SWS Capital Berhad
(502246-P)

ANNUAL REPORT 2017

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CORPORATE PROFILE

SWS Capital Berhad ("SWSCAP") commenced operations on 1 December 2003 as an investment holding company and listed in the Bursa Malaysia Securities Berhad ("Bursa Securities") on 15 March 2004. 145,875,038 SWSCAP Shares are currently issued and fully paid up.

The business activities of SWSCAP Group can be classified into:

- Manufacturing and sale of dining furnitures, occasional furnitures and buffet & hutch
- Lamination of veneer and paper
- Trading of various type of boards, polyethylene, pneumatic fasteners, nails and others
- Manufacturing and trading of plastic wares,utensils and goods
- Marketing and distribution of plastic wares and other household products

SWSCAP places great emphasis on manufacturing high quality products by adhering to stringent quality controls and monitoring system. SWSCAP also continuously investing substantial resources in its on-going Research and Development Program to seek, improve and develop quality, durable and trendy products to meet the demands and expectations of customers.


Stack Box
Stack Box
Stack Box
Stack Box
Stool


elianware
Stool

CORPORATE INFORMATION

DIRECTORS

Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
Executive Chairman

Teoh Han Chuan
(Appointed on 03.07.2017 and redesignated on 16.11.2017)
Managing Director

Piong Yew Peng
Senior Independent Non-Executive Director

Tan Kok Tiam
Independent Non-Executive Director

Dato' Seri MR. Serm Juthamongkhon
Independent Non-Executive Director

Neo Chee Kiat
(Redesignated on 16.11.2017)
Non Independent Non-Executive Director

Chua Heok Wee
Independent Non-Executive Director

Dr Loh Yee Feei
Independent Non-Executive Director

Neo Tiam Hock
(Retired on 18.01.2017)
Executive Director

Lau Teck Poh
(Resigned on 07.09.2017)
Independent Non-Executive Director

AUDIT COMMITTEE

Piong Yew Peng
Committee Chairman

Chua Heok Wee
Committee Member

Dr Loh Yee Feei
Committee Member

Tan Kok Tiam
Committee Member

Lau Teck Poh
(Resigned on 07.09.2017)
Committee Member

NOMINATION COMMITTEE

Dr Loh Yee Feei
Committee Chairman

Piong Yew Peng
Committee Member

Chua Heok Wee
Committee Member

Tan Kok Tiam
Committee Member

Lau Teck Poh
(Resigned on 07.09.2017)
Committee Member

REMUNERATION COMMITTEE

Tan Kok Tiam
Committee Chairman

Piong Yew Peng
Committee Member

Chua Heok Wee
Committee Member

Dr Loh Yee Feei
Committee Member

Lau Teck Poh
(Resigned on 07.09.2017)
Committee Member

COMPANY SECRETARY

Pang Kah Man *(MIA 18831)*

AUDITORS

UHY
Chartered Accountants
Suite 11.05, Level 11,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur.

PRINCIPLE BANKERS

Malayan Banking Berhad
Maybank Islamic Berhad
Public Bank Berhad
AmBank (M) Berhad
AmIslamic Bank Berhad
United Overseas Bank (Malaysia) Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad

SOLICITORS

NSK & Partners
Alan Tan & Associates
Syarikat Lim Kiam Hoon Advocates & Solicitors
Zaid Ibrahim & Co

REGISTRARS

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No.8, Jalan Kerinchi,
59200 Kuala Lumpur.
Tel : +603-2783 9299
Fax : +603-2783 9222

REGISTERED OFFICE

No. 7 (1st Floor), Jalan Pesta 1/1,
Taman Tun Dr Ismail 1, Jalan Bakri,
84000 Muar, Johor Darul Ta'zim.
Tel : +606-9541 705
Fax : +606-9541 707
Email : lsca-muar@lsca.com.my

PRINCIPLE PLACE OF BUSINESS

PTD 6001, Jalan Perindustrian 5,
Kawasan Perindustrian Bukit Bakri,
Batu 8, 84200 Muar,
Johor Darul Ta'zim.
Tel : +606-9865 236
Fax : +606-9865 239
Email : info@swscap.com

STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia Securities Berhad
Stock Name: SWSCAP
Stock Code: 7186

WEBSITE

www.swscap.com

CORPORATE **STRUCTURE**

SWS Capital Berhad

- **Poh Keong Industries Sdn. Bhd.** (286999-X) ("PKI") — 100%
- **SWS Industries Sdn. Bhd.** (192321-U) ("SWSI") — 100%
- **Syarikat U.D. Trading Sdn. Bhd.** (85023-X) ("UDT") — 100%
- **U.D. Panelform Sdn. Bhd.** (120394-P) ("UDP") — 100%
  - **U.D. Wood Products Sdn. Bhd.** (402592-K) ("UDW") — 100%
- **EE - Lian Enterprise (M) Sdn. Bhd.** (283212-H) ("ELE") — 100%
  - **EE - Lian Plastic Industries (M) Sdn. Bhd.** (591415-M) ("ELP") — 77.5%

保强工业有限公司

POH KEONG INDUSTRIES SDN BHD


MILO
Nestum
MARIGOLD


eplas
eplas
elianware

GLOBAL **PRESENCE**

AFRICA
Algeria
Congo
Egypt
Ghana
Kenya
Libya
Mauritius
Morocco
Reunion
Senegal
South Africa
Guinea

ASIA
China
India
Japan
Kazakhstan
Malaysia
Philippines
Singapore
South Korea
Sri Lanka
Thailand
Vietnam
Cambodia
Myanmar
Taiwan
Indonesia
Hong Kong
Brunei Darussalam

EUROPE
Austria
Belgium
Croatia
Cyprus
Czech Republic
Denmark
France
Germany
Greece
Iceland
Ireland
Russia
Italy
Netherlands
Norway
Poland
Slovakia
Slovenia
Spain
Sweden
Switzerland
United Kingdom

SOUTH AFRICA
Argentina
Brazil
Chile
Ecuador
Guyana
Martinique
Peru

NORTH AMERICA
Canada
Dominican Republic
Guadeloupe
Haiti
Mexico
United States

MIDDLE EAST
Jordan
Kuwait
Lebanon
Qatar
Saudi Arabia
United Arab Emirates
Mauritius

OCENIA
Australia
New Zealand
Papua New Guinea

CHAIRMAN'S STATEMENT & **MANAGEMENT DISCUSSION AND ANALYSIS**

Dear Valued Shareholders,

On behalf of the Board of Directors of SWS Capital Berhad, I am pleased to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 August 2017.

Industry Outlook

Malaysia has always been known for its wood based furniture, owing to its natural resources. The government has set an annual growth target of 6.5% for wood based furniture, estimated to reach up to RM53 billion by year 2020. In recent years, the growth has shifted from producing general products towards designing its own, and this has been key in propelling Malaysia onto the international arena. Popular with overseas buyers of the middle to high category, foreign buyers look to Malaysia for manufacturers who can meet their high production demand.

Despite numerous economic downturns, the industry is still supported by a strong global demand. While lower priced Chinese and Vietnamese furniture pose strong competition, Malaysian furniture continues to set itself apart with original design that places importance on aesthetics as well as its good work ethics.

With a business-friendly environment, good quality products and a high potential market, the Malaysian furniture industry is poised to exceed expectations and to continue its exponential growth.

Operating environment

After recording a modest 4.2% growth in the Gross Domestic Product ("GDP") in 2016, economic activities picked up pace from early 2017 onwards with the first quarter and second quarter GDP growth coming in at 5.6% and 5.8% respectively. In the recent Economic Report 2017/2018 released by the Finance Ministry, the Malaysian economy is expected to remain resilient with real GDP growth projected at between 5.2% and 5.7% in 2017 and between 5.0% and 5.5% in 2018. The manufacturing sector, meanwhile, is expected to expand by 5.5% in 2017 and 5.3% in 2018.

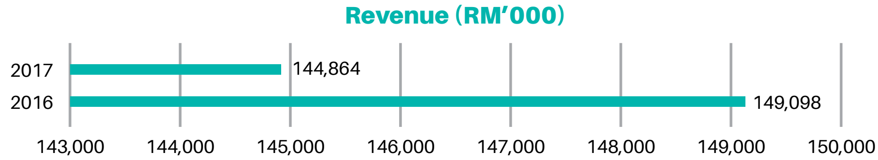
While the headline numbers are looking up, there is no doubt that the operating environment remains challenging as a whole. Rising cost of materials, escalating wages and utility costs, fluctuation in currency exchange, manpower shortages especially on the production floors will continue to be key challenges for Malaysian furniture industry.

Business Operations

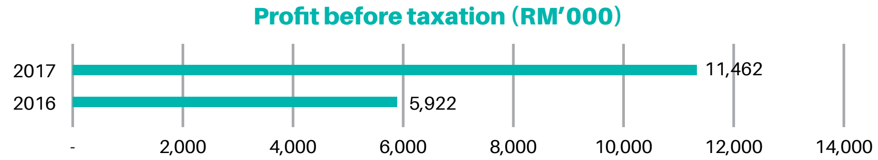
The Group has adopted several key strategic action plans to address those challenges. Procurement functions have been strengthened to further enhance the raw materials quality at lower cost, while meeting the customers' requirements at competitive prices.

The Group has exercised prudent cost control over all operational and administrative spending. Our decision to maximize automation in our production processes a few years back has significantly improved our efficiency hence elevated the productivity.

Financial Performance Review



The Group's revenue in FY2017 has decrease by 3% to RM144.9 million as compared to the revenue in the previous year of RM149.1 million. The revenue of the leather upholstery sofa division has dropped from RM100 million to RM83.8 million (10 months' result). However, the newly-acquired plastic wares division has contributed RM11.7 million (2 months' result) revenue for YE2017.



For the financial year ended 31 August 2017, the Group has recorded profit before tax of RM11.5 million compared to a profit before taxation of RM5.9 million for the preceding year.

The increase in profit was mainly due to the negative goodwill recognised upon acquisition for ELE.

Financial Position

	2017 RM'000	2016 RM'000	Year-on-Year Variance (%)
Total assets	187,362	126,852	+47.70%
Total liabilities	86,655	39,920	+117.07%
Shareholders'equity	100,707	86,932	+15.85%
Net assets per share (RM)	**0.69**	**0.60**	

In financial year 2017, our Group's total assets is RM187.4 million representing 47.70% increase as compared to the preceding year.

As at 31 August 2017, our shareholders' equity remained at a positive level at RM100.7 million compared to RM86.9 million for the preceding year.

Liquidity

	2017 (Days)	2016 (Days)	Changes (Days)
Trade receivables' turnover period (1)	92	38	54
Inventories' turnover period(2)	107	92	15
Trade payables' turnover period(2)	66	23	43
Cash conversion cycle	133	107	26

(1) This is derived using the formula : (Closing balance as at year-end / Total revenue) x 365 days

(2) This is derived using the formula : (Closing balance as at year-end / Cost of sales) x 365 days

During the year, the cash conversion cycle of 133 days compared with prior year 107 days increase 26 days. As at 31 August 2017, the Group managed to generate net cash of RM1.15 million from operating activities.

	2017 RM'000	2016 RM'000
Cash and cash equivalents at end of financial year:		
Deposits, bank and cash balances	13,595	23,772
Less: Bank overdrafts	(4,749)	(482)
	8,846	23,290
Less: Fixed Deposits pledged with licensed banks	(5,625)	(920)
	3,221	22,370

Capital Expenditure

In financial year 2017, the Group spent approximately RM4.89 million in capital expenditure which were mainly incurred in acquisition of building, machinery and equipment,motor vehicle and other assets.

Borrowings

	2017 RM'000	2016 RM'000
Borrowings		
-Short Term	40,594	22,647
-Long Term	14,306	4,177
	54,900	26,824

The Group is in net cash position which places it in a strong financial position to obtain financing to fund capital expenditure and/or working capital requirements for expansion of its operations.

Prospects

The acquisition of ELE enabled the Group to diversify into the manufacturing and trading of plastic wares, utensils and goods. In view of the favourable prospects of the plastic wares division, the Board believes that the ELE Acquisition is an attractive business venture. The Group is exploring business complementation between dining sets division and plastic wares division for enlargement of products base.

In conjunction to the acquisition of ELE, the Group has exited and disposed the loss-making leather upholstery sofa division, as its losses were mainly attributed to surging raw material cost and massive labour content.

On the other hand, the Board does not anticipate the predicament of the shortage of labor to be resolved rapidly in the near future. Hence, the management is in the process of implementing productivity programs and investing in modern machine technology, so to reduce our reliance on labor-intensive manufacturing processes especially in wood based division.

The Group will continue to explore for strategic M&A opportunities alongside R&D for new and existing products, while implementing effective cost management practices across all functions, for long term business and financial sustainability.

Amidst the challenging operating environment, the Group is optimistic of progressive growth and confident that our prospects shall remain bright in coming financial year.

Dividends

The Board does not recommend a dividend for the financial year under review.

Corporate Governance

The Board is committed towards upholding the values of corporate governance by embracing the principles and best practices set out in the Malaysian Code of Corporate Governance.

The Board has incorporated the following policies which can be viewed at the Company's corporate website www.swscap.com:

(a) Code of Conduct
(b) Whistle Blowing Policy
(c) Charter of Board
(d) Environmental, Social and Governance Policy

Across the Group, we ensure that business is conducted with integrity, discipline, transparency and in a socially responsible manner. Our corporate governance efforts practiced during the year is outlined in the Corporate Governance Statement in this Annual Report.

Appreciation

On behalf of the Board of Directors, I would like to thank and express my deepest gratitude to Mr. Lau Teck Poh, who has resigned as Independent Non-Executive Director on 07 September 2017. I would also like to welcome Mr. Teoh Han Chuan, who was redesignated as Managing Director on 16 November 2017.

Besides, I would like to express my sincere thanks to all the management teams and employees for their dedication and commitment for driving the Group in achieving an outstanding performance in the financial year under reviewed.

Lastly, I wish to extend my appreciation to our valued customers, shareholders, suppliers, business associates, and other stakeholders who have provided strong supports and confidence in the Group

As a reward to all the stakeholders, the Group has announced on 11 December 2017 to undertake the following:

i. proposed bonus issue of 36,468,759 new ordinary shares in SWS ("Bonus Share(s)") to be credited as fully paid-up, together with 91,171,898 free detachable warrants ("Warrant(s)"), on the basis of two (2) Bonus Shares together with five (5) Warrants for every eight (8) existing ordinary shares ("SWS Share(s)" or "Share(s)") held by the entitled shareholders whose names appear on the Record of Depositors on an entitlement date to be determined and announced later; and

ii. proposed establishment of an employees' share option scheme ("ESOS") of up to 15% of the total number of issued shares of the Company at any point in time to be granted to the eligible directors and employees of SWS and its subsidiaries.

May we continue to forge ahead together and excel for SWS Capital Berhad.

Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
Executive Chairman

The good life. Relishing its every moment is an irresistible pleasure. We understand that, and that's why we create, affirm and deliver world-class designs that let you relax and be true to yourself. Creature comforts in contemporary style, for your indulgence.

BOARD OF DIRECTORS' PROFILE

Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai

Executive Chairman
Aged 62, Malaysian

Appointed as the Executive Director on 30 November 2003 and resigned on 26 October 2010. He was subsequently appointed as the Deputy Executive Chairman on 23 December 2015 and redesignated as Executive Chairman on 16 November 2016. He graduated from Bolton University in Business Management majoring in Accounting. He is a member of the Institute of Certified Public Accountants, Ireland and fellow member of Malaysian Association of Company Secretaries. He has over 36 years of working experience in the fields of auditing, accounting and corporate finance. He sits on the Board of EKA Noodles Berhad(as a Non Independent Non Executive Chairman) and Muar Ban Lee Group Berhad (as an Executive Director), which are listed on the Main Market of Bursa Malaysia Securities Berhad. He was the Executive Director of Pensonic Holdings Berhad from September 1995 to October 2017.He also sits on the board of several other private limited companies. He has no family relationship with any other Director or major shareholder of the Company.

Teoh Han Chuan*

Managing Director
Aged 57, Malaysian

Appointed as the Deputy Managing Director on 3 July 2017 and redesignated as Managing Director on 16 November 2017. He is a co-founder and the Managing Director of Ee-Lian Enterprise (M) Sdn Bhd. He began his career as a Factory Worker when he was 19 years old after completing his Malaysian Certificate of Education (SPM) from Chung Ling High School in 1978. In 1985, he became a Salesman when he joined Union Trading Company which was principally involved in the trading of motor accessories and helmets. He was responsible for the company sales and marketing development and coordination activities in Malaysia. In 1987, he joined Gold Liloy Trading Sdn Bhd, a plastic manufacturer and marketing company as a Senior Salesman, where he managed and built business relationships with the company customers in major cities across Malaysia. From many years of sales experiences and knowledge gained from his previous employment, he foresaw a market potential in the Malaysian household plastic wares, where he co-founded Ee-Lian Enterprise (M) Sdn Bhd in 1993 to be principally involved in the trading of household plastic were products. He has over 25 years of experience in the household plastic wares industry.

BOARD OF DIRECTORS' PROFILE (cont'd)

Piong Yew Peng
Senior Independent Non-Executive Director
Aged 47, Malaysian

Appointed as the Non-Executive Director on 10 April 2012 and is presently Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. He obtained his Bachelor of Business (Accounting) from RMIT University, Melbourne, Australia. He is also a fellow member of CPA Australia and member of Malaysian Institute of Accountants. He sits on the Board of PCCS Group Berhad as an Independent Non-Executive Director. He also sits on the board of several other private limited companies. He has no family relationship with any other Directors or major shareholders of the Company.

Tan Kok Tiam *
Independent Non-Executive Director
Aged 53, Malaysian

Appointed as Independent Non-Executive Director on 23 December 2015.He is a Chartered Accountant and qualified as a Certified Public Accountant (CPA). He is also a member of Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He has more than 22 years of experience in the investment banking industry, providing corporate advisory services covering IPOs, M&A, fund raising and privatization of listed companies. He started his articleship with a public accounting firm where he qualified as a Certified Public Accountant (CPA). Upon qualified as a CPA, he joined a merchant bank and was attached with Corporate Finance Department for about 5 years before joining a public listed company as a General Manager in charge of Finance and Corporate Finance related work. Subsequently in 2005, he joined an investment bank as Director of Investment Banking. Thereafter, he moved to a stockbroking company as Head of Corporate Finance until current. He has no family relationship with any other Director or major shareholder of the Company.

Dato' Seri MR. Serm Juthamongkhon
Independent Non-Executive Director
Aged 78, Thailand

Appointed as the Independent Non-Executive Director on 24 October 2016. He graduated secondary education at Chung Ling High School, Penang. He is currently the President of the Chip Yoo Latex Co. Ltd. headquartered in Southern Thailand (Town of Betong) and is one of the largest producers of natural latex in Thailand, all latex supplied to glove manufacturers in Malaysia. He also has a rubber plantation in southern Thailand and the activities carried out by trading and marketing company in Penang, known as Syarikat Chip Teik Import & Export. He was awarded as Darjah Setia Pangkuan Negeri (which carries the title Dato') and Darjah Gemilang Pangkuan Negeri (which carries the title Dato' Seri) and in year 2010 and 2016 respectively by Yang Dipertua Negeri Pulau Pinang on the occasions of His Excellency Birthday. He has no family relationship with any other director or major shareholder in our Group.

BOARD OF DIRECTORS' PROFILE (cont'd)

Neo Chee Kiat
Non Independent Non-Executive Director
Aged 47, Malaysian

Appointed as the Managing Director on 30 November 2003 and redesignated as Non Independent Non-Executive Director on 16 November 2017. He has a background of more than 30 years of experience in furniture industry. He is currently the Deputy President of Muar Furniture Association. He was conferred Pingat Ibrahim Sultan (P.I.S) from the Sultan of Johor Sultan Ibrahim Sultan Iskandar in year 2012. He has no family relationship with any other director or major shareholder of the Company.

