SWS Capital Berhad
(502246-P)

ANNUAL REPORT 2018

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RATIONALE

THE COVER DESIGN OF OUR ANNUAL REPORT EXPRESSES THE THEME OF PROGRESS FROM VISION TO ACHIEVEMENT. WITHIN THE GROWTH SPIRAL ARE IMAGES OF OUR DEVELOPMENTS, THE VIBRANT COLOURS SYMBOLISING THE ENERGY AND DRIVE IN TO EVERYTHING WE DO. MEANWHILE, THE SPIRAL IS SET AGAINST A STARRY SKY, REFLECTING OUR ATTITUDE OF 'THE SKY'S THE LIMIT'.

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 on 15 March 2004. 182,343,782 SWSCAP Shares are currently issued and fully paid up.

The business activities of SWSCAP and the subsidiaries ("Group") can be classified into:

- Manufacturing and sale of dining furnitures, occasional furnitures and buffet & hutch
- Manufacturing and sales of bedroom sets
- 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.

保强工业有限公司

POH KEONG INDUSTRIES SDN BHD

CORPORATE **INFORMATION**

DIRECTORS

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

Dato' Seri MR. Serm Juthamongkhon
(Redesignated on 26.10.2018)
Independent Non-Executive Deputy Chairman

Teoh Han Chuan
Managing Director

Piong Yew Peng
Senior Independent Non-Executive Director

Tan Kok Tiam
Independent Non-Executive Director

Neo Chee Kiat
Non Independent Non-Executive Director

Chua Heok Wee
Independent Non-Executive Director

Dr Loh Yee Feei
Independent Non-Executive Director

Chew Seng Guan
(Appointed on 06.08.2018)
Independent Non-Executive Director

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

AUDIT COMMITTEE

Piong Yew Peng
Committee Chairman

Chua Heok Wee
Committee Member

Dr Loh Yee Feei
Committee Member

Tan Kok Tiam
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

REMUNERATION COMMITTEE

Tan Kok Tiam
Committee Chairman

Piong Yew Peng
Committee Member

Chua Heok Wee
Committee Member

Dr Loh Yee Feei
Committee Member

COMPANY SECRETARY

Pang Kah Man (MIA 18831)
(Resigned on 31.10.2018)

Ng Mei Wan (MIA 28862)
(Appointed on 31.10.2018)

Tan Hui Khim (LS 0009936)
(Appointed on 31.10.2018)

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

- 100% **Poh Keong Industries Sdn. Bhd.** (286999-X) **("PKI")**
- 100% **EE-Lian Industries Sdn. Bhd.** (192321-U) **("ELI")** (Formerly known as SWS Industries Sdn. Bhd.)
- 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")**
  - 77.5% **EE - Lian Plastic Industries (M) Sdn. Bhd.** (591415-M) **("ELP")**

保强工业有限公司

POH KEONG INDUSTRIES SDN BHD


elianware
eplas


elianware

GLOBAL **PRESENCE**

AFRICA

Mauritius
South Africa

ASIA

Cambodia
China
Hong Kong
India
Indonesia
Myanmar
Pakistan
Philipines
Repulic of Nepal
Singapore
South Korea
Sri Lanka
Taiwan
Thailand
Vietnam

EUROPE

France
Germany
Greece
Italy
Latvia
Netherlands
Norway
Poland
Russia
Sweden
Turkey
Ukraine

GLOBAL PRESENCE (CONT'D)

MIDDLE EAST

Kuwait
Qatar
Saudie Arabia
United Arab Emirates

NORTH AMERICA

Canada
Mexico
United States

OCENIA

Australia
New Zealand
Papua New Guinea
Fiji

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

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of SWS Capital Berhad ("SWSCAP" or "Company"), I am pleased to present the Annual Report and Audited Financial Statements of the Company and the subsidiaries ("Group") for the financial year ended 31 August ("FYE") 2018.

INDUSTRY OUTLOOK

Malaysia is blessed with rich natural resources, providing variety of timber for its wood based furniture. Ranked amongst the top 10 largest exporters of furniture in the world, furniture industry contributes significantly to the country's foreign earnings. The government has set an annual growth target of 6.5% for wood based furniture, estimated to reach up RM12 billion export by year 2020. In recent years, branding activities and international exhibition were organized by government to support the development of furniture industry market. Original design, high quality of work and competitive pricing has always being the key factor for rapid and sustainable growth. 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.

