date RM
Current taxation	(109,929)	(1,133,699)
Deferred taxation	-	-
	<u>(109,929)</u>	<u>(1,133,699)</u>

The Group's effective tax rate for the quarter under review was higher than the statutory tax rate mainly 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.

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

B9. GROUP'S BORROWINGS

The Group's borrowings as at 30 September 2021 are as follows:

	RM
Secured Short Term Borrowings	
- denominated in Ringgit Malaysia	43,367,802
- denominated in US Dollar	0
Secured Long Term Borrowings	
- denominated in Ringgit Malaysia	8,293,640
Total Borrowings	<u>51,661,442</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 September 2021 are as follows:-

	Notional Amount As At 30.09.2021	Fair Value As At 30.09.2021
Foreign currency forward contracts		
Less than 1 year	416,200	419,935

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 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 period to-date RM
Amortisation of ROU	10,231	329,132
Bad debts recovered	(8,981)	(23,899)
Bad debts written off	(3,000)	(11,000)
Depreciation of property, plant and equipment	1,584,089	4,358,745
Fair value gain on financial instruments	(3,735)	3,735
Finance costs	591,307	1,682,313
Finance income	(37,829)	(177,889)
Gain on disposal of assets held for sale	0	(3,309,690)
Gain on disposal of property, plant and equipment	(12,478)	(59,822)
(Gain)/Loss on foreign exchange		
Realised	119,786	214,773
Unrealised	(34,365)	(118,045)
Interest expense on lease liabilities	471	1,813
Impairment loss on receivables	0	66,217
Rental received	(17,500)	(59,500)

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 period-to-date
Profit attributable to			
Owners of the Parent	(RM)	(4,374,872)	152,869
Weighted average number of shares	(shares)	211,578,160	211,578,160
Basic (loss) / earnings per share	(sen)	(2.07)	0.07

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
26th November 2021