Chua Heok Wee
Independent Non-Executive Director
Aged 44, Malaysian

Appointed as Independent Non-Executive Director on 23 December 2015. He graduated from Technical College and worked as a foreman in 1995. He was subsequently promoted to Project Manager of Muar Ban Lee Engineering Sdn. Bhd. in 1997. With more than 23 years' experience in the design and manufacture of oil seed expellers, ancillary machinery and spare parts, he has steered Muar Ban Lee Engineering Sdn. Bhd. from a small scale manufacturer to be one of the major manufacturers of oil seed expellers in Malaysia. He is responsible for the overall business planning, marketing, product development and brand building of the Company. He has participated in many international metal product trade fairs and exhibitions held overseas and locally. He is the Managing Director of Muar Ban Lee Group Berhad since 30th June, 2009. He has no family relationship with any other Director or major shareholder of the Company.

Dr. Loh Yee Feei *
Independent Non-Executive Director
Aged 55,Malaysian

Appointed as Independent Non-Executive Director on 23 December 2015.He is holding a Bachelor of Applied Science (Electrical Engineering) from University of Ottawa, Canada and Doctorate in Business Administration from Paramount University of Technology, U.S.A. He has more than 32 years of business and management experience in manufacturing - based industries. He was Group CEO & Executive Director for Denko Industrial Corporation Berhad (2015), a Malaysian public-listed company engaged in turn-key manufacturing, plastic injection moulding for electrical and electronic industries. He was the Executive Director of GPA Holdings Berhad (2011 - 2014), a Malaysian Public - Listed Company engaged in manufacturing and distribution of automotive and valve–regulated–lead-acide (VRLA) batteries, the Chief Executive Officer of FACB Industries Incorporated Berhad (2009 - 2011), a Malaysian Public – Listed company with steel manufacturing as its flagship operations. He has also held senior management position in both local conglomerates and American multinational companies which including serving as Senior General Manager of Ekowood International Berhad, General Manager of Hong Leong Group, senior materials manager, manufacturing manager & process engineering manager of Western Digital Malaysia. He started his career as process engineer with Intel Technology Malaysia in 1984. He has no family relationship with any other Director or major shareholder of the Company.

PROFILES OF KEY SENIOR MANAGEMENT

Heng Sew Hua

Executive Director
Aged 70, Malaysian

He is the co-founder of the ELE Group. He started his career at Weng Heng Leong Sdn Bhd, a kitchen wares distribution company in 1963, as a Sales Representative. In 1984, he ventured into his own business, Syarikat Perniagaan Hua Sun, importing and distributing within Peninsular Malaysia, all kinds of stainless steel and glass, porcelain kitchen wares and housewares. Hua Sun also distributed its own brand of aluminum woks under the name "Vegetable". He subsequently dissolved Hua Sun and went into partnership with Teoh Han Chuan. In 1993, they incorporated ELE. He oversees the ELE Group's finances, human resource, and marketing of the ELE Group's products.

Lee Yew Chye

Executive Director
Aged 51, Malaysian

He is the co-founder of Poh Keong Industries Sdn. Bhd.(PKI).He started his career at PKI and went into partnership with his families. In 2005, his families sold 51% of its PKI's shareholding and PKI became one of the subsidiary of the SWSCAP. He is responsible for all the production activities. He has more than 26 years of working experience in the furniture industry.

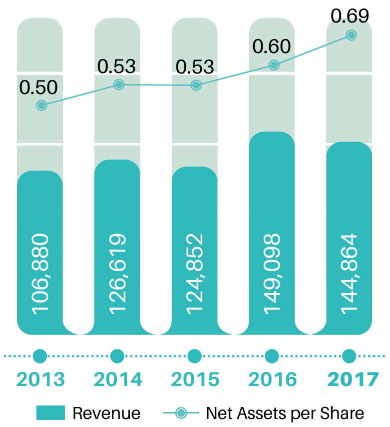
Conflict of interest
None of the Directors has any conflict of interest with the Company.

Conviction of offence
None of the Directors has been convicted of any offence within the past 10 years other than traffic offences.

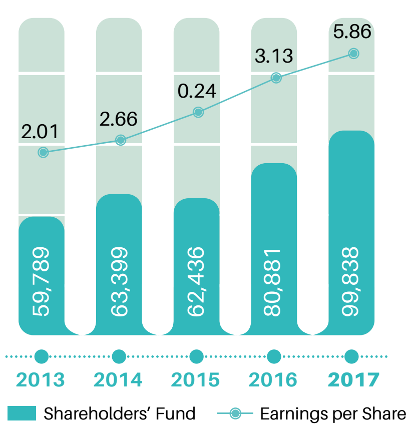
**Director who are standing for re-election.*

FINANCIAL HIGHLIGHTS

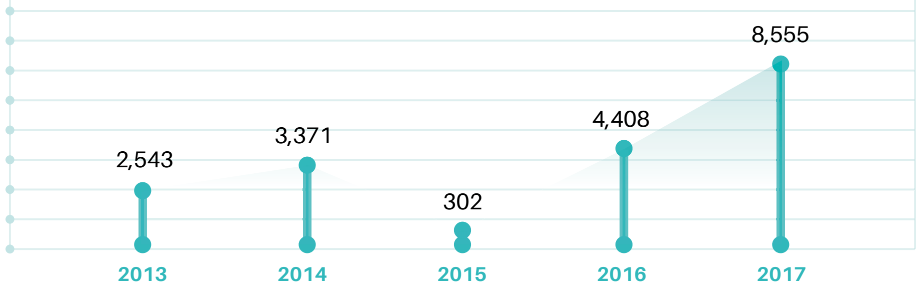
Revenue (RM'000) and Net Assets per Share



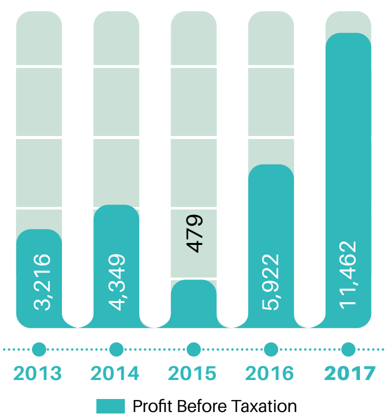
Shareholders' Fund (RM'000) and Earnings per Share (EPS)



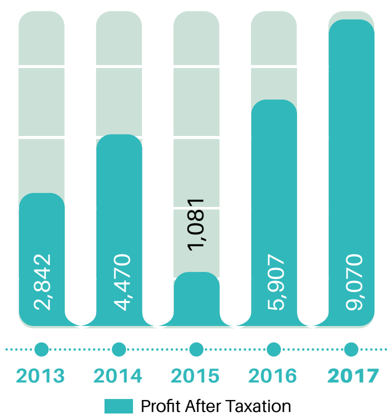
Profit Attributable to Equity Holders (RM'000)



Profit Before Taxation (RM'000)



Profit After Taxation (RM'000)



RM11,461,620
PROFIT BEFORE TAXATION FOR FYE 2017

保强工业有限公司

POH KEONG INDUSTRIES SDN BHD

The Board of Director (or "Board") of SWSCAP ("Company") observes the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and ensures that the highest standards of corporate governance ("CG") are practiced throughout SWSCAP group of companies ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The Board also noted the new Malaysian Code of Corporate Governance 2017 ("the Code") which came into effect on 26 April 2017 and superseded its earlier edition, MCCG 2012. However, the listed companies will be required to report their application of the recommended practices of the Code in their annual reports with effect from the financial year ending 31 December 2017. Hence, the Company will only be required to report its application of the recommended practices of the Code in the 2018 Annual Report.

This Statement on CG (or "Statement") sets out how the Company has applied the 8 Principles ("Principles") of the MCCG 2012 and observed the 26 Recommendations supporting the Principles during the financial year ended 31 August ("FYE") 2017. Where a specific recommendation of the MCCG 2012 has not been observed, the non-observation, including the reasons thereof and, where appropriate, the alternative practice (if any), is mentioned in this Statement.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board recognizes the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
- overseeing the conduct of the Group's business and evaluating whether or not its businesses are being properly managed;
- identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to senior management positions are of sufficient calibre, including having in place a process to provide for the orderly succession of senior management personnel and members of the Board;
- overseeing the development and implementation of a shareholder communications policy; and
- reviewing the adequacy and integrity of the Group's internal control and management information systems.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee (AC), Nomination Committee (NC) and Remuneration Committee (RC), to examine specific issues within their respective terms of reference ("ToR"). The ultimate responsibility for decision making, however, lies with the Board. The Board reviews the respective Board Committees' authority and ToR from time to time to ensure their relevance and enhance its efficiency.

(i) Charter of Board (or "Charter")

To in line with Recommendation 1.7 of the MCCG 2012, the Board has established clear functions reserved for the Board and those delegated to Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include, inter-alia, quarterly and annual financial statements for announcement, major investments, borrowings and expenditure as well as monitoring of the Group's financial and operating performance. With efforts to enhance accountability, such delineation of roles is clearly set out in the Charter, which also serves as a reference point for Board activities. The Charter provides guidance for Directors and Management regarding the responsibilities of the Board, its Committees and Management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities.

The Board reviews and updates its Charter from time to time as to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board's objectives. The salient features of the Charter, after the last review undertaken by the Board on 8 December 2017 can be viewed on the Company's website at www.swscap.com.

(ii) Code of Conducts

A Code of Conducts, setting out the standards of conduct expected from Directors and all employees of the Group has been formalised. The Code of Conduct provides guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board has also formalised a Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. The Board recognizes the importance of adhering to the Code of Conducts and has taken measures to put in place a process to ensure its compliance, including uploading of the Code of Conducts and Whistle-blowing Policy on the Company's website at www.swscap.com.

(iii) Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact of the Group's business on the environmental, social and governance ("ESG") aspects is taken into consideration. To address the ESG aspects incorporated in the Group's strategy, the Board has formalised an ESG Policy.

The Group's activities on corporate social responsibilities for the financial year under review are disclosed on page 41 of this Annual Report.

(iv) Access to Information and Advice

The Board recognizes that the decision making process is highly dependent on the quality of information furnished. As such, Board members have full and unrestricted access to all information pertaining to the Group's business and affairs. Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis and effective discharge of the Board's responsibilities.

Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors at least seven (7) days prior to the Board and Board Committee meetings, to facilitate decision making by the Board and to deal with matters arising from such meetings. Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in accordance with established procedures set out in the Charter in furtherance of their duties.

Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretary who is qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities. The Directors are also notified of any corporate announcement released to Bursa Malaysia Securities Berhad ("Bursa Securities") and the impending restriction on dealing with the securities of the Company prior to the announcement of the quarterly financial results.

The Company Secretary constantly keeps herself abreast of the evolving capital market environment, regulatory changes and developments in CG through continuous training. The removal of the Company Secretary is a matter for the Board, as a whole to decide.

PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD

As at the date of this statement, the Board consists of eight (8) members of whom two (2) are Executive Directors of whom one (1) is also the Managing Director ("MD"), one (1) is Non-Independent Non-Executive Director and five (5) Independent Non-Executive Directors. This composition fulfils the requirements as set out under the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities, which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent.

With the age of the Directors ranges from 44 to 78, the Board believes that this creates an environment where each generation brings different skills, experience and talents to the Board. The Board is also of the opinion that its current composition and size constitute an effective Board to the Group. Furthermore, the strong representation of high caliber Independent Non-Executive Directors provides the necessary balance.

The role of the Independent Non-Executive Directors is important in ensuring that the strategies proposed by the Management are fully discussed and deliberated, and the interests of the shareholders, employees, customers, suppliers and other stakeholders are taken into consideration. The Board is, however, open to board changes as and when appropriate. The profile of each Director is set out on pages 18 to 20 of this Annual Report.

(i) Nomination Committee – Selection and Assessment of Directors

The Board conducts an assessment on the performance of the Board, as a whole, based on a self-assessment approach. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board considers and approves recommendations by the Nomination Committee on the re-election and re-appointment of Directors at the Company's forthcoming annual general meeting.

The Nomination Committee was established by the Board on 25 October 2004, as the Board recognizes the importance of the role the Nomination Committee plays not only in the selection and assessment of Directors but also in other aspects of CG of which the Nomination Committee can assist the Board to discharge its fiduciary and leadership functions. The ToR of the Nomination Committee provides that it shall comprise at least two (2) members with a majority of Independent Non-Executive Directors. However, it is not in line with Recommendation 2.1 of the MCCG 2012 whereby the Nomination Committee is to be chaired by an Independent Non-Executive Director who is also the Senior Independent Non-Executive Director.

The ToR of the Nomination Committee further provides that it shall have specific responsibilities in relation to nomination matters. With respect to nomination matters, the specific responsibilities of the Nomination Committee shall include, amongst others:

- Review the composition and size of the Board of Directors and determine the criteria for membership on the Board of Directors, which may include, among other criteria, issues of character, judgment, independence, gender diversity, age, expertise, corporate experience, length of service, other commitments and the like;

- Conduct periodic evaluations of the Board of Directors as a whole;

- Identify, consider and select, or recommend for the selection of the Board of Directors, candidates to fill new positions or vacancies on the Board of Directors and Board Committees;

- Evaluate the performance of individual members of the Board of Directors eligible for re-election, and select, or recommend for the selection of the Board of Directors, the nominees for election to the Board of Directors by the stockholders at the annual general meeting;

- Assess the independence of Independent Directors annually;

- Periodically review the composition, the term of office and performance of each committee of the Board of Directors, particularly the Audit Committee and make recommendations to the Board of Directors for the creation of additional committees or the change in mandate or dissolution of committees;

- To give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the required skills and expertise that are needed by the Board in future; and

- To review the training needs of the Director.

Details of the ToR for the Nomination Committee are available for reference on the Company's website at www.swscap.com.

a. Recruitment or appointment of Directors

The Nomination Committee is guided by the ToR in carrying out its responsibilities in respect of the nomination, selection and appointment process, which also provides the requirements under the relevant laws and regulations on the matter. The review process involves the Nomination Committee's consideration and submission to the Board its recommendation of suitable candidates for the proposed appointment as Directors of the Company.

The Nomination Committee's annual review of the criteria to be used in the appointment process to the Board of Directors largely focuses on ensuring a good mix of skills, experience and strength in the qualities that are relevant for the Board to discharge its responsibilities in an effective and competent manner. The other factors considered by the Nomination Committee in its review include the candidates' ability to spend sufficient time and commitment on the Company's matters, the ability to satisfy the test of independence taking into account the candidate's character, integrity and professionalism, as well as having a balanced mix of age and diversity of Directors on the Board. The Board diversity factor as reviewed by the Nomination Committee includes experience, skills, competence, race, gender, culture and nationality, as to facilitate optimal decision-making by harnessing different insights and perspectives.

The Company re-election process accords with Article 91 of the Company's Articles of Association ("Articles"), which states that one-third (1/3) of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election. All Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election at every annual general meeting of the Company. A retiring Director shall retain office until the close of the annual general meeting at which he retires, whether the annual general meeting is adjourned or not.

The Directors standing for re-election/re-appointment at the 18th Annual General Meeting of the Company are as follows:

Name	Designation
Teoh Han Chuan	Managing Director
Tan Kok Tiam	Independent Non-Executive Director
Dr Loh Yee Feei	Independent Non-Executive Director

Tan Kok Tiam and Dr Loh Yee Feei are due to retire pursuant to Article 91 whereas Teoh Han Chuan is due to retire pursuant to Article 96 at the 18th Annual General Meeting. All these Directors will be recommended for re-election/re-appointment by the Board. Information of each Director standing for re-election is set out in pages 18 to 20 of the Directors' Profile of this Annual Report.

b. Annual assessment

The Nomination Committee will carry out the annual assessment exercise on performance and effectiveness of the Board and the Board Committees annually and the Company Secretary will facilitate the Nomination Committee in carrying out the annual assessment exercise. The Board's effectiveness is assessed in the following key areas of composition, administration and process, accountability and responsibility, Board conduct, communication and relationship with Management, performance as well as the application of good governance principles to create sustainable shareholder's value.

The Board, through the Questionnaires and recommendation from the Nomination Committee, will examine the Board Committees, including their respective Chairman, to ascertain whether their functions and duties are effectively discharged in accordance with their respective ToR. The Board will adopt the board members' self and peer evaluation form, Independent Directors' evaluation form, Board and Board committee evaluation form in future.

The annual assessment for FYE2017 was conducted via Questionnaires in early December 2017. As a post-evaluation process, the Company Secretary summarised the results of evaluation and reported to each Board and Board Committee member by providing with individual results on each area of assessment. Thus, allowing the Directors to know their standing and the Board to take actions on the outcome of evaluation by recommending remedial measures on areas that need improvements, if any.

The Nomination Committee was satisfied that all the Executive, Non-Executive and Independent Directors on the Board possess sufficient qualification to remain on the Board and have discharged their stewardship duties and responsibilities towards the Company as a Director effectively. Save for the Nomination Committee members who are also a member of the Board and have abstained from assessing their own individual performance as Director of the Company, each of the Nomination Committee Members viewed that all the Directors have good personal attributes and possess sufficient experience and knowledge in various fields that are vital to the Company's industry.

The Nomination Committee concluded that the Board and Board Committees were functioning effectively as a whole with a high level of compliance and integrity and the Board Committee and its members have carried out their duties in accordance with their respective ToR.

The Nomination Committee assessed the independence of Non-Executive Directors annually using the Policy on Assessing Independence of Directors ("Policy") which was approved by the Board on 20 December 2012. This is in line with Recommendation 3.1 of the MCCG 2012 as one (1) of the factors in determining their eligibility to stand for re-election/re-appointment. The Nomination Committee was satisfied that all the Independent Non-Executive Directors had satisfied the criteria for an Independent Director as prescribed in the Listing Requirements and Practice Note 13 of Bursa Securities and they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company. Additionally, each of the Independent Non-Executive Directors has provided an annual confirmation of their independence to the Nomination Committee and the Board.

c. Gender diversity policy

The Board noted the 30% female representation on the Board as set out in Recommendation 2.2 of the MCCG 2012. Insofar as board diversity is concerned, the Board does not intend to develop any specific policy on targets for female Director. The Board believes that the on-boarding process of Directors should not be based on any gender discrimination. As such, the evaluation of suitable candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company, as the case may be.

(ii) Remuneration Committee

The Remuneration Committee was established by the Board on 25 October 2004 to assist the Board in the adoption of fair remuneration practices to attract, retain and motivate Executive Directors. The ToR of the Remuneration Committee provides that it shall comprise at least two (2) members with a majority of Independent Non-Executive Directors.

The specific responsibilities of the Remuneration Committee in relation to remuneration matters as set out under its ToR include, amongst others:

- To establish and recommend to the Board, the remuneration package for Executive Directors such as the terms of employment or contract of employment/service, benefit, pension, incentive scheme, bonuses, fees, expenses, compensation payable on termination of the service contract by the Company and/or the Group etc.
- To consider other remunerations or rewards to retain and attract Executive Directors.
- To recommend the engagement of external professional advisors to assist and/or advise the Remuneration Committee on remuneration matters, where necessary.

The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company as well as other individuals serving as members of the Board Committees. Hence, the Board has established formal and transparent remuneration policies for the Board and Board Committees, and the procedures in determining the same. The Remuneration Committee reviews the Board remuneration policy annually and in the course of deliberating on the remuneration policy, it considers various factors including the Non-Executive Directors' fiduciary duties, time commitments expected of Non-Executive Directors and Board Committee members, the Company's performance and market conditions. The Remuneration Committee also takes into consideration the remuneration of Directors of other public listed companies ("PLCs") in order to ensure competitive remuneration policies that reflect the prevailing market rate.

In December 2017, the Board approved the Remuneration Committee's recommendation on remuneration of the Executive Directors and MD, remuneration of the Non-Executive Directors, and Directors' fees for FYE2017 for the approval of the shareholders at the Company's forthcoming annual general meeting. The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board. Disclosure of each Director's remuneration is set out in the annual audited financial statements of this Annual Report.