The plastics industry registered a total turnover of RM29.80 billion in 2017, representing an increase of 9.1% from RM27.32 billion in 2016. The plastic industry is likely to expand at an estimated compounded annual growth rate of 5.27% during the forecast period of 2018-2023. Volatile raw material prices and the variability of a lower margin product mix, coupled with higher cost incurred during the fit-out stages from ongoing capacity expansion, have caused margins to decline in recent years. Investing in the appropriate technology and machines as well as building a pool of highly skilled and competent workers for the plastics industry are the key factors to achieving higher productivity and enhance competitive.

OPERATING ENVIRONMENT

After performing better than expected growing at 5.9% in the Gross Domestic Product ("GDP") in 2017, the Malaysian economy is expected to grow at a slower pace in 2018. Economic Report 2018/2019 released by Finance Ministry, GDP is projected to grow at 4.8% in 2018 and 4.9% in 2019 supported mainly by domestic demand. The manufacturing sector, meanwhile, is expected to expand by 4.9% in 2018 and 4.7%% in 2019.

The recent General Election 14 has changed the political landscape in a manner that was rather unexpected. This follows the abolition of goods and services tax (GST) from June 2018 onwards, and a three-month tax holiday before the reintroduction of the sales and services tax (SST) in September 2018. There is no doubt that the operating environment remains challenging as a whole. The Employment Insurance System (EIS) has been implemented effective 1 January 2018, revised of minimum wage and the levy of foreign workers is now borne by the employers instead of by the employees. With export of rubberwood banned since July 2017, fluctuation of raw material cost was slow down. However, 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 and plastic industry.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

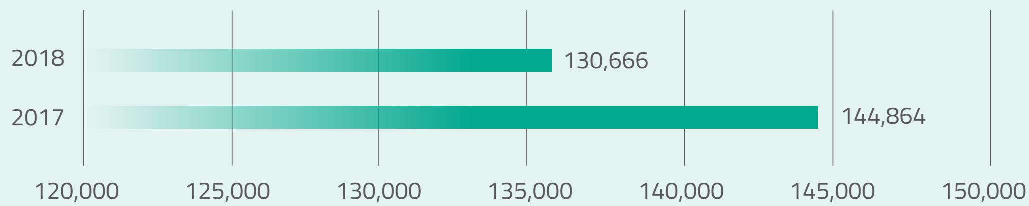
BUSINESS OPERATIONS

The Group has established a well-managed strategic to access those challenges and monitor the action plans to deliver favourable results. Product development department have been consistently increasing the products variety for meeting the customers' requirements at competitive prices. Sales and marketing observe and explore potential market for new range of products, especially for the new bedroom sets. Procurement functions and inventories control have been strengthened to generate detailed planning, monitoring the stock level and raw material cost.

The Group has been consistently improving the operation efficiency by investing in technology and training for workforce. Policies and procedures were reviewed and updated to monitor the production and administrative spending.

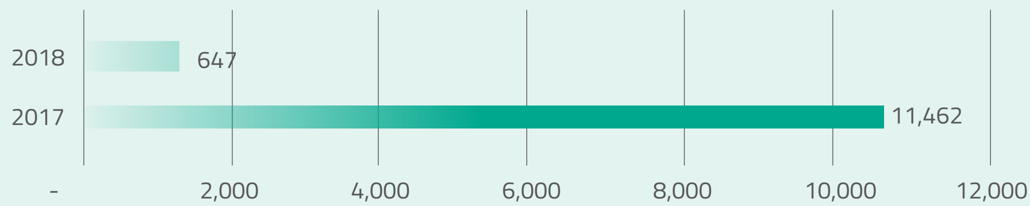
FINANCIAL PERFORMANCE REVIEW

Revenue (RM'000)



The Group's revenue in FYE 2018 decreased by 10% to RM130.67 million as compared to the revenue in the previous year of RM144.86 million. However, the newly-acquired plastic wares division has contributed RM78.38 million revenue for FYE 2018. However, the revenue contribution from the plastic wares division is lower than the revenue loss resulting from the disposal of leather upholstery business of RM83.84 million (10 months' result).