Directors' remuneration in aggregate, with categorization into appropriate components, distinguishing between Executive and Non-Executive Directors during the financial year under review, is as follows:

	Fees (RM)	Salaries and Other Emoluments (RM)	Benefit In Kind (RM)	Total (RM)
Executive Directors	Nil	1,956,327	64,838	2,021,165
Non-Executive Directors	270,000	Nil	37,183	307,183

The number of Directors of the Company, whose total remuneration during the financial year under review fell within the following successive bands of RM50,000 is as follows:

Range of Remuneration	Numbers of Directors
Executive Directors:	
RM50,000 to RM100,000	-
RM100,001 to RM150,000	1
RM150,001 to RM200,000	-
RM200,001 to RM250,000	-
RM250,001 to RM300,000	-
RM300,001 to RM350,000	-
RM350,001 to RM400,000	-
RM400,001 to RM450,000	1
Past Executive Directors:	
RM50,000 to RM100,000	-
RM100,001 to RM150,000	-
RM150,001 to RM200,000	-
RM200,001 to RM250,000	-
RM250,001 to RM300,000	-
RM300,001 to RM350,000	-
RM350,001 to RM400,000	-
RM400,001 to RM450,000	-
RM450,001 to RM500,000	-
RM500,001 to RM550,000	-
RM550,001 to RM600,000	-
RM600,001 to RM650,000	1
RM650,001 to RM700,000	-
RM700,001 to RM750,000	-
RM750,001 to RM800,000	-
RM800,001 to RM850,000	-
RM850,001 to RM900,000	1
Non-Executive Directors	
Below RM50,000	2
RM50,001 to RM100,000	3

In respect of the non-disclosure of detailed remuneration of each Director, the Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the 'band disclosure' presented in this Statement.

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

The roles of Independent Non-Executive Directors are vital for the successful direction of the Group as they provide independent professional views, advice and decisions to take into account the interest of the Group, shareholders, employees, customers, suppliers and many others of which the Group conducts business.

The existing five (5) Independent Non-Executive Directors are able to express their opinions without any constraint. This strengthens the Board who benefits from the independent views expressed before any decisions are taken. The Independent Non-Executive Director, Mr. Piong Yew Peng also performs the role as the Senior Independent Director to whom concerns relating to the Company may be conveyed by shareholders and stakeholders. The Group has made available a dedicated electronic email, [info@swscap.com] to which stakeholders can direct such concerns to be reviewed and addressed by the Board accordingly.

The positions of Chairman and MD are held by two different individuals. The Chairman, who is not an independent director by virtue of his substantial interest in the Company, leads the Board with a keen focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. Together with the other Non-Executive and Independent Director, he leads the discussion on the strategies and policies recommended by the Management. He also chairs the meetings of the Board and the shareholders.

The MD, Mr Neo Chee Kiat and Mr. Teoh Han Chuan are responsible for the overall performance of the Group operations, organization effectiveness and financial performance. In FYE 2017, Mr Neo Chee Kiat has redesignated to Non Independent Non-Executive Director on 16 November 2017. As the Group MD, supported by fellow Executive Director and an Executive Management team, he implements the Group's strategies, policies and decision adopted by the Board and oversees the operations and business development of the Group.

Notwithstanding the Chairman of the Board is regarded as a Non-Independent Director pursuant to Recommendation 3.5 of the MCCG 2012, the Board believes that he is well placed to act on behalf of the shareholders in their best interests. With the existing Independent Non-Executive Directors account for more than fifty (50%) of the Board composition, the Board is of the view that they are able to provide the necessary check and balance to the Board where both the MD and the Executive Chairman are the major shareholders of the Company and represent the investing public and the minority shareholders as a whole.

Given such, the Board is of the view that it is not necessary to nominate an Independent Non-Executive Director as Chairman at this juncture. However, the Board will continuously review and evaluate the Recommendation 3.5 of the MCCG 2012 from time to time.

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

The Board ordinarily meets at least five (5) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings.

Board and Board Committees papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committees members at least seven (7) days before the meeting to allow the Directors sufficient time to study for effective discussion and decision making at the meetings. The agenda for the meeting of the Board are set by the Company Secretary in consultation with the Chairman and the MD. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board of Directors during the financial year under review.

Name	Board	AC	NC	RC
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	7/7*	Nil	Nil	Nil
Teoh Han Chuan *(Appointed on 03.07.2017)*	1/1	Nil	Nil	Nil
Piong Yew Peng	6/7	5/6*	2/2	1/1
Tan Kok Tiam	7/7	6/6	2/2	1/1*
Dato' Seri Serm Juthamongkhon	6/6	Nil	Nil	Nil
Neo Chee Kiat	7/7	Nil	Nil	Nil
Chua Heok Wee	6/7	5/6	1/2	1/1
Dr. Loh Yee Feei	7/7	6/6	2/2*	1/1
Neo Tiam Hock *(Retired on 18.01.2017)*	2/2	Nil	Nil	Nil
Lau Teck Poh *(Resigned on 07.09.2017)*	6/7	5/6	2/2	1/1

* Chairman of Board Committee

As stipulated in the Charter, the Directors are required to devote sufficient time and efforts to carry out their responsibilities. The Board obtains this commitment from Directors at the time of their appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

Notwithstanding that no specific quantum of time has been fixed, all the Board members are required to notify the Board before accepting any new directorship. Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) PLCs (as prescribed in Paragraph 15.06 of Listing Requirements).

Each Board member is expected to achieve at least fifty percent (50%) attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Executive Chairman and/or Company Secretary, where applicable.

Directors' Training – Continuing Education Programme

The Board, through the Nomination Committee also oversees the training needs of its Directors. Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors, especially newly appointed ones, are encouraged to visit the Group's operating centers to have an insight on the operations which would assist the Board to make effective decisions.

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, to keep abreast of industry developments and trends, the Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates, in order to fulfill their duties as Directors. Any Director so appointed to the Board is required to complete the Mandatory Accreditation Programme ("MAP") within four (4) months from the date of appointment. All the Board members have attended and completed the MAP as at the date of this Statement.

The details of the relevant training sessions attended by each Director during the financial year under review and up to the date of this Statement are as follows:-

Name	Training Programmes	Date
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	• Malaysian Company Secretaries Conference 2016 • LHDNM-MEF Seminar2017 Taxation And Employers	27.09.2016 & 28.09.2016 30.03.2017
Teoh Han Chuan *(Appointed on 03.07.2017)*	• Mandatory Accreditation Programme for Directors of PLC	25.09.2017 & 26.09.2017
Piong Yew Peng	• New Expectations for Directors, Shareholders, Company Secretaries & Appointment of Auditors under the Companies Act 2016	28.02.2017
Tan Kok Tiam	• 2017 Budget Seminar • Highlights of the Companies Act 2016 – Changes & Implications • AMLATFPUAA 2001: Capital Market Application &Implications • Market Misconduct, Chinese Wall & Prevention of Insider Trading	02.11.2016 28.03.2017 08.04.2017 20.05.2017

Name	Training Programmes	Date
Dato' Seri Mr. Serm Juthamongkhon	• LHDNM-MEF Seminar2017 Taxation And Employers • Mandatory Accreditation Programme for Directors of PLC	30.03.2017 25.09.2017 & 26.09.2017
Neo Chee Kiat	• 2017 Budget Seminar • Seminar Percukaian Kebangsaan 2016	02.11.2016 14.11.2016
Chua Heok Wee	• 2017 Budget Seminar • Seminar Percukaian Kebangsaan 2016 • LHDNM-MEF Seminar2017 Taxation And Employers	02.11.2016 14.11.2016 30.03.2017
Dr Loh Yee Fei	• 2017 Budget Seminar • Seminar Percukaian Kebangsaan 2016 • LHDNM-MEF Seminar2017 Taxation And Employers	02.11.2016 14.11.2016 30.03.2017
Lau Teck Poh *(Resigned on 07.09.2017)*	• 2017 Budget Seminar	02.11.2017

The Company Secretary normally circulates the relevant statutory and regulatory requirements from time to time for the Board's reference and briefs the Board on the updates, where applicable. External Auditors also brief the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements for the financial year under review.

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the financial statements comprise the quarterly financial report announced to Bursa Securities, the annual audited financial statements of the Group and Company as well as the Chairman's statement and review of the Group's operations in the Annual Report, where relevant.

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the reporting period and of their results and cash flows for the period then ended.

In assisting the Board to discharge its duties on financial reporting, the Board established the Audit Committee on 22 December 2003. The roles and responsibilities of the Audit Committee, including activities undertaken during the financial year under review, are set out in the Audit Committee Report on pages 46 to 47 of this Annual Report. One (1) of the key responsibilities of the Audit Committee in its ToR is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act 2016 ("the Act").

As part of the governance process in reviewing the quarterly and yearly financial statements by the Audit Committee, the MD and Chief Financial Officer provided assurance to the Audit Committee on a quarterly basis that adequate processes and controls were in place for an effective and efficient financial statement close process, that appropriate accounting policies had been adopted and applied consistently and that the relevant financial statements gave a true and fair view of the state of affairs of the Group.

In addition to the above, the Executive Director of subsidiaries also undertook an independent assessment of the system of internal control on an annually basis and assured the Audit Committee that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

As such, the Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Group's position and prospects in the Directors' Report and the annual audited financial statements set out in this Annual Report.

The Audit Committee, without the presence of Executive Board members and Management also meets with the External Auditors at least twice during each financial year to exchange free and honest views on issues which the External Auditors may wish to discuss in relation to their audit findings.

To uphold the integrity of financial reporting by the Company, the Audit Committee has formalised and adopted Non-Audit Services Policy for the types of non-audit services permitted to be provided by the External Auditors on 20 December 2012, including the need for the Audit Committee's approval in writing before such services can be provided by the External Auditors. To address the "self-review" threat faced by the External Audit Firm it requires that the engagement team conducting the non-audit services to be different from the External Audit team.

In addition, the Audit Committee is also empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of External Auditors and review and evaluate factors relating to their independence. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval.

In assessing the independence of External Auditors, the Audit Committee will seek assurance from the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants. The External Auditors provides such declaration in their annual audit plan presented to the Audit Committee prior to the commencement of audit for a particular financial year.

In this regard, the Audit Committee had on 8 December 2017, assessed the independence of Messrs. UHY as External Auditors of the Company as well as reviewed the level of non-audit services rendered by UHY to the Company during the financial year under review. Having satisfied itself with the technical competency, performance of and fulfillment of criteria as set out in the Non-Audit Services' Policy by the External Auditors as well as audit independence of UHY, the Audit Committee unanimously recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the 18th Annual General Meeting.

To assure accountability and prevent conflict of interest in relation to issues that come before the Board, the Audit Committee also reviewed all the related party transactions entered into between the Company and its subsidiaries with the related parties on a quarterly basis.

The Audit Committee is satisfied that such transactions were entered into at an arm's length basis with the interested Directors were abstained from deliberation and voting on relevant resolutions in which they have an interest at the Board and general meetings convened and their undertaking to ensure that persons connected to them will similarly abstain from voting on the resolutions.

The details of the related party transactions are set out under Note 29 to the annual audited financial statements on pages 114 to 117 of this Annual Report.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISK OF THE GROUP

The Board regards risk management and internal controls as an integral part of the overall management processes.

Recognizing the importance of having risk management processes and practices, the Board had formalised an Enterprise Risk Management framework to provide Management with structured policies and procedures to identify, evaluate, control, monitor and report to the Board the principal business risks faced by the Group on an on-going basis, including remedial measures to be taken to address the risks vis-à-vis the risk parameters of the Group.

The responsibilities of identifying and managing risks are delegated to the respective management team led by the Executive Director. The Board and the Audit Committee are responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.

The Audit Committee, through the Management Risk Committee will assist the Board in overseeing the risk management framework of the Group and reviewing the risk management policies formulated by Management and to make relevant recommendations to the Board for approval.

The Board has established an internal audit function within the Company based on the risk profiles of the business unit of the Group, which is led by the Head of each department of its subsidiaries who reports directly to the Audit Committee in a quarterly basis.

In line with the MCCG 2012 and the Listing Requirements of Bursa Securities, the Company has outsourced the internal audit function to NGL Tricor Governance Sdn Bhd as internal auditors, who reports directly to the Audit Committee on the adequacy and effectiveness of the Group's internal controls during the quarterly Audit Committee meetings. The internal audit is guided by internal auditing standards promulgated by the Institute of Internal Auditors Inc., a globally recognized professional body for internal auditors. The internal audit function is independent of the activities it audited and the scope of work it covered during the financial year under review is provided in the Audit Committee Report set out on pages 46 to 47 of this Annual Report.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board will formalize corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the Listing Requirements of Bursa Securities, but also setting out the persons authorized and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

The Company has put in place an internal policy on confidentiality to ensure that confidential information is handled properly by the Directors, employees and relevant parties to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

To augment the process of disclosure, the Board has uploaded the policies on the Company's website from time to time, where information on the Company's announcements to the regulators, the Charter, rights of shareholders and the Company's Annual Report may be accessed.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

(i) Shareholder participation at general meeting

The Company recognises the importance of maintaining transparency and accountability to its shareholders. The Board believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders. In this regard, the Board will ensure that all the Company's shareholders and stakeholders are treated equitably and the rights of all investors, including minority shareholders, are protected.

The annual general meeting, which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification as well as for the Chairman of the annual general meeting to provide an overview of the Company's progress and receive questions from shareholders. At the annual general meeting, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last annual general meeting, a question & answer session was held where the Chairman of the annual general meeting invited shareholders to raise questions with responses from the Board and Senior Management.

The notice of annual general meeting is circulated to shareholders at least twenty-one (21) days before the date of the meeting to enable them to go through the Annual Report and papers supporting the resolutions proposed. Where special business items appear in the notice of annual general meeting, a full explanation is provided to shareholders on the effect of the proposed resolution emanating from the special business item. Separate resolutions are proposed at the meeting and the Chairman will declare the number of proxy votes received, both for and against each separate resolution where appropriate. All the resolutions set out in the notice of the last annual general meeting were put to vote by a show of hands and duly passed. The outcome of the last annual general meeting was announced to Bursa Securities on the same meeting day.

To in line with Paragraph 7.21A(2) of Listing Requirements for further promoting participation of members through proxies, the information regarding procedures and the rights of the members, corporate representatives and proxies present to speak and vote on the resolutions set out in the notice of 18th Annual General Meeting ("Notice") will be briefed via an explanatory note provided during the registration process and/or by the Chairman of the 18th Annual General Meeting at the commencement of such meetings. The Articles of the Company further entitles a member to vote in person, by corporate representative, by proxy or by attorney. Essentially, a corporate representative, proxy or attorney shall be entitled to vote as if they were a member of the Company.

To in line with Section 327 of the Act, the Board may adopt electronic voting as to facilitate greater shareholder participation at general meetings.

Under Recommendation 8.2 of the MCCG 2012 and Paragraph 8.29A(1) of the Listing Requirements, a PLC must, among others, ensure that any resolution set out in the notice of any general meeting, is voted by poll. For this purpose, the share registrar will be appointed as the poll administrator and an independent scrutineer will be appointed to validate the votes cast at the 18th Annual General Meeting.

(ii) Communication and engagement with shareholders and prospective investors

The Board recognizes the importance of being transparent and accountable to the Company's shareholders and prospective investors.

All the Directors shall endeavor to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company the 18th Annual General Meeting. The proceedings of the 18th Annual General Meeting will include the Chairman's briefing on the Company's overall performance for FY2017 and a Q&A session during which the Chairman will invite shareholders to raise questions pertaining to the Company's accounts and other items for adoption at the meeting. The Directors, MD and External Auditors will be in attendance to respond to the shareholders' queries. The Board will also share with the shareholders the Company's responses to questions submitted in advance of the 18th Annual General Meeting by the Minority Shareholder Watchdog Group, if any.

The various channels of communications are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary, the annual and extraordinary general meetings and through the Group's website at www.swscap.com where shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, i.e. info@swscap.com to which stakeholders can direct their queries or concerns.

However, any information that may be regarded as undisclosed material information about the Group will not be given to any single shareholder or shareholder group.

(iii) Investor Relations

The Company takes into consideration the shareholder's rights to access information relating to the Company and has thusly, taken measures to enable the Company to communicate effectively with its shareholders, prospective investors, stakeholders and public generally with the intention of giving them a clear picture of the Group's performance and operations.

COMPLIANCE STATEMENT

This Statement on the Company's corporate governance practices is made in compliance with Paragraphs 15.25 and 15.08A of the Listing Requirements. Save and except for the Recommendations 2.1, 2.2 & 3.5 of the MCCG 2012 as stated herein, the Board considers and is satisfied that the Company has complied with the Principles and Recommendations of the MCCG 2012, the relevant chapters of the Listing Requirements on CG and all applicable laws and regulations throughout the financial year under review.

This Statement was approved by the Board on 08 December 2017.

Non-Audit Fees

The non-audit fee paid by the Group to the External Auditors for the review of Statement on Risk Management and Internal Control during the financial year ended 31 August 2017 amounted RM5,000.

Variation in Results

There was no material variation between the audited results for the financial year and the unaudited results previously announced.

Material Contracts

The Company has not entered into any material contracts with any Directors or substantial shareholders of the Company nor any persons connected to a Director or major shareholder of the Company during the financial year.

Related Party Disclosure

Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature for the year ended 31 August 2017

The aggregate value of recurrent related party transactions conducted pursuant to the shareholders' mandate during the financial year ended 31 August 2017 are as follow:-

Related Party with whom the Group is transacting	Company within the Group involved	Amount (RM)	Nature of transactions	Interested Related Party
Ee Jia Housewares (M) Sdn. Bhd.	Ee-Lian Enterprise (M) Sdn. Bhd.	2,052,472 134,772	Sales of plastic wares and other household products Purchases of plastic wares and other household products	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Tan King Tai @ Tan Khoon Hai Teoh Han Chuan
E Sponge Household Sdn. Bhd.	Ee-Lian Enterprise (M) Sdn. Bhd.	14,764 55,387 4,000	Sales of cleaning products Purchases of cleaning products Rental	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Tan King Tai @ Tan Khoon Hai Teoh Han Chuan
PT Elianware Houseware Trading	Ee-Lian Enterprise (M) Sdn. Bhd.	177,127	Sales of plastic wares and other household products	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Tan King Tai @ Tan Khoon Hai Teoh Han Chuan
E Sponge Household Sdn. Bhd.	Ee-Lian Plastic Industries (M) Sdn. Bhd.	162	Sales of cleaning products	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Tan King Tai @ Tan Khoon Hai Teoh Han Chuan

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

SWSCAP recognises the importance of being a good corporate citizen in the conduct of its business as well as fulfilling its CSR. SWSCAP is progressively integrating CSR as part of its business activities and will undertake responsible practices that impact our society and environment in a positive manner and to inculcate a culture of responsibility in all aspect of our business.

Community

As an integral part of the communities in which we operate, the Group continues its effort in caring for the people in need, actively participating in and supporting different charity projects. During the year, the Group has contributed to various charity organizations around the towns which we have been operating in.

Environment

The Group is supportive of all efforts to reduce or dispose wastage properly and to optimize efficiency in our operations. Employees are encouraged to participate in environmental activities and to develop keen awareness in the areas of concern. The Group ensured compliance with all environment laws and regulations. It continues to work closely with regulators and industry partners in providing technical expertise and support to identify areas of improvement for resources and waste management in our ground operations and offices. Measures taken include recycling waste materials and usage of electrical instead of fuel consumed forklift.

Workplace

The Group's success comes from people. The Group considers its employees as valuable assets and treats all staff with dignity, fairness and respect. We foster a conducive working environment to encourage development of all employees. Employees are given training to develop and upgrade their skills, knowledge and attitudes. During the year under review, trainings, festival feast, annual dinner and some sports activities have been carried out to build better rapport among employees.

The Group strives to maintain a safe and healthy working environment for all our employees through adoption of good occupational safety and health practices. The Group practises the Occupational Health & Safety Management System to enhance the safety and health practices amongst the employees from different operations and to take precautionary measures against potential hazardous sources which could arise from the daily operation of the business through the process of Hazard Identification, Risk Assessment and Control.

Other initiatives to improve employee working conditions include provision of medical treatment, medical insurance and subsidised meal allowance.

Marketplace

SWSCAP is committed to the conduct of business based on practices of transparency, confidentiality and integrity in building long term relationship with our stakeholders.

INTRODUCTION

The Board of Director (or "Board") of SWS Capital Berhad ("SWSCAP" or "Company") is committed to maintain sound system of internal control and effective risk management to safeguard shareholders' investment and Group's assets. In compliance with Paragraph 15.26(b) of the Listing Requirements of Bursa Securities and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Institute of Internal Auditors Malaysia (the "Guidelines"), the Board is pleased to provide the following statement, on the nature and scope on risk management and internal control of the Group for the financial year ended 31 August ("FYE") 2017.

COMPOSITION AND ATTENDANCE

The Board, through Nomination Committee will review annually the terms of office of the Audit Committee members and assesses the performance of the Audit Committee and its members through the annual assessment conducted via Questionnaires. The Board is satisfied that for FYE2017, the Audit Committee and its members have been able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the Audit Committee ("ToR") which is set out in the Company's website, thereby supporting the Board in ensuring appropriate Corporate Governance ("CG") standards within the Company and the subsidiaries ("Group").

The current composition meets the requirement of paragraphs 15.09 and 15.10 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). Should there be a vacancy in the Audit Committee resulting in the non-compliance of paragraphs 15.09(1) and 15.10 of the Listing Requirements, the Company must fill up the vacancy within three (3) months thereof. The Audit Committee members and their attendance records are outlined in the Statement on CG.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the adequacy and integrity of the Group's risk management and system of internal control including the review of its effectiveness. The system covers risk management, financial, operational, management information systems and compliance with relevant laws, rules, directives and guidelines.

However, the Board also takes cognizance of the inherent limitation in any system of internal control, which designed to manage, rather than eliminate, the risk of failure and therefore can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The responsibilities of the Board in relation to the system extend to all subsidiaries of the Group.

RISK MANAGEMENT FRAMEWORK

An on-going process has been designed to ensure that the risks encountered by the Group's business in pursuit of its objectives are identified, evaluated and managed at known and acceptable levels throughout the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

The Group's risk management initiative includes delegating the responsibilities of identifying and managing risk to the respective Head of each business units. Significant risk identified, and the corresponding internal controls implemented are discussed during periodic management meetings. In addition, significant risks identified are also brought to the attention of the Board. This is to ascertain risk identified is properly monitored, managed, and mitigated to an acceptable level.

The evaluation and management of significant risks are reviewed on a regular basis by the Audit Committee and the Board.

During the financial year under review, key principal risks affecting the Group's business and operations has been identified with a risk register being established accordingly.

On the other hand, a Management Risk Committee ("MRC"), chaired by the Executive Director of each subsidiary will also be established to promote the risk management frame work and to ensure that the risk management process and culture are embedded throughout the Group. MRC will meet on a quarterly basis where the Heads of department ("HoD") have the overall responsibility to report the key risks to the attention of the MRC and to deliberate on risks identified, controls and risk mitigation strategies arising from the risk assessment process conducted and provide reporting and update to the Audit Committee on key risk management issues during the quarterly Audit Committee meetings. The responsibility for day-to-day risk management resides with the Management of each subsidiary and they are accountable for the risks identified and assessed.

There are steps to management of risks identified in the risk register which consists of:

- Identifying the risks to achieving strategic and operational objectives
- Determining and assessing the existing controls in place
- Assessing the impact and likelihood of the risk after taking account of existing controls to derive the residual risk
- Determining further control improvements to mitigate the risk and indicate what their impact on residual risk will be when they are fully implemented.

The Executive Director of each subsidiary are required to undertake risk assessments against their business plan, strategies and other significant activities and to maintain risk registers that reflect an appropriate risk profile. The risk registers are used as one of the business tools to highlight the risks exposures and their risks mitigation. The risk registers are updated as and when there are changes to business environment or regulatory guidelines. Policies, procedures, guidelines, templates and the likes are being developed to assist in ensuring an awareness of what is an acceptable level of risk and that risks and opportunities are managed consistently and effectively across the Group. Periodic operational/management meetings are held to ensure that the risks identified are monitored and related internal controls are communicated to the management.

The Board affirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by major companies in the Group. The results of this process, including risk mitigating measures taken by Management to address key risks identified, are periodically reviewed by the Boad through the Audit Committee.

Risk Profile

The Implementation of the Risk Management Process has resulted in the identification of a number of industry risks which may impact the Group's business as a furniture manufacturer with overseas operations. These risks include but are not limited to:

- depleting woods resources and increasing in wood costs;
- tightening in regulation and law in countries where the Group operates and sell to;
- subject to world economic changes since the Group operate in and sell across the globe;
- sovereign risk;
- exposure to foreign exchange fluctuation;
- production availability and technical changes in manufacturing processes;
- health, safety, environment and security risk; and
- exposure to debts.

These risks may change over time as the external environment changes and as the Company expand its operations. The risk Management Process requires regular reviews of the Company's existing risks and the identification of any new and emerging risks facing the Company, including financial and non-financial matters. It also requires the management (including mitigation where appropriate) of these risks.

SYSTEM OF INTERNAL CONTROL

The Group maintains a system of internal control that serves to safeguard its assets; ensure compliance with statutory and regulatory requirements; and to ensure operational results are closely monitored and substantial variances are promptly explained.

Salient features of the framework of the system of internal control are as follows:

- Operating procedures that set out the policies, procedures and practices adopted by the Group are properly documented and communicated to staff member so as to ensure clear accountabilities. The effectiveness of internal control procedures are subject to continuous assessments, reviews and improvements.

- The organisational structure is well defined; with clear line of responsibilities and delegation of authorities. Key responsibilities are properly segregated.

- The Board meets regularly and is kept updated on the Group's activities and operations and significant changes in the business and external environment, if any, which may result in significant risks.

- Financial results are reviewed quarterly by the Board and the Audit Committee.

- Executive Directors and Head of departments meet regularly to discuss operational, corporate, financial and key management issues.

- A reporting system which provides for a documented and auditable trail of accountability to ensure timely generation of information for management review, has been put in place.

- There are guidelines within the Group for hiring and termination of staff. Appointment of staff is based on the required level of qualification, experience and competency to fulfil their responsibilities. Training and development are provided for selected employees to enhance their competency in carrying out their responsibilities.

- A formal staff appraisal to evaluate and measure staff's performance and their competency is performed at least once a year.

INTERNAL AUDIT FUNCTION

The Internal audit function has the primary objective of carrying out reviews of the system of internal control to determine if the internal control procedures have been complied with as well as to make recommendations to strengthen the system of internal control so as to foster a strong management control environment.

The Board is fully aware of the importance of the internal audit function and outsourced its internal audit function to an independent professional service provider ("Internal Auditors"). The Internal Auditors report directly to the Audit Committee and assist the Audit Committee in discharging their duties and responsibilities. The internal audit team provides an independent assessment on the adequacy and effectiveness of the Group's internal control system. The internal audit focuses on regular and systematic reviews of the financial and operational processes, in anticipating potential risk exposures over key business processes.

The Internal Auditors adopt a risk-based approach by focusing on:

- reviewing identified high risks areas for compliance with policies and procedures; identifying business risks which have not been appropriately addressed; and

- evaluating the adequacy and effectiveness of controls.

The Internal Auditors carry out audit assignment based on an audit plan that is reviewed and approved by the Audit Committee. The reports of the audits undertaken were forwarded to the Audit Committee for deliberation and approval.

The Internal Auditors have documented key findings from the internal audit carried out. They have discussed with process owners on the recommendation for internal control improvement and provided the Audit Committee with independent and objective reports on the state of the internal control and recommendations for improvements of the various operating units within the Group. The internal audits carried out have not identified any circumstances which suggest any fundamental deficiencies in the Group's internal control and risk management system. Audit issues and actions taken by Management to address the issues tabled by Internal Auditors were deliberated during the Audit Committee meetings. Minutes of the Audit Committee meetings which recorded these deliberations were presented to the Board.

The expenditure incurred for the internal audit function for the current financial year was RM34,780.37.

ASSURANCE PROVIDED BY THE MANAGING DIRECTOR

In line with the Guidelines, the Managing Director has provided assurance to the Board that the Group's risk management and internal control systems have been operated adequately and effectively, in all material aspects, to meet the Group's business objectives during the financial year under review.

The Managing Director also reports to the Board on significant changes in the business and the external environment which affects the operations. Financial information, key performance and risk indicators are also reported on a quarterly basis to the Board.

REVIEW OF STATEMENT

In accordance with the Paragraph 15.23 of the Listing Requirements of Bursa Securities, the External Auditors have reviewed this Statement for inclusion in this Annual Report, and reported that nothing has come to their attention that cause them to believe that the contents of this Statement is inconsistent with their understanding of the actual processes adopted by the Board in reviewing the adequacy and integrity of the system of internal control and risk management.

CONCLUSION

The Board is of the view that the system of risk management and internal control that had been implemented within the Group is sound and effective. The internal control procedures will be reviewed continuously in order to improve and strengthen the system to ensure ongoing adequacy, integrity and effectiveness so as to safeguard the Group's assets and shareholders' investments.

There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

This Statement was approved by the Board on 08 December 2017.

AUDIT COMMITTEE REPORT

The Audit Committee of SWS Capital Berhad ("SWSCAP" or "Company") comprises four (4) members, all of whom are Independent Non-Executive Directors. The current composition meets the requirement of paragraphs 15.09 and 15.10 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). Should there be a vacancy in the Audit Committee resulting in the non-compliance of paragraphs 15.09(1) and 15.10 of the Listing Requirements, the Company must fill up the vacancy within three (3) months thereof. The Audit Committee members and their attendance records are outlined in the Corporate Governance ("CG") Statement.

The Audit Committee reviews and updates its Term of Reference ("ToR") from time to time as to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board's objectives. The salient features of the ToR can be viewed on the Company's website at www.swscap.com.

MEETINGS

The Audit Committee held six (6) meetings in for the financial year ended 31 August ("FYE") 2017 without the presence of other Directors, members of Senior Management and employees, except when their attendance was requested by the Audit Committee.

The lead audit engagement partner of the External Auditors responsible for the Group attended two (2) Audit Committee meetings in FYE2017 to present the audit plans and auditors' report on the annual audited financial statements for FYE2017.

During the first meeting between the external auditors and the Audit Committee, the Audit Committee sought the External Auditors' confirmation that they had been given unfettered access to information and co-operation from the Management during the course of audit. In the Audit Committee meetings, the External Auditors were invited to raise any matter they considered important for the Audit Committee's attention. The Audit Committee Chairman obtained confirmation from the External Auditors that the Management had given its full support and unrestricted access to information as required by the External Auditors to perform their duties and that there were no other matters considered important which had not been raised with the Audit Committee.

In addition to the meetings held between the Audit Committee and the External Auditors during the Audit Committee meetings where they were given opportunities to raise any matters without the presence of Management, the Audit Committee members also gave unrestricted access to the External Auditors to contact them at any time should they become aware of incidents or matters during the course of their audits or reviews. Deliberations during the Audit Committee meetings, including the issues tabled and rationale adopted for decisions, were recorded. Minutes of the ARMC meetings were tabled for confirmation at the following Audit Committee meeting and subsequently presented to the Board for notation.

The Audit Committee Chairman presented to the Board the recommendations of the Audit Committee for approval of the annual and quarterly financial statements. The Audit Committee Chairman also conveyed to the Board matters of significant concern as and when raised by the External Auditors or Internal Auditors. The Internal Auditors were present at two (2) Audit Committee meetings to table the respective internal audit ("IA") reports.

With the reporting and update by the Management Risk Committee on key risk management issues, the Audit Committee reviewed the key corporate risk profiles, risk assessment of core business processes, operational risks and mitigation measures as well as the process for identifying, evaluating and managing risk through the Enterprise Risk Management framework as to ensure that the risk management process and culture are embedded throughout the Group.

SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, the activities of the Audit Committee included the following:-

- Reviewed and discussed the memorandum of matters and issues raised by the External Auditors and management's response to all pertinent issues and findings raised and noted by the External Auditors during their audit of the financial statements, together with recommendations in respect of their findings.
- Reviewed the audit planning memorandum prepared by the External Auditors covering audit objectives and approach, audit plan, key audit area and relevant technical pronouncements and accounting standards.
- Reviewed the interim unaudited and annual audited financial statements of the Group prior to recommending for approval by the Board.
- Reviewed and discussed the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report.
- Reviewed internal audit's resource requirements, scope, adequacy and function.
- Reviewed the internal audit's plan and programs, IA reports, recommendations and Management responses. Improvement actions in the areas of internal control, systems and efficiency enhancements suggested by the Internal Auditors were discussed together with the Management Team in a separate forum as well as review of implementation of these recommendations through follow-up audit reports.
- Briefed the Board on any major issues acquisition and corporate exercise of the Company discussed at the Audit Committee meeting for further deliberation or decision as the case may be.
- Reviewed the related parties' transactions and conflict of interest situation that that arose within the Company or the Group including any transaction, procedure or code of conduct that may raise concern or question of management's integrity.
- Considered the nomination of External Auditors and Internal Auditors for recommendation to the Board for re-appointment.
- Reviewed its ToR periodically and recommendation to the Board on revision, if necessary.
- Reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Malaysian Code on Corporate Governance 2012 .
- Reviewed and approved the whistle-blowing policy and the risk management policies and strategies and significant changes made thereto from time to time.
- Suggested on additional improvement opportunities in the areas of internal control systems and efficiency improvement.
- Assessed the resources and knowledge of the Management and employees involved in the internal control and risk management processes.
- Reviewed the unaudited financial results announcements before recommending them for Board's approval, focusing particularly on:
  - o any change in accounting policies and practices
  - o significant adjustments arising from the audit
  - o the going concern assumption
  - o compliance with applicable financial reporting standards and other legal requirements

INTERNAL AUDIT FUNCTION

The Board acknowledges that it is responsible for maintaining a sound system of internal controls which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines to safeguard shareholders' investment and the Group's assets.

The Company has engaged an independent professional risk management company as Internal Auditors to assist the Company to strengthen its internal audit processes during the financial year. The Internal Auditors are engaged to provide independent assessments on the adequacy and effectiveness of the risk management, internal control and governance processes within the Group.

An overview of the Group's approach in maintaining a sound system of internal control is set out in the Statement on Risk Management and Internal Control on Pages 42 to 45 of the Annual Report.

STATEMENT OF DIRECTORS' **RESPONSIBILITY**

The Directors of SWSCAP are required to prepare the financial statements which give a true and fair view of the financial position of the Group and of the Company as at 31 August 2017, and of the results and cash flows of the Group and of the Company for the financial year then ended, in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 ("the Act") in Malaysia.

In preparing the financial statements the Directors have,

- used appropriate accounting policies that are consistently applied;
- made judgements and estimates that are prudent and reasonable;
- ensured that all applicable MFRS and IFRS in Malaysia have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements to comply with MFRS, IFRS and the Act in Malaysia.

The Directors are also responsible for safeguarding the assets of the Group and the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial Statements

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2017.

PRINCIPAL ACTIVITIES

The principle activity of the Company is an investment holding company. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	9,070,148	12,977,306
Attributable to:		
Owners of the parent	8,555,322	12,977,306
Non-controlling interests	514,826	-
	9,070,148	12,977,306

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the current financial year.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS OF THE COMPANY

The Directors of the Company in office during the financial year until the date of this report are:

Neo Chee Kiat	
Piong Yew Peng	
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	
Tan Kok Tiam	
Loh Yee Feei	
Chua Heok Wee	
Dato' Seri Mr. Serm Juthamongkhon	(appointed on 24.10.2016)
Teoh Han Chuan	(appointed on 03.07.2017)
Neo Tiam Hock	(retirement on 18.01.2017)
Lau Teck Poh	(resigned on 07.09.2017)

DIRECTORS OF SUBSIDIARY COMPANIES

The following is a list of Directors of subsidiary companies (excluding Directors who are also Directors of the Company) in office during the financial year until the date of this report are:

Heng Sew Hua	
Tan Soon Ping	
Heng Lih Jiun	
Lee Yew Chye	
Teo Miow Loo	
Lim Boon Leong	(appointed on 23.11.2016)
Ooi Chen Hoon	(appointed on 27.11.2017)
Yeo Siew Gek	(resigned on 30.12.2016)
Gan Poh Keong	(resigned on 25.07.2017)
Lee Geok Kim	(resigned on 25.07.2017)
Neo Chee How	(resigned on 16.11.2016)
Neo Chee Hsian	(resigned on 16.11.2016)
Anthony Na Hai Sir	(resigned on 23.11.2016)

DIRECTORS' INTERESTS

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.9.2016	Bought	Sold	At 31.8.2017
Interests in the Company				
Direct Interests				
Neo Chee Kiat	10,858,210	-	6,500,000	4,358,210
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	9,858,620	3,959,000	-	13,817,620
Chua Heok Wee	945,645	-	-	945,645
Dato' Seri Mr. Serm Juthamongkhon	7,261,300	-	-	7,261,300
Teoh Han Chuan ^	-	10,000,000	-	10,000,000
Lau Teck Poh	5,757,000	-	3,000,000	2,757,000
Indirect Interests				
Neo Chee Kiat #	12,969,000	-	12,959,000	10,000
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai #	25,484,261	-	-	25,484,261
Chua Heok Wee *	-	2,162,500	-	2,162,500
Teoh Han Chuan #^	-	50,000	-	50,000

\# deemed interest by virtue of shares held by spouse/children.
* deemed interest by virtue of the shareholdings in the company.
^ at date of appointment

By virtue of his interests in the shares of the Company, Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai is also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016 in Malaysia.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 29 to the financial statements) by reason of a contract made by the Company or a related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE COSTS

There were no indemnity given to or insurance effected for, any Director, Officer or Auditor of the Company during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

  (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

  (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

  (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

  (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

  (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due;

  (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in the notes to the financial statements; and

  (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SUBSIDIARY COMPANIES

The details of the subsidiary companies are disclosed in Note 6 to the financial statements.

AUDITORS' REMUNERATION

The details of auditors' remuneration are set out in Note 22 to the financial statements.

SIGNIFICANT EVENTS

Details of the significant events are disclosed in Note 6 to the financial statements.

AUDITORS

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 08 December 2017.

TAN SRI DATO' SERI TAN KING TAI @ TAN KHOON HAI

TEOH HAN CHUAN

PENANG

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 60 to 132 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2017 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 35 to the financial statements on page 133 have been compiled in accordance with 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, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 08 December 2017.