Profit before taxation (RM'000)



For FYE 2018, the Group has recorded profit before tax of RM0.65 million compared to a profit before taxation of RM11.46 million for the preceding year.

The profit in FYE 2017 was mainly due to the negative goodwill recognised upon acquisition for ELE.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL POSITION

	2018 RM'000	2017 RM'000	Year-on-Year Variance (%)
Total assets	187,340	187,362	-0.01%
Total liabilities	87,556	86,655	1.04%
Shareholders' equity	98,800	99,838	-0.92%
Net assets per share (RM)	**0.55**	**0.55**	

As at FYE 2018, our Group's total assets is RM187.34 million representing 0.01% decrease as compared to the preceding year.

Shareholders' equity remained at a positive level at RM99.80 million as at FYE 2018 as compared to RM99.84 million for the preceding year.

LIQUIDITY

	2018 (Days)	2018 (Days)	Changes (Days)
Trade receivables' turnover period (1)	97	92	5
Inventories' turnover period(2)	132	107	25
Trade payables' turnover period(2)	81	66	15
Cash conversion cycle	**148**	**133**	**15**

(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 148 days compared with prior year 133 days increase 15 days. As at FYE 2018, the Group managed to generate net cash of RM4.08 million from operating activities.

	2018 RM'000	2017 RM'000
Cash and cash equivalents at end of financial year: Deposits, bank and cash balances	10,231	13,595
Less: Bank overdrafts	(5,817)	(4,749)
	4,414	8,846
Less: Fixed deposits pledged with licensed banks	(5,223)	(5,625)
	(809)	3,221

As at FYE 2018, the Group's cash and bank balances amounted to RM10.23 million compared to RM13.60 million in the preceding year.

CAPITAL EXPENDITURE

The Group spent approximately RM8.83 million in capital expenditure during FYE 2018 which were mainly incurred in acquisition of property, machinery and equipment, motor vehicles and other assets.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BORROWINGS

	2018 RM'000	2017 RM'000
Borrowings		
- Short term	40.907	40,594
- Long term	13,864	14,306
	54,771	54,900

The Group's gearing ratio still monitored at 0.55 (FYE 2017 : 0.55) which places it in a healthy financial position to obtain financing to fund capital expenditure and/or working capital requirements for expansion of its operations.

PROSPECTS

Furniture division has partially sorted out the issues of shortage in foreign workers. Raw material cost is stable over the year but still facing issues of higher packing material cost. The tensions between United States ("US") and China may have cause significant decreased in the export market demand, including Euro countries. However, management noted the potential opportunity for the export to US. The Group will focus on the cost monitoring and keep on exploring new market, especially for the new bedroom sets and dining sets.

The Plastic ware division is facing slowdown in market demand, especially in the local market. The management is confident and positive that the market uncertainties will be resolved before the next peak season. The Group is working on new marketing strategies and expand the product ranges to stay competitive in this challenging period. The management is also exploring the opportunity to diversify into plastic industrial market while monitoring the manufacturing efficiency.

Furniture division still working on lower manufacturing efficiency during the initial adjustment period for several range of products. 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, which has become increasingly difficult and expensive to hire, especially foreign workers. The management also foresee the need of training to improve workforce efficiency and consistent quality.

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.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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) Charter of Management Board
(e) Environmental, Social and Governance Policy
(f) Enterprise Risk Management Framework
(g) Term of Reference ("ToR") of Nomination Committee
(h) ToR of Remuneration Committee
(i) ToR of Audit Committee

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 welcome Dato' Seri MR. Serm Juthamongkhon, who was redesignated on 26.10.2018 as Independent Non-Executive Deputy Chairman, and Mr. Chew Seng Guan, who was appointed as Independent Non-Executive Director of the company on 06.08.2018.

Besides, I would like to express my sincere appreciation to fellow Board members, Management and Staff 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

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

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

BOARD OF DIRECTORS' **PROFILE**

TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI
Executive Chairman
Aged 63, Male, 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 is also one of the founder of the Group. 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 is awarded with a Doctorate of Industry by public university, University Sains Malaysia. He has over 37 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, exclude as disclosed in Analysis of Shareholdings.