TAN SRI DATO' SERI TAN KING TAI @ TAN KHOON HAI

TEOH HAN CHUAN

PENANG

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, TAN SRI DATO' SERI TAN KING TAI @ TAN KHOON HAI, being the Director primarily responsible for the financial management of SWS Capital Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 60 to 133 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at George Town in the State of)
Penang on 08 December 2017)

TAN SRI DATO' SERI TAN KING TAI @ TAN KHOON HAI

Before me,

Haji Mohamed Yusoff Bin Mohd Ibrahim (P156)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of SWS Capital Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SWS Capital Berhad, which comprise the statements of financial position as at 31 August 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 132.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Requirements

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How we addressed the key audit matters
Inventory Valuation	
As at 31 August 2017, the Group held a significant inventory amounted to RM36.2 milion as disclosed in Note 8 to the financial statements and it constituted approximately 40% of the Group's total current assets. As described in the Accounting Policies in Note 3(i) to the financial statements, inventories are carried at the lower of cost and net realisable value. The valuation of inventories is identified as a key audit matter because of the judgement made by the Directors in determining an appropriate inventory valuation involves predicting the amount of future demand from customers as the sales in the Group is subject to customer's preference which is based on trends and there is a risk that the next realisable value lower than the cost. Besides that, judgements are also required to identify slow moving and obsolete inventories which need to be written down to their net realisable value.	We reviewed the Group's policy on inventory valuation that are in accordance with MFRS 102 *Inventories*. We evaluated the operating effectiveness of key controls over the inventory system in recording the cost of inventory on first-in-first-out basis. We reviewed and verified the value of a sample of inventory item by comparing the unit price used in the final inventory listing summary to current price lists, recent sales invoices, or recent vendor invoices to ensure inventories are stated at the lower of cost and net realisable value. We assessed the adequacy of the disclosures made in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current finance year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 35 on page 133 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

1. The financial statements of the Group and of the Company as at 31 August 2016 were audited by another auditors who expressed an unqualified opinion on the financial statements on 28 November 2016.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

LOH CHYE TEIK
Approved Number: 1652/08/2018 (J)
Chartered Accountant

KUALA LUMPUR
Date: 08 December 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	93,774,688	44,739,226	–	–
Investment properties	5	3,218,000	4,938,000	–	–
Investment in subsidiary companies	6	–	–	69,465,013	44,746,329
Deferred tax assets	7	–	1,202,637	–	–
		96,992,688	50,879,863	69,465,013	44,746,329
Current assets					
Inventories	8	36,239,950	31,451,637	–	–
Trade receivables	9	36,702,435	15,637,051	–	–
Other receivables	10	2,279,042	4,829,013	1,000	1,000
Amount due from subsidiary companies	11	–	–	101,760	4,079,429
Tax recoverable		1,546,271	283,266	38,951	–
Derivative financial assets	12	6,419	–	–	–
Deposits, bank and cash balances	13	13,595,438	23,771,572	3,912,179	11,609,142
		90,369,555	75,972,539	4,053,890	15,689,571
Total assets		187,362,243	126,852,402	73,518,903	60,435,900

STATEMENTS OF FINANCIAL POSITION (cont'd)
As at 31 August 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
EQUITY					
Share capital	14	72,937,519	72,937,519	72,937,519	72,937,519
Share premium	15	18,305,398	18,305,398	18,305,398	18,305,398
Revaluation reserve	16	9,429,771	239,000	–	–
Accumulated losses		(834,553)	(10,600,782)	(17,925,866)	(30,903,172)
Equity attributable to owners of the parent		99,838,135	80,881,135	73,317,051	60,339,745
Non-controlling interests		868,887	6,051,260	–	–
Total equity		100,707,022	86,932,395	73,317,051	60,339,745
LIABILITIES					
Non-current liabilities					
Loans and borrowings	17	14,305,606	4,176,606	–	–
Deferred tax liabilities	7	4,085,579	–	–	–
		18,391,185	4,176,606	–	–
Current liabilities					
Loans and borrowings	17	40,594,090	22,647,387	–	–
Trade payables	18	22,176,471	7,695,955	–	–
Other payables	19	5,493,475	5,400,059	201,852	35,000
Provision for taxation		–	–	–	61,155
		68,264,036	35,743,401	201,852	96,155
Total liabilities		86,655,221	39,920,007	201,852	96,155
Total equity and liabilities		187,362,243	126,852,402	73,518,903	60,435,900

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year ended 31 August 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	20	144,864,467	149,098,472	216,000	2,248,000
Cost of sales		(123,475,296)	(124,156,836)	-	-
Gross profit		21,389,171	24,941,636	216,000	2,248,000
Other income		13,672,694	4,047,834	15,617,548	167,215
Administrative expenses		(14,799,292)	(12,719,325)	(2,835,377)	(826,095)
Selling and distribution expenses		(7,022,529)	(8,397,016)	-	-
Other expenses		(728,081)	(825,635)	-	-
Profit from operations		12,511,963	7,047,494	12,998,171	1,589,120
Finance costs	21	(1,050,343)	(1,125,692)	-	-
Profit before tax	22	11,461,620	5,921,802	12,998,171	1,589,120
Taxation	23	(2,391,472)	(15,129)	(20,865)	(105,862)
Profit for the financial year		9,070,148	5,906,673	12,977,306	1,483,258
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of land and buildings		9,268,308	-	-	-
Total comprehensive income for the financial year		18,338,456	5,906,673	12,977,306	1,483,258
Profit for the financial year attributable to:					
Owners of the parent		8,555,322	4,408,342	12,977,306	1,483,258
Non-controlling interests		514,826	1,498,331	-	-
		9,070,148	5,906,673	12,977,306	1,483,258
Total comprehensive income attributable to:					
Owners of the parent		17,819,580	4,408,342	12,977,306	1,483,258
Non-controlling interests		518,876	1,498,331	-	-
		18,338,456	5,906,673	12,977,306	1,483,258
Earnings per share					
- Basic earnings per share (sen)	25	5.9	3.1		
- Diluted earnings per share (sen)	25	5.9	3.1		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year ended 31 August 2017

		Attributable to owners of the parent						
		Non-distributable						
Group	Note	Share capital RM	Share premium RM	Revaluation reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 September 2016		72,937,519	18,305,398	239,000	(10,600,782)	80,881,135	6,051,260	86,932,395
Profit for the financial year		-	-	-	8,555,322	8,555,322	514,826	9,070,148
Revaluation of land and buildings		-	-	9,264,258	-	9,264,258	4,050	9,268,308
Total comprehensive income		-	-	9,264,258	8,555,322	17,819,580	518,876	18,338,456
Realisation of revaluation surplus upon depreciation		-	-	(73,487)	73,487	-	-	-
Transactions with owners:								
Acquisition of equity interest in subsidiary companies		-	-	-	-	-	826,171	826,171
Changes in ownership interest in a subsidiary companies		-	-	-	1,137,420	1,137,420	(6,527,420)	(5,390,000)
Total transactions with owners		-	-	-	1,137,420	1,137,420	(5,701,249)	(4,563,829)
At 31 August 2017		72,937,519	18,305,398	9,429,771	(834,553)	99,838,135	868,887	100,707,022

STATEMENTS OF CHANGES IN EQUITY (cont'd)

For the Financial Year ended 31 August 2017

		Attributable to owners of the parent						
		Non-distributable						
Group	Note	Share capital RM	Share premium RM	Revaluation reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 September 2015		63,252,750	12,494,536	239,000	(13,550,374)	62,435,912	4,846,929	67,282,841
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	4,408,342	4,408,342	1,498,331	5,906,673
Transactions with owners:								
Issuance of ordinary shares								
- Conversion of warrants	14	9,684,769	5,810,862	-	-	15,495,631	-	15,495,631
Dividends to owners of the Company	26	-	-	-	(1,458,750)	(1,458,750)	-	(1,458,750)
Dividends paid to non-controlling interests		-	-	-	-	-	(294,000)	(294,000)
		9,684,769	5,810,862	-	(1,458,750)	14,036,881	(294,000)	13,742,881
At 31 August 2016		72,937,519	18,305,398	239,000	(10,600,782)	80,881,135	6,051,260	86,932,395

STATEMENTS OF CHANGES IN EQUITY (cont'd)
For the Financial Year ended 31 August 2017

		Non-distributable			
Company	**Note**	**Share capital RM**	**Share premium RM**	**Accumulated losses RM**	**Total equity RM**
At 1 September 2016		72,937,519	18,305,398	(30,903,172)	60,339,745
Profit for the financial year, representing total comprehensive income for the financial year		-	-	12,977,306	12,977,306
At 31 August 2017		72,937,519	18,305,398	(17,925,866)	73,317,051
At 1 September 2015		63,252,750	12,494,536	(30,927,680)	44,819,606
Profit for the financial year, representing total comprehensive income for the financial year		-	-	1,483,258	1,483,258
Transactions with owners:					
Issuance of ordinary shares - Conversion of warrants	14	9,684,769	5,810,862	-	15,495,631
Dividends to owners of the Company	26	-	-	(1,458,750)	(1,458,750)
		9,684,769	5,810,862	(1,458,750)	14,036,881
At 31 August 2016		72,937,519	18,305,398	(30,903,172)	60,339,745

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year ended 31 August 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash flows from operating activities					
Profit before tax		11,461,620	5,921,802	12,998,171	1,589,120
Adjustments for:					
Bargain purchase of subsidiary company		(10,491,741)	–	–	–
Inventories written down		21,185	–	–	–
Depreciation of property, plant and equipment		3,442,158	2,940,381	–	–
Dividend income		–	–	–	(1,756,000)
Fair value gain of:					
- Investment properties		(30,000)	(850,000)	–	–
- Derivatives		(6,419)	(283,326)	–	–
Gain on disposal of subsidiary company		(257,724)	–	(15,413,608)	–
(Gain)/Loss on disposal of property, plant and equipment		(307,364)	3,142	–	–
Impairment losses on:					
- Investment in subsidiary company		–	–	1,480,058	
- Trade receivables		169,846	392	–	–
Finance costs		1,050,343	1,125,692	–	–
Finance income		(318,466)	(266,286)	(203,940)	(167,215)
Property, plant and equipment written off		1,174	–	–	–
Reversal of impairment losses on trade receivables		–	(789,171)	–	–
Unrealised loss on foreign exchange		303,797	202,461	–	–
Operating profit/(loss) before working capital changes		5,038,409	8,005,087	(1,139,319)	(334,095)

STATEMENTS OF CASH FLOWS (cont'd)
For the Financial Year ended 31 August 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from operating activities (Cont'd)					
Operating profit/(loss) before working capital changes (Cont'd)		5,038,409	8,005,087	(1,139,319)	(334,095)
Change in working capital:					
Inventories		(1,998,084)	474,473	-	-
Receivables		2,370,795	(687,514)	-	41,800
Payables		(2,006,048)	(1,729,956)	166,852	(4,596)
		(1,633,337)	(1,942,997)	4,144,521	37,204
Cash generated from/(used in) operations		3,405,072	6,062,090	(972,467)	(296,891)
Interest paid		(1,050,343)	(1,125,692)	-	-
Tax paid		(1,379,495)	(792,367)	(120,971)	(46,284)
Tax refund		176,741	-	-	1,577
Net cash from/(used in) operating activities		1,151,975	4,144,031	(1,093,438)	(341,598)
Cash flows from investing activities					
Acquisition of property, plant and equipment	4(e)	(4,345,079)	(3,616,520)	-	-
Acquisition of subsidiary company	6(a)(ii)	(30,263,619)	-	(36,135,000)	-
Acquisition of interest of non-controlling interest	6(b)	(5,390,000)	-	(5,390,000)	-
Dividends received		-	-	-	1,756,000
Placement of pledged fixed deposit		(4,704,644)	(81,449)	-	-
Proceeds from disposal of property, plant and equipment		449,179	141,760	-	-
Proceeds from disposal of subsidiary company	6(c)	26,176,551	-	30,739,866	-
Net cash (used in)/from investing activities		(18,077,612)	(3,556,209)	(10,785,134)	1,756,000

STATEMENTS OF CASH FLOWS (cont'd)
For the Financial Year ended 31 August 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash flows from financing activities					
Cash advances from/(repaid) to subsidiary company		-	-	3,977,669	(4,079,429)
Interest received		318,466	266,286	203,940	167,215
Dividends paid	26	-	(1,458,750)	-	(1,458,750)
Dividends paid to non-controlling interests		-	(294,000)	-	-
(Repayment)/Proceed from bankers acceptance		(742,213)	5,045,853	-	-
Proceed from conversion of warrants		-	15,495,631	-	15,495,631
Drawdown of term loans		143,419	2,389,744	-	-
Repayment of finance lease liabilities		(1,116,989)	(626,332)	-	-
Repayment of term loans		(929,966)	(3,198,447)	-	-
Net cash (used in)/from financing activities		(2,327,283)	17,619,985	4,181,609	10,124,667
Net (decrease)/increase in cash and cash equivalents		(19,252,920)	18,207,807	(7,696,963)	11,539,069
Effect of exchange translation differences on cash and cash equivalents		104,399	(722,388)	-	-
Cash and cash equivalents at the beginning of the financial year		22,369,636	4,884,217	11,609,142	70,073
Cash and cash equivalents at the end of the financial year		3,221,115	22,369,636	3,912,179	11,609,142
Cash and cash equivalents at the end of the financial year comprises:					
Deposits, bank and cash balances	13	13,595,438	23,771,572	3,912,179	11,609,142
Less: Bank overdrafts	17	(4,749,341)	(481,598)	-	-
		8,846,097	23,289,974	3,912,179	11,609,142
Less: Fixed deposits pledged with licensed banks		(5,624,982)	(920,338)	-	-
		3,221,115	22,369,636	3,912,179	11,609,142

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at PTD 6001, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Batu 8, 84200 Muar, Johor Darul Takzim.

The registered office of the Company is located at No.7 (1st Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Takzim.

The principal activity of the Company is an investment holding company. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following new MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 - 2014 Cycle	

Adoption of above MFRSs and amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, new interpretation and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRS Standards 2014 - 2016 Cycle:		
• Amendments to MFRS 12		1 January 2017
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	1 January 2018*
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty Over Income Tax Treatment	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:

* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The Group and the Company intend to adopt the above MFRSs when they become effective.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

The initial applications of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

(ii) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty or revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled exchange for those goods or services.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

The initial applications of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below: (Cont'd)

(iii) MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

There are no significant areas of critical judgment in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgments, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

<u>Useful lives of property, plant and equipment</u>

The Group regularly review the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment is disclosed in Note 4.

<u>Revaluation of property, plant and equipment and investment properties</u>

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 August 2017 for investment properties and revalued land and buildings. For investment properties, a valuation methodology based on sales comparison approach was used. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The fair value of buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The key assumptions used to determine the fair value of the properties are provided in Notes 4 and 5.

<u>Impairment of investment in subsidiary companies</u>

The Company reviews its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and alos to determine a suitable discount rate in order to calculate the present value of those cash flow.

The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 6.

<u>Fair value measurement of contingent consideration</u>

Contingent consideration, resulting from business combination, is valued at fair value at the acquisition date as part of the business combination. It is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

The key assumptions taken into consideration include the probability of meeting each performance target and the discounted factor. The carrying amount of contingent consideration is disclosed in Note 6.

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgments, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below: (Cont'd)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 7.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8.

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 9, 10 and 11.

Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 August 2017, the Group has tax recoverable of RM1,546,271 (2016: RM283,266) and the Company have tax recoverable and tax payable of RM38,951 (2016:RM NIL) and RM NIL (2016:RM61,155) respectively.

Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Company for matters in the ordinary course of business. Details of contingent liabilities are disclosed in Note 28.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant policies set put below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investment in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k) to the financial statements on impairment of non-financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(k) to the financial statements on impairment of non-financial assets.

(b) Foreign currency translation

Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency translation (Cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, usually every five years, to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of property is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of property are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Leasehold land	Over the remaining lease period
Freehold buildings	2%
Leasehold buildings	2%
Renovation and electrical installation	10% - 20%
Worker quarter	2%
Plant, machinery and equipment	10%
Motor vehicles	10% - 20%
Other assets	10% - 20%

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if the right is not explicitly specific in an arrangement.

<u>As lessee</u>

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straightline basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

<u>As lessor</u>

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the reporting period of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(f) Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired principally for the purpose of selling it in the near term. Derivatives, including separated embedded derivatives, are also categorised as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as noncurrent.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets (Cont'd)

(i) Financial assets at fair value through profit or loss (Cont'd)

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or losses that had been recognised in equity is recognised in profit or loss.

(g) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial liabilities (Cont'd)

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Other financial liabilities measured at amortised cost.

The Group's and the Company's other financial liabilities comprise trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material is determined on a first-in-first-out basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, fixed deposits, bank overdrafts and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of assets (Cont'd)

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

<u>Financial assets carried at amortised cost</u>

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

(l) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(n) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(o) Revenue and other income recognition

(i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue and other income recognition (Cont'd)

(ii) Rental income

Rental income is accounted for on a straightline basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straightline basis.

(iii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(iv) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

(v) Management fee

Management fee is recognised on accrual bases when services are rendered.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Income taxes (Cont'd)

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance being tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(r) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(s) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

4. PROPERTY, PLANT AND EQUIPMENT

Group 2017	At valuation				At cost					
	Freehold land RM	Freehold buildings RM	Leasehold land RM	Leasehold buildings RM	Renovation and electrical installation RM	Worker quarter RM	Plant, machinery and equipment RM	Motor vehicles RM	# Other assets RM	Total RM
Cost/Valuation										
At 1 September 2016	10,196,328	14,951,164	2,802,412	10,134,959	1,227,950	278,411	19,587,760	7,108,505	5,875,288	72,162,777
Additions	-	53,300	-	263,192	48,583	-	3,450,695	741,550	335,759	4,893,079
Revaluation surplus	1,606,330	18,375	4,051,903	4,093,139	-	-	-	-	-	9,769,747
Elimination of accumulated depreciation on revaluation	-	(576,961)	(711,177)	(2,809,472)	-	-	-	-	-	(4,097,610)
Disposal	-	-	-	-	-	-	(852,637)	(548,723)	(8,730)	(1,410,090)
Written off	-	-	-	-	-	-	(62,892)	-	-	(62,892)
Reclassification	-	-	1,149,496	418,287	(293,236)	-	-	-	(1,274,547)	-
Acquisition through business combination	570,000	570,000	15,324,244	23,722,004	1,829,967	-	38,749,099	3,919,770	6,169,021	90,854,105
Disposal of subsidiary company	(4,794,658)	(11,863,878)	(66,878)	(398,458)	(516,460)	(278,411)	(9,792,442)	(4,371,808)	(4,363,579)	(36,446,572)
At 31 August 2017	7,578,000	3,152,000	22,550,000	35,423,651	2,296,804	-	51,079,583	6,849,294	6,733,212	135,662,544

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2017	Freehold land RM	Freehold buildings RM	Leasehold land RM	Leasehold buildings RM	Renovation and electrical installation RM	Worker quarter RM	Plant, machinery and equipment RM	Motor vehicles RM	# Other assets RM	Total RM
	At valuation				At cost					
Accumulated depreciation										
At 1 September 2016	413,588	3,607,537	282,257	1,869,609	1,007,755	41,130	11,773,649	4,794,824	3,633,202	27,423,551
Charge for the financial year	-	60,155	67,774	451,333	132,064	4,642	1,764,034	810,414	255,908	3,442,158
Elimination of accumulated depreciation on revaluation	-	(576,961)	(711,177)	(2,809,472)	-	-	-	-	-	(4,097,610)
Disposal	-	-	-	-	-	-	(844,120)	(415,424)	(8,731)	(1,268,275)
Written off	-	-	-	-	-	-	(61,718)	-	-	(61,718)
Reclassification	-	-	-	11,922	13,072	-	-	-	(24,994)	-
Acquisition through business combination	-	-	439,815	843,574	667,694	-	24,249,996	2,417,239	2,782,718	31,505,202
Disposal of subsidiary company	(413,588)	(3,082,065)	(66,875)	(326,133)	(503,748)	(45,772)	(5,165,486)	(3,042,856)	(2,408,929)	(15,055,452)
At 31 August 2017	-	8,666	11,794	40,833	1,316,837	-	31,716,355	4,564,197	4,229,174	41,887,856
Carrying amount										
At 31 August 2017	7,578,000	3,143,334	22,538,206	35,382,818	979,967	-	19,363,228	2,285,097	2,504,038	93,774,688

Other assets comprise of office equipment, furniture and fittings, computers, air-conditioners and signboard.

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2016	Freehold land RM	Freehold buildings RM	Leasehold land RM	Leasehold buildings RM	Renovation and electrical installation RM	Worker quarter RM	Plant, machinery and equipment RM	Motor vehicles RM	# Other assets RM	Total RM
Cost										
At 1 September 2015	6,756,658	14,603,288	2,802,412	10,120,659	1,010,814	278,411	19,042,647	6,217,830	5,559,128	66,391,847
Additions	3,439,670	347,876	-	14,300	217,136	-	1,474,011	1,240,890	323,542	7,057,425
Disposal	-	-	-	-	-	-	(627,181)	(350,215)	-	(977,396)
Written off	-	-	-	-	-	-	(301,717)	-	(7,382)	(309,099)
At 31 August 2016	10,196,328	14,951,164	2,802,412	10,134,959	1,227,950	278,411	19,587,760	7,108,505	5,875,288	72,162,777
Accumulated depreciation										
At 1 September 2015	413,588	3,285,253	250,269	1,727,609	919,853	35,562	11,225,996	4,316,599	3,450,034	25,624,763
Charge for the financial year	-	322,284	31,988	142,000	87,902	5,568	1,409,515	750,574	190,550	2,940,381
Disposal	-	-	-	-	-	-	(560,145)	(272,349)	-	(832,494)
Written off	-	-	-	-	-	-	(301,717)	-	(7,382)	(309,099)
At 31 August 2016	413,588	3,607,537	282,257	1,869,609	1,007,755	41,130	11,773,649	4,794,824	3,633,202	27,423,551
Carrying amount										
At 31 August 2016	9,782,740	11,343,627	2,520,155	8,265,350	220,195	237,281	7,814,111	2,313,681	2,242,086	44,739,226

Other assets comprise of office equipment, electrical installation, furniture and fittings, computers, air-conditioners and signboard.