DATO' SERI MR. SERM JUTHAMONGKHON*
Independent Non-Executive Deputy Chairman
Aged 79, Male, Thailand

Appointed as Independent Non-Executive Director on 24 October 2016 and redesignated as the Independent Non-Executive Deputy Chairman on 26 October 2018. 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)

TEOH HAN CHUAN
Managing Director
Aged 58, Male, 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 wares products. He has over 26 years of experience in the household plastic wares industry. He has no family relationship with any other Director or major shareholder of the Company.

PIONG YEW PENG*
Senior Independent Non-Executive Director
Aged 48, Male, 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.

BOARD OF DIRECTORS' PROFILE (CONT'D)

TAN KOK TIAM
Independent Non-Executive Director
Aged 54, Male, 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 23 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.

NEO CHEE KIAT
Non Independent Non-Executive Director
Aged 48, Male, Malaysian

Appointed as the Managing Director on 30 November 2003 and re-designated as Non Independent Non-Executive Director on 16 November 2017. 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, exclude as disclosed in Analysis of Shareholdings.

BOARD OF DIRECTORS' PROFILE (CONT'D)

CHUA HEOK WEE*

Independent Non-Executive Director
Aged 45, Male, Malaysian

Appointed as Independent Non-Executive Director on 23 December 2015. He 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 24 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 56, Male, Malaysian

Appointed as Independent Non-Executive Director on 23 December 2015. Dr. Loh 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 33 years of business and management experience in manufacturing - based industries. Dr. Loh is currently the Managing Director of Bitmain Malaysia, with its parent company Bitmain Technologies Ltd. being the world number one manufacturer of mining hardware & Application-specific IC (ASIC) for block chain technology application. 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-acid (VRLA) batteries, and 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 General Manager of Hong Leong Industries Berhad, Supply Chain Director, 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.

BOARD OF DIRECTORS' PROFILE (CONT'D)

CHEW SENG GUAN*
Independent Non-Executive Director
Aged 46, Male, Malaysian

Appointed as Independent Non-Executive Director on 6 August 2018. He graduated secondary education at Chung Ling High School, Penang. He is holding a Bachelor of Science in Business Administration (Management Information Systems) from Oklahoma State University (Stillwater, Oklahoma USA). He joined Chip Yoo Latex Co. Ltd. as a Marketing Consultant in year 1996. He has no family relationship with any other Director or major shareholder of the Company.

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.*

KEY SENIOR **MANAGEMENT PROFILE**

HENG SEW HUA
Executive Director of:
1. Ee-Lian Enterprise (M) Sdn. Bhd.
2. Ee-Lian Plastic Industries (M) Sdn. Bhd.
Aged 71, Male, Malaysian

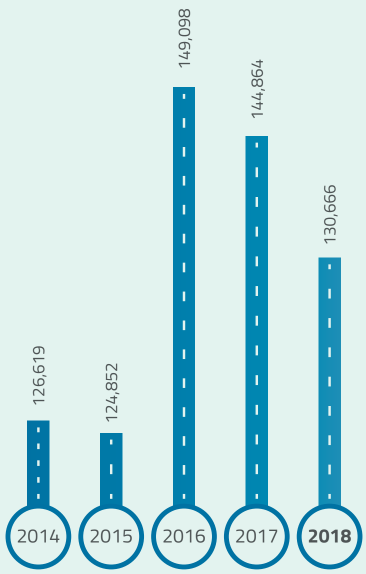
He is the co-founder of the ELE Group. He started his career at Weng Heng Leong Sdn Bhd, a kitchen wares distribution company in 1963, as a Sales Representative. In 1984, he ventured into his own business, Syarikat Perniagaan Hua Sun, importing and distributing within Peninsular Malaysia, all kinds of 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. He has no family relationship with any other Director or major shareholder of the Company.