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Company 2017 RM	2016 RM
Signboard		
Cost		
At 1 September/At 31 August	10,797	10,797
Accumulated depreciation		
At 1 September/At 31 August	10,797	10,797
Carrying amount		
At 31 August	-	-

(a) Assets pledged as securities to financial institutions

The net carrying amount of property, plant and equipment of the Group are pledged to licensed bank for bank facilities as disclosed in Note 17 are:

	Group 2017 RM	2016 RM
Freehold buildings	3,143,334	11,343,627
Freehold land	7,578,000	9,782,740
Leasehold buildings	35,382,818	8,265,350
Leasehold land	22,538,206	2,520,155
	68,642,358	31,911,872

(b) Assets held under finance leases

At 31 August 2017, the net carrying amount of leased plant and equipment of the Group held under finance lease are as follows:

	Group 2017 RM	2016 RM
Motor vehicles	1,816,208	2,123,965
Plant and machinery	1,682,068	867,413
	3,498,276	2,991,378

Leased assets are pledged as security for the related finance lease liabilities.

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) Revaluation of land and buildings

Land and buildings of the Group were revalued on 22 June 2017, 23 June 2017, 30 June 2017, 4 July 2017, 31 August 2017 and 8 September 2017, by Messrs. Jordan Lee & Jaafar (M'CCA) Sdn. Bhd., Messrs. Henry Butcher Malaysia (Muar) Sdn. Bhd. and Messrs. Knight Frank Malaysia Sdn. Bhd. , independent professional valuer.

The fair value of land is within level 2 of the fair value hierarchy. The fair value was determined by based on market comparable approach that reflects recent transaction price for similar properties.

The fair value of buildings is within level 3 of the fair value hierarchy. The fair value was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Details of the Group's land and buildings and information about the fair value hierarchy as at 31 August 2017 are as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM
Freehold land	–	7,578,000	–	7,578,000
Leasehold land	–	22,550,000	–	22,550,000
Freehold buildings	–	–	3,152,000	3,152,000
Leasehold buildings	–	–	35,336,600	35,336,600

There were no transfer between Level 1 and Level 2 during the financial year.

Had the land and buildings been carried at historical cost less accumulated depreciation and impairment loss, their carrying amount would be as follows:

	Group 2017 RM	 2016 RM
Freehold land and buildings	8,693,898	21,126,367
Leasehold land	13,989,076	2,520,155
Leasehold buildings	27,996,562	8,265,350
	50,679,536	31,911,872

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(d) Leasehold land and buildings

The remaining lease term of the leasehold land and buildings is 45 years to 77 years. (2016: 78 years)

(e) Assets acquired by means of cash payment

The aggregate additional cost for the property, plant and equipment of the Group during the financial year are as follows:

	Group	
	2017 RM	**2016 RM**
Cost of property, plant and equipment purchased	4,893,079	7,057,425
Less: Finance lease	(548,000)	(800,905)
Less: Term loan	-	(2,640,000)
Cash payment	4,345,079	3,616,520

(f) The strata title of a leasehold land with carrying amount RM2,900,000 (2016: RM NIL) acquired in previous financial year has yet to be issued by relevant authorities.

5. INVESTMENT PROPERTIES

	Group	
	2017 RM	**2016 RM**
At 1 September	4,938,000	4,088,000
Change in fair value recognised in profit or loss	30,000	850,000
Disposal of subsidiary company	(1,750,000)	-
At 31 August	3,218,000	4,938,000
Included in the above are:		
At fair value		
Freehold land	1,930,000	3,380,000
Buildings	1,288,000	1,558,000
	3,218,000	4,938,000

5. INVESTMENT PROPERTIES (CONT'D)

(a) Investment properties under leases

Investment properties comprise a number of freehold land and buildings that are leased to third parties. Each of the leases contains a cancellable period of 2 years. Subsequent renewals are negotiated with the lessee on an average renewal period of 1 year. No contingent rents are charged.

(b) Fair value basis of investment properties

The investment properties are valued annually at fair value based on market values determined by independent qualified valuers amounting to RM3,218,000 (2016: RM4,938,000). The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

The increase in the fair value of RM30,000 (2016: RM850,000) has been recognised in the profit or loss during the financial year.

(c) Income and expenses recognised in profit or loss

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2017 RM	2016 RM
Rental income	139,600	248,800
Direct operating expenses		
- Income generating investment properties	(5,702)	(7,655)
- Non-income generating investment properties	(2,181)	(2,561)

(d) Investment properties pledged as securities to financial institutions

Investment property of the Group amounting to RM1,800,000 (2016: RM3,150,000) has been pledged to secure banking facilities granted to the Group as disclosed in Note 17.

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2017 RM	2016 RM
In Malaysia		
Unquoted shares, at cost	91,855,847	65,657,105
Less: Accumulated impairment losses	(22,390,834)	(20,910,776)
	69,465,013	44,746,329

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The recoverable amoount of the Company's investment in Syarikat U.D. Trading Sdn. Bhd. estimated based on value-in-use method was RM14,581,502. Therefore, an impairment loss amounting to RM1,480,058 was recognised during the financial year.

The impairment loss was recognised in other expenses in the statements of profit or loss and other comprehensive income.

Details of the subsidiary companies are as follows:

Name of Company	Country of incorporation	Effective interest (%) 2017	Effective interest (%) 2016	Principal activities
Syarikat U.D. Trading Sdn. Bhd. ("UDT")	Malaysia	100.00	100.00	Dealing of furniture plywood, hardware, parts, equipment and construction materials
U.D. Panelform Sdn. Bhd. ("UDP")	Malaysia	100.00	100.00	Paper lamination
Sin Wee Seng Industries Sdn. Bhd. ("'SWS") ^	Malaysia	-	100.00	Settee and sofa manufacturing
Poh Keong Industries Sdn. Bhd.	Malaysia	100.00	51.00	Furniture and parts manufacturing
SWS Industries Sdn. Bhd.	Malaysia	100.00	100.00	Manufacturer and trader of packing materials, metal stamping and tooling
Ee-Lian Enterprise (M) Sdn. Bhd. ("ELE")	Malaysia	100.00	-	Manufacturer and trader of plastic wares, utensils and goods
Held through UDP				
U.D. Wood Products Sdn. Bhd.	Malaysia	100.00	100.00	Veneer lamination
Held through ELE				
Ee-Lian Plastic Industries (M) Sdn. Bhd.	Malaysia	77.50	-	Manufacturer and trader of plastic wares, utensils and goods
Held through SWS				
Starlight Industry Sdn. Bhd. ^	Malaysia	-	100.00	Property investment
Oriena Industry Sdn. Bhd. ^	Malaysia	-	100.00	Property investment
SWS Homes (M) Sdn. Bhd. ^	Malaysia	-	100.00	Property investment

^ Subsidiary companies not audited by UHY.

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Acquisition of subsidiary company

On 28 February 2017, the Company acquired all the shares in Ee-Lian Enterprise (M) Sdn. Bhd. ("ELE") together with its 77.5% subsidiary company, Ee-Lian Plastic Industries (M) Sdn. Bhd. for a cash consideration of RM36,135,000. Consequently, ELE became a 100% owned subsidiary company of the Company.

(i) Fair value of identifiable assets acquired and liabilities assumed

	ELE and ELP RM
Property, plant and equipment	59,348,903
Inventories	22,863,599
Trade receivables	26,908,856
Other receivables	902,020
Tax recoverable	596,896
Cash and cash equivalents	9,734,516
Trade payables	(21,050,126)
Other payables	(2,792,865)
Loans and borrowings	(46,132,530)
Deferred tax liabilities	(2,926,357)
Non-controlling interests	(826,171)
Total identifiable assets and liabilities	46,626,741

<u>Contingent consideration asset</u>

In consideration of the Company acquired all the shares of ELE owned by the Heng Sew Hua, Tan Choon Huak, Chia Kam Peng, Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai, Heng Lih Jiun, Teoh Han Chuan, Ooi Chen Hoon, Tan Soon Ping ("Vendors"), the vendors jointly and severally guarantees and covenants with the Company that the purchase consideration will be adjusted in the event that actual audited normalised profit after tax ("PAT") of the ELE group companies for the financial year ending 31 December 2017 falls below RM4,000,000 ("Guaranteed Amount"). If the PAT amount fall below Guaranteed Amount for the financial year ending 31 December 2017, the vendor shall compensate the Company shortfall or deficiency for the financial year ending 31 December 2017.

All the acquisition date, the fair value of the contingent consideration asset was estimated to be RM4,000,000. There has been no change in the fair value since the acquisition date.

(ii) Net cash outflows arising from acquisition of subsidiary company

	ELE and ELP RM
Purchase consideration settled in cash	(36,135,000)
Cash and cash equivalents acquired	5,871,381
Net cash outflows on acquisition of subsidiary	(30,263,619)

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Acquisition of subsidiary company (Cont'd)

(iii) Bargain purchase arising from business combinations

Bargain purchase was recognised as a result of the acquisition as follows:

	ELE and ELP RM
Total consideration transferred	36,135,000
Fair value of identifiable assets acquired and liabilities assumed	(46,626,741)
Bargain purchase	(10,491,741)

(iv) Acquisition-related costs

The Group incurred acquisition-related costs of RM566,734 related to external legal fees and due diligence costs. The expenses have been included in other operating expenses in the profit or loss.

(v) Impact of the acquisition on the Statements of Profit or Loss and Other Comprehensive Income

From the date of acquisition, acquired subsidiary company has contributed RM11,707,550 and RM486,832 to the Group's revenue and profit for the year respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit for the financial year from its continuing operations would have been RM51,377,639 and RM1,494,399 respectively.

There was no acquisition in the previous financial year.

(b) Acquisition of non-controlling interests

On 29 November 2016, the Company acquired an additional 19.6% equity interest in Poh Keong Industries Sdn. Bhd. ("PK") for RM2,156,000 in cash, increased its ownership from 51% to 70.6% and on 28 February 2017, the Company acquired the remaining 29.4% equity interest in PK for RM3,234,000 in cash, increased its ownership from 70.6% to 100%. The Group recognised a decreased in non-controlling interests of RM6,527,420 and a increase in retained profits of RM1,137,420.

The effect of changes in equity interest in PK that is attributable to owner of the Company:

	PK RM
Carrying amount of non-controlling interest acquired	6,527,420
Consideration paid to non-controlling interest	(5,390,000)
Increase in parent's equity	1,137,420

There was no acquisition in the previous financial year.

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) Disposal of subsidiary company

On 28 February 2017, the Company entered into sale of shares agreements to disposed of its 100% equity interest in Sin Wee Seng Industries Sdn. Bhd. ("SWS") for a total cash consideration of RM30,739,866, which had resulted a gain of RM257,724.

The effect of the disposal of SWS on the financial position of the Group as at the date of disposal was as follows:

	SWS RM
Property, plant and equipment	21,391,120
Investment properties	1,750,000
Inventories	20,052,185
Trade receivables	2,772,914
Other receivables	3,573,712
Tax recoverable	114,819
Cash and cash equivalents	4,563,315
Trade payables	(5,012,179)
Other payables	(2,250,832)
Loans and borrowings	(16,363,686)
Deferred tax liabilities	(109,226)
Total net assets disposed	30,482,142
Gain on disposal	257,724
Proceeds from disposal	30,739,866
Less: Cash and cash equivalents disposed	(4,563,315)
Net cash inflow from disposal	26,176,551

There was no disposal in the previous financial year.

(d) There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

7. DEFERRED TAX (ASSETS)/LIABILITIES

	Group 2017 RM	Group 2016 RM
At 1 September	(1,202,637)	(567,472)
Recognised in profit or loss (Note 23)	747,611	(959,517)
Acquired in business combination	2,926,357	-
Disposal of subsidiary company	(109,226)	-
Relating to crystallisation of deferred tax liability on revaluation reserve	(3,299)	-
Relating to revaluation of land and buildings	489,490	-
Under provision of deferred tax liabilities on revaluation reserve in prior years	11,949	-
Over/(Under) provision in prior years	1,225,334	324,352
At 31 August	4,085,579	(1,202,637)

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group 2017 RM	Group 2016 RM
Deferred tax assets	(291,024)	(3,143,424)
Deferred tax liabilities	4,376,603	1,940,787
	4,085,579	(1,202,637)

The components and movements of deferred tax assets and liabilities are as follows:

	Others RM	Unutilised tax losses and capital allowances RM	Unutilised export allowances RM	Total RM
Group				
Deferred tax assets				
At 1 September 2016	(129,159)	(2,919,704)	(94,561)	(3,143,424)
Recognised in profit or loss (Note 23)	111,107	(97,134)	146,224	160,197
Over/(Under) provision in prior years	18,052	2,725,814	(51,663)	2,692,203
At 31 August 2017	-	(291,024)	-	(291,024)

7. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

The components and movements of deferred tax assets and liabilities are as follows: (Cont'd)

	Others RM	Unutilised tax losses and capital allowances RM	Unutilised export allowances RM	Total RM
Group				
Deferred tax assets				
At 1 September 2015	(97,263)	(2,767,918)	(594,326)	(3,459,507)
Recognised in profit or loss (Note 23)	(31,896)	(151,786)	499,765	316,083
At 31 August 2016	(129,159)	(2,919,704)	(94,561)	(3,143,424)

Group	Others RM	Accelerated capital allowances RM	Revaluation of assets RM	Total RM
Deferred tax liabilities				
At 1 September 2016	109,226	1,831,561	–	1,940,787
Recognised in profit or loss (Note 23)	(74,232)	661,646	–	587,414
Acquired in business combination	–	2,259,000	667,357	2,926,357
Disposal of subsidiary company	(109,226)	–	–	(109,226)
Relating to crystallisation of deferred tax liability on revaluation reserve	–	–	(3,299)	(3,299)
Revaluation surplus of land and buildings	–	–	489,490	489,490
Under provision of deferred tax liabilities on revaluation reserve in prior years	–	–	11,949	11,949
Over provision in prior years	–	(1,466,869)	–	(1,466,869)
At 31 August 2017	(74,232)	3,285,338	1,165,497	4,376,603
At 1 September 2015	107,529	2,784,508	–	2,892,037
Recognised in profit or loss	1,697	(952,947)	–	(951,250)
At 31 August 2016	109,226	1,831,561	–	1,940,787

7. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2017 RM	2016 RM
Unutilised tax losses	16,689,335	12,477,668
Unutilised capital allowances	912,615	963,000
Unutilised reinvestment allowances	1,398,000	1,398,000
	18,999,950	14,838,668

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses

8. INVENTORIES

	Group	
	2017 RM	2016 RM
At cost:		
Raw materials	14,991,867	22,046,466
Work-in-progress	7,630,543	5,385,507
Finished goods	13,461,319	3,902,544
	36,083,729	31,334,517
At net realisable value:		
Raw materials	156,221	117,120
	36,239,950	31,451,637
Recognised in profit or loss:		
Inventories recognised as cost of sales	123,454,111	124,156,836
Inventories written down	21,185	-

9. TRADE RECEIVABLES

	Group 2017 RM	Group 2016 RM
Trade receivables	33,642,023	15,637,051
Companies in which certain Directors have substantial financial interest	3,230,258	–
	36,872,281	15,637,051
Less: Accumulated impairment losses	(169,846)	–
	36,702,435	15,637,051

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2016: 30 to 120 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amount due from companies in which certain Directors have substantial financial interest is unsecured non-interest bearing and are generally on 30 to 120 days (2016: 30 to 120 days)

Movements in the allowance for impairment losses of trade receivables is as follows:

	Group 2017 RM	Group 2016 RM
At 1 September	–	1,598,056
Impairment losses recognised	169,846	392
Impairment losses reversed	–	(789,171)
Amount written off	–	(809,277)
At 31 August	169,846	–

Analysis of the trade receivables ageing as at the end of the financial year is as follows:

	Group 2017 RM	Group 2016 RM
Neither past due nor impaired	15,583,770	9,829,634
Past due not impaired:		
Less than 30 days	8,888,135	3,875,256
31 to 60 days	3,353,966	895,315
More than 61 days	8,876,564	1,036,846
Total past due but not impaired	21,118,665	5,807,417
	36,702,435	15,637,051
Impaired	169,846	–
	36,872,281	15,637,051

9. TRADE RECEIVABLES (CONT'D)

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

As at 31 August 2017, trade receivables of RM21,118,665 (2016: RM5,807,417) were past due but not impaired. These related to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM169,846 (2016: RM NIL), related to customers that are in financial difficulties and have defaulted on payments. These balances are expected to be recovered through the debts recovery process.

10. OTHER RECEIVABLES

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Other receivables	832,484	2,580,677	1,000	1,000
Deposits	314,498	669,467	-	-
Prepayments	1,132,060	1,578,869	-	-
	2,279,042	4,829,013	1,000	1,000

11. AMOUNT DUE FROM SUBSIDIARY COMPANIES

	Company	
	2017 RM	**2016 RM**
Amount due from subsidiary companies		
Trade related		
Non-interest bearing	101,760	4,079,429

Amount due from subsidiary companies with non-interest bearing are unsecured and repayable on demand.

12. DERIVATIVE FINANCIAL ASSETS

	2017		2016	
	Contract/ Notional amount USD	Financial assets RM	Contract/ Notional amount USD	Financial assets RM
Group				
Non-hedging derivative				
Current				
- Forward exchange contracts	500,000	6,419	–	–

The Group has forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure.

During the financial year, the Group recognised a gain of RM6,419 (2016: RM NIL) arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

13. DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	7,559,854	22,043,351	3,912,179	11,609,142
Fixed deposits with licensed banks	6,035,584	1,728,221	–	–
	13,595,438	23,771,572	3,912,179	11,609,142

Fixed deposits with licensed banks of the Group amounting to RM5,624,982 (2016: RM920,338) are pledged as security for bank borrowings as disclosed in Note 17.

The effective interest rates and maturities of fixed deposits of the Group as at the end of the reporting period range from 2.95% to 3.50% (2016: 3.28%) per annum and 30 days to 12 months (2016: 30 days to 12 months) respectively.

14. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2017 Units	2016 Units	2017 RM	2016 RM
Authorised:				
Ordinary shares with no par value (2016: RM0.50 each)				
At 1 September/31 August	–	200,000,000	–	100,000,000
Ordinary Shares issued and fully paid:				
Ordinary shares with no par value (2016: RM0.50 each)				
At 1 September	145,875,038	126,505,500	72,937,519	63,252,750
Conversion of warrants	–	19,369,538	–	9,684,769
At 31 August	145,875,038	145,875,038	72,937,519	72,937,519

The Companies Act, 2016 in Malaysia ("the Act"), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Section 74 of the Act states that all shares issued before or after 31 January 2017 shall have no par or nominal value. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

In previous financial year, the Company increased its issued and paid-up ordinary share capital from 126,505,500 to 145,875,038 by way of issuance of 19,369,538 ordinary shares of RM0.50 each through conversion of warrants into ordinary shares at an issue price of RM0.80 per ordinary shares for cash.

The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

15. SHARE PREMIUM

Section 618(2) of the Act states that upon the commencement of Section 74, the share premium account shall become part of share capital. However, the share premium account is maintained pursuant to the transitional provisions set out in Section 618(3) of the Companies Act 2016, in Malaysia and shall become part of share capital within twenty-four months upon commencement of Section 74.

16. REVALUATION RESERVE

The revaluation reserve represents increases in the fair value of land and buildings, and decrease to the extent that such decreases related to an increase on the same asset previously recognised in other comprehensive income.

17. LOANS AND BORROWINGS

	Group	
	2017	**2016**
	RM	**RM**
Secured		
Term loans (Note a)	14,828,976	3,835,560
Bank overdrafts (Note a)	4,749,341	481,598
Bankers acceptance (Note a)	32,939,682	20,572,930
Finance lease liabilities (Note b)	2,381,697	1,933,905
	54,899,696	26,823,993
Non-current		
Term loans	12,918,160	3,095,088
Finance lease liabilities	1,387,446	1,081,518
	14,305,606	4,176,606
Current		
Term loans	1,910,816	740,472
Bank overdrafts	4,749,341	481,598
Bankers acceptance	32,939,682	20,572,930
Finance lease liabilities	994,251	852,387
	40,594,090	22,647,387
	54,899,696	26,823,993

(a) Bank borrowings

The term loans, bank overdrafts, bankers acceptance are secured by the following:

(i) First party legal charge over the Group's properties as disclosed in Notes 4 and 5;

(ii) Pledged of Group's fixed deposits as disclosed in Note 13;

(iii) Facilities agreement;

(iv) Corporate guarantee by the Company; and

(v) Guarantee by the certain Directors of the Subsidiary Companies.

17. LOANS AND BORROWINGS (CONT'D)

(a) Bank borrowings (Cont'd)

The average effective interest rates per annum are as follows:

	Group	
	2017	2016
	%	%
Term loans	4.52 to 7.15	4.90 to 7.65
Bank overdrafts	6.60 to 7.97	7.85 to 7.97
Bankers acceptance	2.49 to 5.32	1.85 to 3.96
Finance lease liabilities	4.48 to 7.16	2.04 to 6.34

(b) Finance lease liabilities

	Group	
	2017	2016
	RM	RM
Minimum lease payments:		
Within one year	1,108,059	944,705
Later than one year and not later than two years	745,420	650,485
Later than two years and not later than five years	743,356	512,865
	2,596,835	2,108,055
Less: Future finance charges	(215,138)	(174,150)
Present value of minimum lease payments	2,381,697	1,933,905
Present value of minimun lease payments:		
Within one year	994,251	852,387
Later than one year and not later than two years	682,830	608,242
Later than two years and not later than five years	704,616	473,276
	2,381,697	1,933,905

The Group leases motor vehicles, plant, machinery and equipment under finance lease (Note 4). At the end of the lease term, the Group has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

18. TRADE PAYABLES

	Group	
	2017 RM	2016 RM
Trade payables	21,959,383	7,695,955
Companies in which certain Directors have substantial financial interest	217,088	-
	22,176,471	7,695,955

Credit terms of trade payables of the Group ranged from 30 to 90 days (2016: 30 to 90 days) depending on the terms of the contracts.

Amount due to companies in which certain Directors have substantial financial interest is unsecured non-interest bearing and are generally on 30 to 120 days (2016: 30 to 120 days).

19. OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors	864,497	-	-	-
Other payables	2,281,378	3,019,028	-	-
Deposit received	596,570	74,700	-	-
Accrued	1,751,030	2,306,331	201,852	35,000
	5,493,475	5,400,059	201,852	35,000

Amount due to Directors are unsecured, not-interest bearing, unsecured and repayable on demand.

20. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sale of goods	144,864,467	149,098,472	-	-
Management fees	-	-	216,000	492,000
Dividend income	-	-	-	1,756,000
	144,864,467	149,098,472	216,000	2,248,000

21. FINANCE COSTS

	Group	
	2017 RM	2016 RM
Interest expenses on:		
- Bank overdrafts	112,147	91,410
- Bankers acceptance	324,532	442,647
- Term loans	464,529	487,040
- Finance lease liabilities	149,135	104,595
	1,050,343	1,125,692

22. PROFIT BEFORE TAX

Profit before tax is determined after charging/(crediting) amongst other, the following items:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration				
- statutory audit	132,050	142,320	30,000	30,000
- non-audit services	5,000	76,865	5,000	34,134
Bargain purchase of subsidiary company	(10,491,741)	–	–	–
Compensation received	(80,000)	–	–	–
Depreciation of property, plant and equipment	3,442,158	2,940,381	–	–
Dividend income	–	–	–	(1,756,000)
Fair value adjustment of investment properties	(30,000)	(850,000)	–	–
Fair value gain on derivatives	(6,419)	(283,326)	–	–
Foreign exchange (gain)/loss				
- realised	(1,532,711)	(994,760)	–	–
- unrealised	303,797	202,461	–	–
(Gain)/Loss on disposal of				
- property, plant and equipment	(307,364)	3,142	–	–
- subsidiary company	(257,724)	–	(15,413,608)	–
Impairment losses on trade receivables	169,846	392	–	–

22. PROFIT BEFORE TAX (CONT'D)

Profit before tax is determined after charging/(crediting) amongst other, the following items: (Cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Impairment losses on investment in subsidiary company	–	–	1,480,058	–
Interest income	(318,466)	(266,286)	(203,940)	(167,215)
Property, plant and equipment written off	1,174	–	–	–
Reversal of impairment losses on trade receivables	–	(789,171)	–	–
Rental income	(156,400)	(453,400)	–	–
Rental expenses	51,847	41,506	–	–
Inventories written down	21,185	–	–	–

23. TAXATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Tax expenses recognised in profit or loss				
Current tax	331,893	648,227	–	107,439
Under/(Over) provision in prior years	89,933	2,067	20,865	(1,577)
	421,826	650,294	20,865	105,862
Deferred tax (Note 7):				
Origination and reversal of temporary differences	747,611	(959,517)	–	–
Relating to crystallisation of deferred tax liability on revaluation reserve	(3,299)	–	–	–
Under provision in prior years	1,225,334	324,352	–	–
	1,969,646	(635,165)	–	–
	2,391,472	15,129	20,865	105,862

23. TAXATION (CONT'D)

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profits for the financial year.

Effective year of assessment 2018, tax rate for Malaysian resident Companies have been given a reduction in the income tax rate ranging from 0% to 4% on the incremental chargeable income compared to the immediate proceeding year of assessment, based on the percentage of increase in chargeable income.

A reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expenses at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	11,461,620	5,921,802	12,998,171	1,589,120
At Malaysian statutory tax rate of 24%	2,750,789	1,421,232	3,119,561	381,389
Income not subject to tax	(2,587,592)	(34,888)	(3,699,266)	(383,470)
Expenses eligible for double deduction	-	(308,476)	-	-
Expenses not deductible for tax purposes	(82,401)	316,723	579,705	109,520
Deferred tax assets not recognised on unused tax losses, unabsorbed capital allowances and reinvestment allowances	998,708	(1,037,297)	-	-
Deferred tax assets recognised on unutilised allowances for increase exports	-	78,946	-	-
Utilisation of previously unrecognised deferred tax assets, current year's export allowances and reinvestment allowances	-	(747,530)	-	-
Relating to crystallisation of deferred tax liability on revaluation reserve	(3,299)	-	-	-
(Over)/Under provision in prior year	1,315,267	326,419	20,865	(1,577)
	2,391,472	15,129	20,865	105,862

The Group has estimated unutilised tax losses, unutilised capital allowances, unutilised reinvestment allowances and unutilised export allowances of RM17,747,929 (2016: RM18,374,289), RM1,066,623 (2016: RM7,231,813), RM1,398,000 (2016: RM1,398,000) and RM NIL (2016: RM394,004) respectively available for carried forward to set-off against future taxable profit. The said amounts are subject to approval by the tax authorities.

24. STAFF COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, wages and other emoluments	22,259,654	20,336,130	270,000	148,000
Social contributions plan	109,876	97,655	-	-
Defined contribution plans	1,624,805	1,009,467	-	-
Other benefits	162,986	495,003	-	-
Estimated money value of benefit-in-kind	117,759	279,067	43,844	24,764
	24,275,080	22,217,322	313,844	172,764

Included in staff costs is aggregate amount of remuneartion received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as disclosed in Note 29 to the financial statements.

25. EARNINGS PER SHARE

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share are calculated based on the adjusted consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential shares.

The following reflects the profit and share data used in the computation of basic and diluted earnings per share during the years as follow:

	Group	
	2017	2016
Profit attributable to owners of the parent (RM)	8,555,322	4,408,342
Wighted average number of ordinary shares for the purpose of basic earnings per share	145,875,038	140,953,270
Basic earnings per share (sen)	5.9	3.1
Diluted earnings per share (sen)	5.9	3.1

26. DIVIDENDS

	Company	
	2017 RM	2016 RM
Dividends recognised as distribution to ordinary shareholders of the Company:		
Interim single tier dividend paid in respect of the financial year ended 31 August 2016 (single tier dividend of RM0.01 per ordinary shares)	–	1,458,750

The Directors do not recommend the payment of a final dividend for the current financial year.

27. COMMITMENTS

	Group	
	2017 RM	2016 RM
Capital expenditure		
Authorised and contracted for:		
- Prepaid land lease payments	–	1,285,000
- Property, plant and equipment	2,211,300	647,000
	2,211,300	1,932,000

Operating lease commitments - as lessee

The future minimum lease payments payable under non-cancellable operating leases are:

	Group	
	2017 RM	2016 RM
Within one year	91,200	38,000
Later than one year but not later than two years	12,900	-
	104,100	38,000

The Group lease office and staff accommodation under non-cancellable operating lease agreement. The lease term is between one to two years, and the lease agreement is renewable at the end of the lease period at market rate. None of the lease include contingent rental.

28. CONTINGENCIES

(a) Contingent liabilities

	Company 2017 RM	Company 2016 RM
Unsecured		
Corporate guarantee		
Corporate guarantee given to financial institution for banking facilities granted to subsidiary companies	20,030,443	28,881,463

(b) Contingent assets

	Group 2017 RM	Group 2016 RM
Unsecured		
Insurance claim		
Subsidiary company is making a claim for total loss of motor vehicles	170,800	–

29. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

29. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in the Notes 9, 10, 11, 18 and 19, the significant related party transactions of the Group and of the Company are as follows:

		Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
(i)	Transactions with subsidiary companies:				
	- Management fee received	–	–	216,000	492,000
	- Dividend income received	–	–	–	1,756,000
(ii)	Transactions with companies which Directors of the Company have substantial financial interest:				
	- Sales of goods	2,244,525	–	–	–
	- Purchase of goods	190,159	–	–	–
	- Rental income	4,000	–	–	–
(iii)	Transactions with companies in which certain past Directors of the Company have substantial financial interest:				
	- Purchase of goods	130,432	68,971	–	–
	- Foreign workers' expenses paid/payable	49,110	89,075	–	–

29. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors				
Existing Directors of the Company				
Fees	–	191,000	–	–
Salaries and other emoluments	1,799,381	1,609,139	–	36,000
Social contributions plan	2,636	1,914	–	–
Defined contribution plans	154,310	112,833	–	–
Other benefits	7,772	–	–	–
Estimated money value of benefits-in-kind	57,066	178,228	6,661	3,164
	2,021,165	2,093,114	6,661	39,164
Existing Directors of the Subsidiary Companies				
Fees	80,450	114,100	–	–
Salaries and other emoluments	1,080,547	1,023,598	–	–
Social contributions plan	4,247	3,063	–	–
Defined contribution plans	149,177	87,361	–	–
Other benefits	52,784	–	–	–
Estimated money value of benefits-in-kind	74,170	79,239	–	–
	1,441,375	1,307,361	–	–
Past Director of the Subsidiary Companies *				
Salaries and other emoluments	270,663	–	–	–
Social contribution plans	2,149	–	–	–
Defined contribution plans	31,731	–	–	–
Other benefits	9,500	–	–	–
Estimated money value of benefits-in-kind	11,100	–	–	–
	325,143	–	–	–

29. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel (Cont'd)

Remuneration of Directors and other members of key management are as follows: (Cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-executive Directors				
Directors of the Company				
Fees	270,000	72,000	270,000	72,000
Gratuity to ex-directors	–	40,000	–	40,000
Estimated money value of benefits-in-kind	37,183	21,600	37,183	21,600
	307,183	133,600	307,183	133,600
Other Members of Key Management				
Salaries and other emoluments	179,000	–	–	–
Social contribution plans	829	–	–	–
Defined contribution plans	21,504	–	–	–
	201,333	–	–	–
Total Directors and key management remuneration	4,296,199	3,534,075	313,844	172,764

* This represents the remuneration paid to Directors during the financial year until their resignation on 16 November 2016, 23 November 2016, 30 December 2016 and 25 July 2017.

30. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable segments as follows:

Investment holding	Investment holding and provision of management services.
Manufacturing of furniture	Business of design, manufacture and sales of leather upholstery and wooden furniture products.
Manufacturing of plastic wares	Manufacturer and trader of plastic wares, utensil and goods.

30. SEGMENT INFORMATION (CONT'D)

Except as indicated above, no operating segments have been aggregated to from the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

(a) Business segments

Information regarding the Group's reportable segments as provided to the Group's chief operating decision makers is set out below:

	Investment holding RM	Manufacturing of furniture RM	Manufacturing of plastic wares RM	Adjustments and eliminations RM	Consolidated RM
Group					
2017					
Revenue					
External revenue	-	133,156,917	11,707,550	-	144,864,467
Management income	216,000	-	-	(216,000)	-
Inter-segment revenue	-	15,962,228	7,229,285	(23,191,513)	-
Total revenue	216,000	149,119,145	18,936,835	(23,407,513)	144,864,467
Results					
Interest income	203,940	109,912	54,455	(49,841)	318,466
Finance costs	-	(831,644)	(268,540)	49,841	(1,050,343)
Depreciation of property, plant and equipment	-	(2,747,822)	(771,545)	77,209	(3,442,158)
Fair value gains on investment properties	-	30,000	-	-	30,000
Taxation	(20,865)	(2,031,096)	(415,820)	76,309	(2,391,472)
Other non-cash items	(15,413,608)	388,196	(205,977)	4,664,143	(10,567,246)
Segment profit	12,998,172	1,059,545	902,625	(3,498,722)	11,461,620
Segment assets	73,518,904	77,883,591	125,244,399	(89,284,651)	187,362,243
Segment liabilities	201,852	23,881,199	74,483,346	(11,911,176)	86,655,221

30. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

Information regarding the Group's reportable segments as provided to the Group's chief operating decision makers is set out below: (Cont'd)

	Investment holding RM	Manufacturing of furniture RM	Adjustments and eliminations RM	Consolidated RM
Group				
2016				
Revenue				
External revenue	-	149,098,472	-	149,098,472
Dividend income	1,756,000	-	(1,756,000)	-
Management income	492,000	-	(492,000)	-
Inter-segment revenue	-	8,125,807	(8,125,807)	-
Total revenue	2,248,000	157,224,279	(10,373,807)	149,098,472
Results				
Interest income	167,215	231,564	(132,493)	266,286
Finance costs	-	(1,258,185)	132,493	(1,125,692)
Depreciation of property, plant and equipment	-	(2,914,146)	(26,235)	(2,940,381)
Fair value gains on investment properties	-	(850,000)	-	(850,000)
Taxation	(105,862)	90,733	-	(15,129)
Other non-cash items	-	(866,502)	-	(866,502)
Segment profit	1,589,121	6,894,921	(2,562,240)	5,921,802
Segment assets	60,435,900	129,697,936	(63,281,434)	126,852,402
Segment liabilities	96,155	49,405,936	(9,582,084)	39,920,007

30. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

Adjustments and eliminations

Inter-segment revenues and balances are eliminated on consolidation.

Other material non-cash items consist of the following items as presented in the respective notes to the financial statements:

	Group	
	2017 RM	2016 RM
Bargain purchase of subsidiary company	(10,491,741)	-
Inventories written down	21,185	-
Fair value gain on derivative	(6,419)	(283,326)
Gain on disposal of subsidiary company	(257,724)	-
(Gain)/Loss on disposal of property, plant and equipment	(307,364)	3,142
Impairment losses on trade receivables	169,846	392
Property, plant and equipment written off	1,174	-
Reversal of impairment losses on receivables	-	(789,171)
Unrealised loss on foreign exchange	303,797	202,461
	(10,567,246)	(866,502)

(b) Geographical segments

Revenue and non-current assets information based on geographical location of customers and assets respectivelly are as follows:

	Revenue		Non-current assets	
Group	2017 RM	2016 RM	2017 RM	2016 RM
Asia Pacific	46,484,836	44,617,979	-	-
Australia	17,371,026	17,412,921	-	-
Europe	32,014,151	47,257,042	-	-
Malaysia	41,838,166	33,545,722	96,992,688	50,879,863
Middle East	1,220,839	2,371,838	-	-
Others	5,935,449	3,892,970	-	-
	144,864,467	149,098,472	96,992,688	50,879,863

Non-current assets for this purpose consist of proprety,plant and equipment, investment properties and deferred tax assets.

(c) Major customer

No disclosure on major customer information as no customer represents equal or more than ten percent of the Group's revenue.

31. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured and how income and expense including fair values gains or losses are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

Group	Financial assets of fair value through profit or loss RM	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
2017				
Financial assets				
Trade receivables	–	36,702,435	–	36,702,435
Other receivables	–	1,146,982	–	1,146,982
Derivative financial assets	6,419	–	–	6,419
Deposits, bank and cash balances	–	13,595,438	–	13,595,438
	6,419	51,444,855	–	51,451,274
Financial liabilities				
Trade payables	–	–	22,176,471	22,176,471
Other payables	–	–	5,493,475	5,493,475
Loans and borrowings	–	–	54,899,696	54,899,696
	–	–	82,569,642	82,569,642
2016				
Financial assets				
Trade receivables	–	15,637,051	–	15,637,051
Other receivables	–	3,250,144	–	3,250,144
Deposits, bank and cash balances	–	23,771,572	–	23,771,572
	–	42,658,767	–	42,658,767
Financial liabilities				
Trade payables	–	–	7,695,955	7,695,955
Other payables	–	–	5,400,059	5,400,059
Loans and borrowings	–	–	26,823,993	26,823,993
	–	–	39,920,007	39,920,007

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis: (Cont'd)

Company	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
2017			
Financial assets			
Other receivables	1,000	-	1,000
Amounts due from subsidiary companies	101,760	-	101,760
Cash and bank balances	3,912,179	-	3,912,179
	4,014,939	-	4,014,939
Financial liability			
Other payables	-	201,852	201,852
2016			
Financial assets			
Other receivables	1,000	-	1,000
Amounts due from subsidiary companies	4,079,429	-	4,079,429
Cash and bank balances	11,609,142	-	11,609,142
	15,689,571	-	15,689,571
Financial liability			
Other payables	-	35,000	35,000

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM20,030,443 (2016: RM28,881,463), representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary companies would default on repayment as at the end of the reporting period.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers. The Company has no significant concentration of credits risks except for loans to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

Group	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
2017						
Non-derivative financial liabilities						
Trade payables	22,176,471	-	-	-	22,176,471	22,176,471
Other payables	5,493,475	-	-	-	5,493,475	5,493,475
Finance lease liabilities	1,108,059	745,420	743,356	-	2,596,835	2,381,697
Loans and borrowings	40,532,061	2,843,038	8,053,440	4,855,723	56,284,262	52,517,999
	69,310,066	3,588,458	8,796,796	4,855,723	86,551,043	82,569,642
2016						
Non-derivative financial liabilities						
Trade payables	7,695,955	-	-	-	7,695,955	7,695,955
Other payables	5,400,059	-	-	-	5,400,059	5,400,059
Finance lease liabilities	944,705	650,485	512,865	-	2,108,055	1,933,905
Loans and borrowings	21,983,185	928,656	1,980,861	545,731	25,438,433	24,890,088
	36,023,904	1,579,141	2,493,726	545,731	40,642,502	39,920,007

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Total contractual cash flows RM	Total carrying amount RM
Company			
2017			
Non-derivative financial liabilities			
Other payables	201,852	201,852	201,852
Financial guarantee	20,030,443	20,030,443	-
	20,232,295	20,232,295	201,852
2016			
Non-derivative financial liabilities			
Other payables	35,000	35,000	35,000
Financial guarantee	28,881,463	28,881,463	-
	28,916,463	28,916,463	35,000

Financial guarantee liabilities have not been recognised since the fair value on initial recognition was deemed not material and the probability of the subsidiary companies defaulting on their credit facilities is remote.

(iii) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD") and others.

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities of the reporting period are as follows:

Group	USD RM	Denominated in Others RM	Total RM
2017			
Trade receivables	4,918,655	–	4,918,655
Deposits, bank and cash balances	1,080,227	27,166	1,107,393
Trade payables	(33,191)	–	(33,191)
Other payables	(301,301)	–	(301,301)
	5,664,390	27,166	5,691,556
2016			
Trade receivables	7,124,670	–	7,124,670
Deposits, bank and cash balances	6,599,775	126,221	6,725,996
Trade payables	(1,057,863)	–	(1,057,863)
	12,666,582	126,221	12,792,803

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD and others exchange rates against RM, with all other variables held constant.