LEE YEW CHYE
Executive Director of:
1. Poh Keong Industries Sdn. Bhd.
2. U.D. Panelform Sdn. Bhd.
3. U.D. Wood Products Sdn. Bhd.
4. Syarikat U.D. Trading Sdn. Bhd.
Aged 52, Male, Malaysian

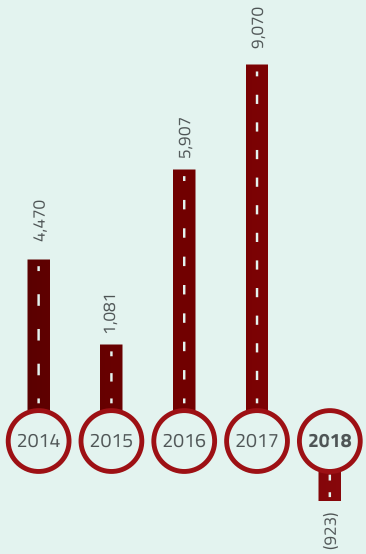
He is the co-founder of Poh Keong Industries Sdn. Bhd.(PKI). He started his career at PKI and went into partnership with his families. In 2005, his families sold 51% of its PKI's shareholding and PKI became one of the subsidiaries of the SWSCAP. He is responsible for all the production activities. He has more than 27 years of working experience in the furniture industry. He has no family relationship with any other Director or major shareholder of the Company.

FINANCIAL **HIGHLIGHTS**

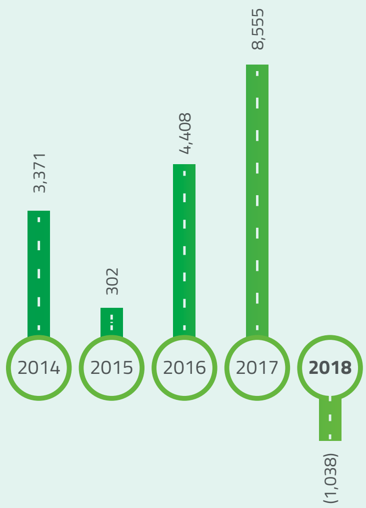
Revenue
(RM Million)



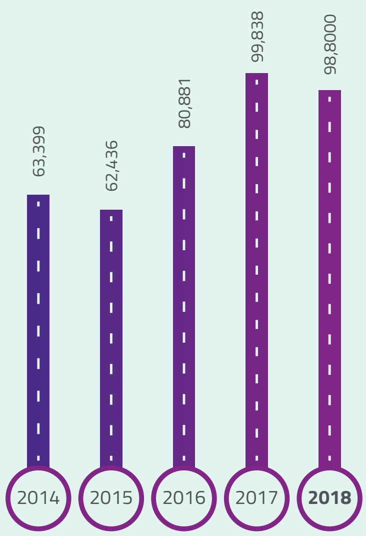
Profit after Tax
(RM'000)



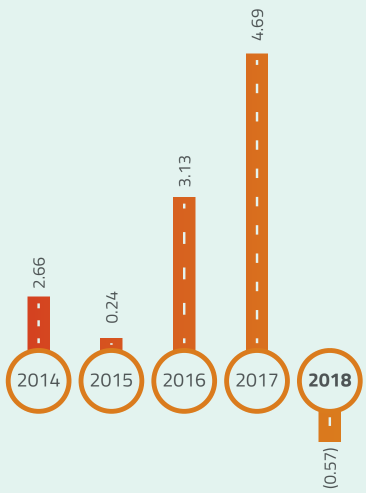
Net Profit Attributable to Equity Holders
(RM'000)



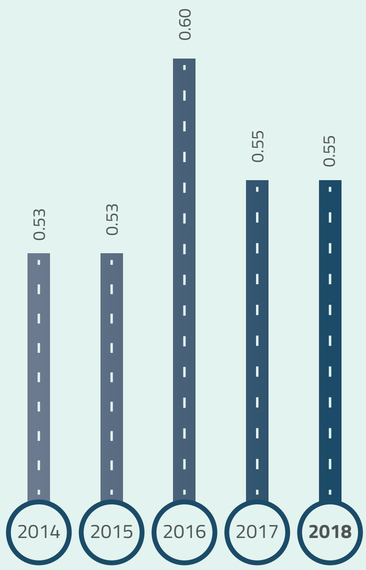
Shareholders' Fund
(RM'000)



Earnings Per Share
(EPS)



Net Assets per Share

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CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (or "Board") of SWSCAP ("Company") observes the new Malaysian Code on Corporate Governance 2017 ("MCCG"), which come into effect on 26 April 2017, 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.