Group	Change in currency rate RM	2017 Effect on profit before tax RM	2016 Effect on profit before tax RM
USD	Strengthened 5% (2016: 5%)	283,220	610,829
	Weakened 5% (2016: 5%)	(283,220)	(610,829)
Others	Strengthened 5% (2016: 5%)	1,358	6,311
	Weakened 5% (2016: 5%)	(1,358)	(6,311)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(ii) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group	
	2017	**2016**
	RM	**RM**
Fixed rate instruments		
Financial asset	6,035,584	1,728,221
Financial liabilities	(2,381,697)	(1,933,905)
	3,653,887	(205,684)
Floating rate instrument		
Financial liabilities	(52,517,999)	(24,890,088)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increase/(decreased) the Group's profit before tax by RM525,180 (2016: RM248,900), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair values of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair values of financial instruments (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
2017										
Group										
Financial asset										
Derivative financial assets	-	6,419	-	6,419	-	-	-	-	6,419	6,419
Contingent consideration asset	-	-	4,000,000	4,000,000	-	-	-	-	4,000,000	4,000,000
	-	6,419	4,000,000	4,006,419	-	-	-	-	4,006,419	4,006,419

(i) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

<u>Derivatives</u>

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bond).

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair values of financial instruments (Cont'd)

(iii) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

Reconciliation of fair value measurement of Level 3 financial instruments

The only financial assets subsequently measured at fair value on Level 3 fair value measurement represents contingent consideration asset relating to acquisition of ELE and ELP (see Note 6). No gain or loss for the financial year relating to this contingent consideration asset has been recognised in profit or loss.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as key unobservable inputs used.

Financial instruments carried at fair value

Type	Valuation technique and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Contingent consideration assets in business combination (Note 6)	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow to the Group arising from the contingent consideration	Discount rate of 16% determined based on the weighted average cost of capital of the Group plus a reasonable risk premium	A slight increase in the discount rate used in isolation would result in a significant decrease in the fair value

32. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at the end of the reporting period are as follows:

	Group	
	2017 **RM**	**2016** **RM**
Total loans and borrowings (Note 17)	54,899,696	26,823,993
Less: Deposits, bank and cash balances (Note 13)	(13,595,438)	(23,771,572)
Net debts	41,304,258	3,052,421
Total equity	99,838,135	80,881,135
Gearing ratio (times)	0.41	0.04

There were no changes in the Group's approach to capital management during the financial year.

33. COMPARATIVE INFORMATION

(i) The financial statements of the Group and of the Company as at 31 August 2016 were audited by another auditors who expressed an unqualified opinion on the financial statements on 28 November 2016.

(ii) The following reclassifications were made to the financial statements of prior year to be consistent with current year presentation.

	As previously stated RM	Adjustments RM	As restated RM
Group			
Statements of Financial Position			
Trade and other receivables	18,488,034	(18,488,034)	-
Other current assets	1,978,030	(1,978,030)	-
Trade receivables	-	15,637,051	15,637,051
Other receivables	-	4,829,013	4,829,013
Trade and other payables	13,096,014	(13,096,014)	-
Trade payables	-	7,695,955	7,695,955
Other payables	-	5,400,059	5,400,059
Deferred tax assets	1,565,260	(362,623)	1,202,637
Deferred tax liabilities	362,623	(362,623)	-
Statements of Cash Flows			
Change in working capital:			
Receivables	(1,960,327)	1,272,813	(687,514)
Other current assets	1,272,813	(1,272,813)	-
Company			
Statements of Cash Flows			
Change in working capital:			
Receivables	-	41,800	41,800
Other current assets	41,800	(41,800)	-

34. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 08 December 2017.

35. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised accumulated losses of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with 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, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Total accumulated losses of the Company and its subsidiary companies				
- realised	24,361,986	4,660,384	(17,925,866)	(30,903,172)
- unrealised	(3,745,363)	2,133,502	-	-
	20,616,623	6,793,886	(17,925,866)	(30,903,172)
Less: Consolidation adjustment	(21,451,176)	(17,394,668)	-	-
Total accumulated losses	(834,553)	(10,600,782)	(17,925,866)	(30,903,172)

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

LIST OF MATERIAL PROPERTIES

As at 31 August 2017

The Group's policy on revaluation of landed properties is as stated in Note 3 (c) and 3 (e) to the Financial Statements.

Address / Location	Description	Land Area	Existing Use	Tenure/ Age of Building	Net Book Value RM'000	Date of Valuation
No. 1027, Lengkok Perindustrian Bukit Minyak 1, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang.	Industrial land with double-storey office, single storey warehouse and ancillary buildings	16,657 square metres	Office with plastic manufacturing facilities	60 years leasehold expiring in 12-10-2068 / 7 years	22,000	31.08.17
No. 947, Lorong Perindustrian Bukit Minyak 11, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang.	Industrial land with double-storey office and single storey factory	8,274 square metres	Office with plastic manufacturing facilities	60 years leasehold expiring in 31-01-2062 / 7 years	10,000	31.08.17
Lot 8791, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Bukit Bakri, 84200 Muar, Johor.	Industrial land with 2 adjoining blocks of factory building with a three-storey office block	10,056 square metres	Office with furniture manufacturing facilities	99 years leasehold expiring in 29-12-2094 / 20 years	6,481	30.06.17
No. 1028, Lengkok Perindustrian Bukit Minyak 1, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang.	Industrial land with double-storey office, single storey warehouse and guard house	4,088 square metres	Office with plastic manufacturing facilities	60 years leasehold expiring in 12-10-2068 / 2 years	5,300	31.08.17
Lot 8784, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Muar, Johor.	Industrial land with single-storey factory	5,502 square metres	Furniture manufacturing facilities	99 years leasehold expiring in 29-12- 2094 / 14 years	5,014	22.06.17
Lot 8800, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Bukit Bakri, 84200 Muar, Johor.	Industrial land with single-storey factory and office block	8,217 square metres	Office cum warehouse	99 years leasehold expiring in 29-12-2094 / 14 years	4,676	22.06.17
Lot 1789, GM1142, Mukim of Sungai Raya, District of Muar, Johor.	Industrial land with single-storey factory and detached double-storey office	19,391 square metres	Furniture manufacturing facilities	Freehold / 11 years	5,593	30.06.17

Address / Location	Description	Land Area	Existing Use	Tenure/ Age of Building	Net Book Value RM'000	Date of Valuation
Lot No 2815, Gerean 96065 Mukim Parit Jawa, District of Muar, Muar, Johor.	Industrial land	24,888 square metres	Vacant	Freehold	3,885	30.08.17
Pot 319 (d), Batu Kawan Industrial Park, Mukim 13, Daerah Seberang Perai Selatan, Pulau Pinang.	Industrial land	6,674 square metres	Vacant	60 years leasehold expiring in 11-08-2076	2,900	31.08.17
No 18, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor.	Double storey terrace warehouse cum office	991 square metres	Rented	Freehold / 23 years	1,800	29.05.17
Lot 8792, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Bukit Bakri, 84200 Muar, Johor.	Industrial land with single-storey detached factory	2,321 square metres	Warehouse	99 years Leasehold expiring in 29-12-2094 / 13 years	1,476	30.06.17
Lot 4038, Jalan Parit Bakar 1, Taman Parit Bakar, Jalan Temenggong Ahmad 84010 Muar, Johor	Double storey bungalow house	681 square metres	Rented	Freehold / 17 years	920	30.06.17

ANALYSIS OF SHAREHOLDINGS

As at 30 November 2017

ANALYSIS BY SIZE OF HOLDINGS AS AT 30/11/2017

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	21	1.544	565	0.000
100 - 1,000	244	17.941	205,238	0.140
1,001 - 10,000	696	51.176	3,347,648	2.294
10,001 - 100,000	288	21.176	10,016,450	6.866
100,001 - 7,293,750 (*)	111	8.161	132,305,137	90.697
7,293,751AND ABOVE (**)	-	-	-	-
TOTAL :	1,360	100.000	145,875,038	100.000

Remark : * - Less than 5% of Issued Shares
** - 5% and above of Issued Shares

INFORMATION ON DIRECTORS HOLDINGS AS AT 30/11/2017

NO.	NAME	DIRECT INTEREST HOLDINGS	%	INDIRECT INTEREST HOLDINGS	%
1	CHUA HEOK WEE	945,645	0.648	2,162,500(1)	1.482
2	DR LOH YEE FEEI	-	-	-	-
3	MR. SERM JUTHAMONGKHON	7,261,300	4.977	-	-
4	NEO CHEE KIAT	4,358,210	2.987	10,000(2)	0.007
5	PIONG YEW PENG	-	-	-	-
6	TAN SRI DATO SERI TAN KING TAI @ TAN KHOON HAI	13,817,620	9.472	25,484,261(3)	17.470
7	TAN KOK TIAM	-	-	-	-
8	TEOH HAN CHUAN	10,000,000	6.855	53,000(4)	0.036

Note:
(1) Deemed interested by virtue of his direct and indirect interest in MBL Realty Sdn. Bhd.
(2) Deemed interested by virtue of his spouse's direct interest in the company.
(3) Deemed interested by virtue of his spouse's, son's and daughters' direct interest in the company.
(4) Deemed interested by virtue of his spouse's and son's direct interest in the company.

SUBSTANTIAL SHAREHOLDERS

	DIRECT		INDIRECT	
NAME	NO. OF SHARES	% OF ISSUED SHARE CAPITAL	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
TAN SRI DATO' SERI TAN KING TAI @ TAN KHOON HAI	13,817,620	9.472	25,484,261[(1)]	17.470
TEOH HAN CHUAN	10,000,000	6.855	53,000[(2)]	0.036

Note:
(1) Deemed interested by virtue of his spouse's, son's and daughters' direct interest in the company.
(2) Deemed interested by virtue of his spouse's and son's direct interest in the company.

LIST OF TOP 30 HOLDERS AS AT 30/11/2017

(Without aggregating securities from different securities accounts belonging to the same registered holder)

NO.	NAME	HOLDINGS	%
1	MR. SERM JUTHAMONGKHON	7,238,300	4.961
2	RHB NOMINEES (TEMPATAN) SDN BHD TEOH HAN CHUAN	7,000,000	4.798
3	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (6000117)	5,459,000	3.742
4	NEO TIAM HOCK	5,168,045	3.542
5	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN MEI CHENG	5,132,000	3.518
6	NEO CHEE KIAT	4,358,210	2.987
7	TAN HUI TING	4,348,500	2.980
8	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KEAN AIK	3,812,600	2.613
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HUI LUN (6000201)	3,777,185	2.589
10	TAN KEAN AIK	3,346,000	2.293
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW SENG KHAI	3,251,200	2.228
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW SENG GUAN	3,160,000	2.166

LIST OF TOP 30 HOLDERS AS AT 30/11/2017 (CONT'D)
(Without aggregating securities from different securities accounts belonging to the same registered holder)

NO.	NAME	HOLDINGS	%
13	HENG SEW HUA	3,100,000	2.125
14	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR TEOH HAN CHUAN (SMART)	3,000,000	2.056
15	BO ENG CHEE	3,000,000	2.056
16	CHEW SENG GUAN	3,000,000	2.056
17	CHEW SENG KHAI	3,000,000	2.056
18	OOI SIEW SUAN	2,960,800	2.029
19	TAN SOON PING	2,700,000	1.850
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (471821)	2,683,400	1.839
21	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR AWAN TRAVEL SDN.BHD. (SMART)	2,466,900	1.691
22	LEE YEW CHYE	2,300,000	1.576
23	TAN KING TAI @ TAN KHOON HAI	2,006,220	1.375
24	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR MBL REALTY SDN.BHD.(SMART)	2,000,000	1.371
25	TEOH BOAY LAN	2,000,000	1.371
26	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR TAN KING TAI @ TAN KHOON HAI (SMART)	1,925,000	1.319
27	CHAN MEI CHENG	1,887,725	1.294
28	TAN HUI LUN	1,858,100	1.273
29	LAU TECK POH	1,757,000	1.204
30	HENG LIH JIUN	1,550,000	1.062
	Total	99,246,185	68.035

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth (18th) Annual General Meeting of SWS Capital Berhad will be held at 3rd Floor, Plot 243A (Lot Lama 7064), Jalan Perindustrian Bukit Minyak 3, Bukit Minyak Industrial Park, 14100 Seberang Perai Tengah, Penang on Monday, 22 January 2018 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 August 2017 together with the Reports of Directors and Auditors thereon.

2. To approve the payment of Directors' fees for the financial year ended 31 August 2017. (**Ordinary Resolution 1**)

3. To approve the payment of Directors' fees and monthly allowances as per Table A for the period commencing from 1 September 2017 up to the next Annual General Meeting. (**Ordinary Resolution 2**)

4. To re-elect the following Directors who retire in accordance with the Articles of Association of the Company:

   a) Mr Tan Kok Tiam (Article 91) (**Ordinary Resolution 3**)

   b) Dr Loh Yee Feei (Article 91) (**Ordinary Resolution 4**)

   c) Mr Teoh Han Chuan (Article 96) (**Ordinary Resolution 5**)

5. To re-appoint Messrs UHY as Auditors of the Company and to authorise the Directors to determine their remuneration. (**Ordinary Resolution 6**)

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions with or without any modifications:-

6. **Authority for Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016 ("The Act")** (**Ordinary Resolution 7**)

   "THAT, subject always to the Act, the Articles of Association of the Company and approval and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors be hereby empowered pursuant to Section 75 of the Act to allot and issue new ordinary shares in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital for the time being of the Company AND THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company."

7. **Proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature** **(Ordinary Resolution 8)**

"THAT, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), approval be hereby given for the Company and its subsidiaries ("**SWSCAP Group**") which had entered into/ to enter into and to give effect to the recurrent related party transactions of a revenue or trading nature as set out in Section 3.3 of the circular to shareholders of the Company dated 29 December 2017, which are necessary for its day-to-day operations, undertaken in the ordinary course of business and at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company (hereinafter referred to as the "**Shareholders' Mandate**");

AND THAT the Shareholders' Mandate is subject to annual renewal and this Shareholders' Mandate shall only continue to be in force and effect until:-

(a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the next AGM; or
(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by a resolution passed by the shareholders in a general meeting,

whichever is the earlier;

AND THAT the Directors of the Company and/or any of them be hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Shareholders' Mandate, with full power to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

8. To transact any other ordinary business of which due notice shall have been given.

By order of the Board

PANG KAH MAN (MIA 18831)
Company Secretary

Muar, Johor Darul Takzim

Dated this 29 December 2017

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 15 January 2018 shall be regarded as members and be entitled to attend, participate, speak and vote at the 18th AGM.

2. A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Act. There shall be no restriction as to the qualification of the proxy.

3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.

6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Registered Office of the Company at No. 7, (1st Floor), Jalan Pesta 1/1, Taman Tun Dr Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Takzim not less than twenty-four (24) hours before the time appointed for holding this meeting or any adjournment thereof as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of 18th AGM to vote by way of poll.

EXPLANATORY NOTES TO THE AGENDA

7. **Item 1 of the Agenda**

   This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders and hence, is not put forward for voting.

8. **Item 3 of the Agenda - Ordinary Resolution no. 2**
   Approval of Directors' fees for the financial year ending 31 August 2018

   Directors' fees approved for the financial year ended 31 August 2017 was RM270,000.

   The Directors' fees and allowance proposed for the financial year ending 31 August 2018 are in the best interest of the Company and in accordance with the remuneration framework of the Group. The details of the Directors' fees and monthly allowance proposed are as per Table A below and assuming that all Non-Executive Directors will hold office until the conclusion of the next AGM.

	Directors' Fees per annum per pax (RM)	Monthly Allowance per pax (RM)
Non-Executive Directors	20,000	3,000

   This resolution is to facilitate payment of Directors' fees on current financial year basis. In the event the Directors' fees proposed are insufficient (e.g. due to more meetings), approval will be sought at the next AGM for additional fees to meet the shortfall.

9. **Item 6 of the Agenda - Ordinary Resolution no. 7**
   Authority to allot and issue shares pursuant to Section 75 of the Act

   (a) The proposed resolution, if passed, will grant a mandate ("General Mandate") empowering the Directors of the Company, from the date of the 18th AGM to allot and issue shares in the Company up to an amount not exceeding in total of ten percent (10%) of the total issued and paid-up capital of the Company (excluding treasury shares, if any) for the time being for such purposes as they may think fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting, shall continue to be in full force until the conclusion of the next AGM of the Company.

(b) The General Mandate is a renewal from the previous mandate obtained at the last AGM held on 18 January 2017 which will expire at the conclusion of the 18th AGM of the Company.

(c) The Company did not issue any new shares based on the previous mandate obtained at the last AGM held on 18 January 2017.

(d) The General Mandate, if granted will provide flexibility to the Company for any possible fundraising activities, including but not limited to further placement of shares, for purpose of funding current and/or future investment project(s), working capital and/or payment of bank borrowings and acquisition.

10. **Item 7 of the Agenda - Ordinary Resolution no. 8**
Proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature

The proposed Ordinary Resolution 8, if passed, will authorise the SWSCAP Group which had entered into/to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the SWSCAP Group's day-to-day operations with the respective related parties, provided that the transactions are on terms which are not more favourable to the related parties involved than generally available to the public and are not detrimental to the minority shareholders of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company.

Further details on the proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature are provided in the circular to shareholders of the Company dated 29 December 2017.

11. **Personal data privacy**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 18th AGM and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 18th AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 18th AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"),

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

DETAILS OF INDIVIDUAL WHO IS STANDING FOR ELECTION AS DIRECTOR

No individual is seeking election as a Director at the 18th AGM of the Company.

SWS Capital Berhad

(Company No. 502246-P)

PROXY FORM

No. of ordinary shares held

I/We, ...

of ....

(Full Address)

being (a) Member(s) of SWS CAPITAL BERHAD hereby appoint(s) ....

....

of ....

or failing him / her, ...

of ....

or failing him/her*, the CHAIRMAN OF THIS MEETING as my/our proxy to vote for me/us and on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at 3rd Floor, Plot 243A (Lot Lama 7064), Jalan Perindustrian Bukit Minyak 3, Bukit Minyak Industrial Park, 14100 Seberang Perai Tengah, Penang on Monday, 22 January 2018 at 11.00 a.m. and at any adjournment thereof.

No.	Ordinary Resolution	For	Against
1	Approval of Directors' fees for the financial year ended 31 August 2017		
2	Approval of Directors' fees for the financial year ending 31 August 2018		
3	Re-election of Mr Tan Kok Tiam as Director		
4	Re-election of Dr Loh Yee Feei as Director		
5	Re-election of Mr Teoh Han Chuan as Director		
6	Re-appointment of Messrs UHY as Auditors		
7	Renewal of authority for Directors to issue shares pursuant to Section 75 of the Companies Act 2016		
8	Proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature		

(Please indicate with a "x" in the spaces provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

The proportions of *my/our holding to be represented by *my/our *proxy/proxies are as follows:

	Percentage
First Named Proxy	
Second Named Proxy	
Total	100%

As witness *my/our hand this .... day of ...., 2018

....

Signature of Shareholder(s) or Common Seal

NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 15 January 2018 shall be regarded as members and be entitled to attend, participate, speak and vote at the Eighteenth Annual General Meeting.

2. A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.

3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.

6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Registered Office of the Company at No. 7, (1st Floor), Jalan Pesta 1/1, Taman Tun Dr Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Takzim not less than twenty-four (24) hours before the time appointed for holding this meeting or any adjournment thereof as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of Eighteenth Annual General Meeting to vote by way of poll.

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AFFIX
STAMP

SWS Capital Berhad
(Company No. 502246-P)

The Company Secretary
No. 7 (1st Floor), Jalan Pesta 1/1,
Taman Tun Dr Ismail 1, Jalan Bakri,
84000 Muar,
Johor Darul Takzim

Please fold here

www.swscap.com

SWS Capital Berhad
(502246-P)

PTD 6001, Jalan Perindustrian 5,
Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor

Tel: +606-9865 236 | Fax: +606-9865 239 | Email: info@swscap.com