This CG Overview Statement ("Statement") should be read in conjunction with the Corporate Governance Report ("CG Report"), which is available on the Company's website at www.swscap.com. The CG Report sets out the key aspects of how the Company has applied the principles of the MCCG during the financial year and up to the date of this report.

This statement summarised out how the Group has applied the Principles as set out in the MCCG or provide suitable alternative approach and may defer some to the following years.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board Responsibility

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 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, Nomination Committee and Remuneration Committee, 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.

Charter of Board (or "Charter")

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 7 December 2018 can be viewed on the Company's website at www.swscap.com.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.1 Board Responsibility (Cont'd)

Code of Conducts and Whistle-blowing Policy

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.

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 to decide.

1.2 Board Composition

As at the date of this statement, the Board consists of nine (9) 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 six (6) 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 45 to 79, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.2 Board Composition (Cont'd)

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 17 to 21 of this Annual Report.

Nomination Committee

The Board conducts an assessment on the performance of the Board 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.

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.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.2 Board Composition (Cont'd)

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 19th Annual General Meeting of the Company are as follows:

Name	Designation
Dato' Seri MR. Serm Juthamongkhon	Independent Non-Executive Deputy Chairman
Piong Yew Peng	Senior Independent Non-Executive Director
Chua Heok Wee	Independent Non-Executive Director
Chew Seng Guan	Independent Non-Executive Director

Dato' Seri MR. Serm Juthamongkhon, Piong Yew Peng and Chua Heok Wee are due to retire pursuant to Article 91 whereas Chew Seng Guan is due to retire pursuant to Article 96 at the 19th 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 17 to 21 of the Directors' Profile of this Annual Report.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.2 Board Composition (Cont'd)

Annual Assessment (Cont'd)

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 financial year ended 31 August ("FYE")2018 was conducted via Questionnaires in early December 2018. 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. 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.

Gender Diversity Policy

The Board noted the 30% female representation on the Board as recommended in the MCCG. 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.

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.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.2 Board Composition (Cont'd)

Independence of the Board (Cont'd)

The existing six (6) 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, Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai, 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 Deputy Chairman and other Independent Non-Executive Directors, 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. Teoh Han Chuan, is responsible for the overall performance of the Group operations, organization effectiveness and financial performance. As the Group MD, supported by fellow Executive Directors and 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.

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.

Directors' Commitment

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.2 Board Composition (Cont'd)

Directors' Commitment (Cont'd)

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 Dr. Tan King Tai @ Tan Khoon Hai	5/5*	Nil	Nil	Nil
Dato' Seri MR. Serm Juthamongkhon	4/5	Nil	Nil	Nil
Teoh Han Chuan	5/5	Nil	Nil	Nil
Piong Yew Peng	5/5	5/5*	2/2	1/1
Tan Kok Tiam	5/5	5/5	2/2	1/1*
Neo Chee Kiat	3/5	Nil	Nil	Nil
Chua Heok Wee	4/5	4/5	2/2	1/1
Dr. Loh Yee Feei	5/5	5/5	2/2*	1/1
Chew Seng Guan *(Appointed on 06.08.2018)*	Nil	Nil	Nil	Nil

* 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.2 Board Composition (Cont'd)

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 Dr. Tan King Tai @ Tan Khoon Hai	▪ Malaysian Company Secretaries Conference 2017 ▪ 2018 Budget Seminar ▪ Understanding the Organizational Structure of a Registered Society ▪ Personal Debt Management and Market Outlook ▪ Introduction to MBRS ▪ MBRS for Preparers – Financial Statements ▪ Highlights on Double Transition Periods ▪ 2018 Market Outlook Seminar	18.09.2017 & 19.09.2017 20.11.2017 25.03.2018 27.03.2018 18.07.2018 19.07.2018 & 20.07.2018 13.09.2018 22.09.2018
Dato' Seri MR. Serm Juthamongkhon	▪ Mandatory Accreditation Programme for Directors of PLC ▪ Seminar Percukaian Kebangsaan 2017 ▪ 2018 Budget Seminar ▪ National Tax Seminar 2018	25.09.2017 & 26.09.2017 13.11.2017 20.11.2017 27.11.2018
Teoh Han Chuan	▪ Mandatory Accreditation Programme for Directors of PLC ▪ Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide	25.09.2017 & 26.09.2017 01.03.2018
Piong Yew Peng	▪ 2017 Tax and Budget Conference ▪ 2018 National Budget & Tax Planning Conference ▪ MIA-SC Workshop on Malaysian Code on Corporate Governance ▪ Companies Act 2016 and New Malaysian Code on Corporate Governance	03.11.2017 06.11.2017 17.11.2017 24.11.2017
Tan Kok Tiam	▪ Investment Analysis – Business Centric Approach ▪ Differentiating Real vs Fake Trading Activities through Technical Charting	07.04.2018 14.07.2018
Neo Chee Kiat	▪ 2019 Budget and Tax Conference	23.11.2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.2 Board Composition (Cont'd)

Directors' Training – Continuing Education Programme (Cont'd)

Name	Training Programmes	Date
Chua Heok Wee	▪ Seminar Percukaian Kebangsaan 2017 ▪ 2018 Budget Seminar ▪ National Tax Seminar 2018	13.11.2017 20.11.2017 27.11.2018
Dr Loh Yee Fei	▪ Seminar Percukaian Kebangsaan 2017 ▪ Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide ▪ National Tax Seminar 2018	13.11.2017 28.02.2018 27.11.2018
Chew Seng Guan	▪ National Tax Seminar 2018 ▪ Mandatory Accreditation Programme for Directors of PLC	27.11.2018 29.11.2018 & 3011.2018

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.

1.3 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.3 Remuneration Committee (Cont'd)

In December 2018, 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 FYE 2018 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.

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	-
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	-
RM650,001 to RM700,000	-
RM700,001 to RM750,000	-
RM750,001 to RM800,000	-
RM800,001 to RM850,000	1
RM850,001 to RM900,000	1
Non-Executive Directors:	
Below RM50,000	2
RM50,001 to RM100,000	5

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

2.1 Audit Committee

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 44 to 45 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 Controller 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.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

2.1 Audit Committee (Cont'd)

In this regard, the Audit Committee had on 7 December 2018, 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 19th 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 27 to the annual audited financial statements on pages 118 to 120 of this Annual Report.

2.2 Risk Management and Internal Control Framework

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 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 44 to 45 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL ELATIONSHIP WITH STAKEHOLDERS

3.1 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.

3.2 Strengthen Relationship between the Company and its Shareholder

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 19th Annual General Meeting ("Notice") will be briefed via an explanatory note provided during the registration process and/or by the Chairman of the 19th 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 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 19th Annual General Meeting.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL ELATIONSHIP WITH STAKEHOLDERS (CONT'D)

3.2 Strengthen Relationship between the Company and its Shareholder (Cont'd)

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 19th Annual General Meeting. The proceedings of the 19th Annual General Meeting will include the Chairman's briefing on the Company's overall performance for FYE 2018 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 19th 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.

(i) 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 Practices 4.3, 6.1, 7.1, 7.2, 7.3, 8.2, 9.3 and 11.2 of the MCCG 2017 as explained within this statement and the CG report , the Board considers and is satisfied that the Company has complied with the Practices of the MCCG 2017, 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 07 December 2018.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (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 Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("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") 2018.

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 FYE 2018, 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 Listing Requirements. 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 CG Overview Statement.

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 are 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.

RISK MANAGEMENT FRAMEWORK (CONT'D)

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 Head of departments ("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;
- volatile resin costs due to fluctuation in crude oil prices;
- 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;
- new standards across the globe to control plastic pollution;
- 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

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 HoD 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTION (CONT'D)

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 RM47,560.89.

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 07 December 2018.

AUDIT COMMITTEE **REPORT**

INTRODUCTION

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 five (5) meetings in for the financial year ended 31 August ("FYE") 2018 without the presence of other Directors, members of Senior Management and employees, except when their attendance was requested by the Audit Committee. The Managing Director ("MD") was invited to all Audit Committee meetings to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group.

The lead audit engagement partner of the External Auditors responsible for the Group attended two (2) Audit Committee meetings in FYE 2018 to present the audit review memorandum and auditors' report on the annual audited financial statements for FYE 2018.

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. The relevant Head of the Department of the audit subjects were also invited to brief the Audit Committee on specific issues arising from the relevant 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 discuss 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 2017.
- 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:
    - any change in accounting policies and practices
    - significant adjustments arising from the audit
    - the going concern assumption
    - 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 Page 40 to 43 of the Annual Report.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors of SWS Capital Berhad ("SWSCAP" or "Company") and the subsidiaries ("Group") 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 2018, 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.

SUSTAINABILITY STATEMENT

INTRODUCTION

In this fast pace era of business globalisation, SWS Capital Berhad ("SWSCAP" or "Company") and the subsidiaries ("Group") have been continuously evolving to strive for sustainable growth. Over the years in business operations, the Group have established a well-diversified furniture and household plastic wares businesses with global product presence in over 30 countries.

The Board of Directors (or "Board") are very cautious of the important of sustainability and the impact on environmental, economic and social matters. Therefore, is it pertinent to identify and understand the matters that affect the Group's sustainability and ensure proper management applied accordingly. During the year, the Group embarked on initiatives to review the sustainability management approach, materiality assessment, performance measurement and disclosure in efforts to strengthen the approach towards a sustainable business. Stakeholders' communication and interest are properly assessed towards business sustainability and economic success.

SCOPE OF REPORTING

This report covers all operating subsidiaries of the Group, for furniture and plastic ware division. The reporting period is from 1 September 2017 to date of this report. This statement is prepared in accordance with Bursa Malaysia Sustainability Reporting Guide.

MATERIALITY ASSESSMENT

The Group is in the midst of developing a strategy to ensure material sustainability matters in a more holistic and integrated manner moving forward. This will involve developing new policies and procedures, implementing various initiatives and action plans, setting achievable goals, as well as reviewing current system to capture, analyse and report sustainability data and information.

ECONOMIC

Economic are changing fast and the Group must ensure suitable strategy are applied with proper monitoring. Standard operating procedures was designed to allow the Group stay competitive in this growing market. Management monitor the manufacturing operation and quality control to promote the production efficiency and cost effectiveness. Sales and marketing study the market trend and opportunity to extend to new market, both local and export, at favourable pricing. Timeliness and well scheduled delivery are also monitored specially to export customers. The Group is working on releasing more sustainable and unique products over the next decade. Both furniture and plastic housewares division can react and customised premium products which contribute to Group revenue and growth.

The growth of the Group has assisted the Small and Medium Enterprise ("SME") that are working with us through their supply of packing material, services, construction of our factories and many more. This creates economic value to our surrounding community and indirectly to our country.

SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENTAL

Environment impact has always been a major consent for wood based furniture production. Malaysia is blessed with rich natural resources. Our lush rainforest provides an ample variety of wood for furniture-making. It also has a well-managed forestry system to ensure a continuous supply of high-grade sustainable timber and preservation of our natural heritage for generations to come. Most of the wood material used for furniture manufacturing are rubberwood. Rubberwood is a plantation wood, it does not come from valuable virgin rainforests, as such it is one of the most eco-friendly woods. Procurement and store ensure all wood purchased are with certificates before confirm receipt and production operation. The manufacturing process, proper storage system and store condition are important to minimise wastage.

As the Group other business involve plastics, the Group are vigilant on potential environmental impact that can be caused from the business. The Group take a serious view on compliance towards the environmental rules and regulations required by the Department of Environment ("DOE") and various authorities both locally and abroad. In terms of managing waste disposal, the Group has implemented procedures to reuse and recycle waste products whenever possible. The Group has recycling departments in Bukit Minyak, Penang plants that recycles plastic waste to be reused in production in order to optimise the consumption of plastic raw material. For materials or waste that cannot be reused or recycled, we appoint government approved waste contractors to disposal of the waste.

Furthermore, we ensure that all hazardous materials such as ink and solvents are to be stored in safe places. Hazardous waste will be disposed off in a proper manner through the contractor that has been certified by the DOE.

It is important to let the consumers notice that the Group is using eco-friendly material for plastic wares production. Ee-Lian Enterprise (M) Sdn Bhd ("ELE"), subsidiary of SWSCAP, had entered an agreement with American specialty chemicals producers Miliken, as well as Malaysian polymer producer Lotte Chemical Titan, to manufacture more sustainable products using Miliken's energy saving and UL certificated materials. Using the material during manufacturing process means a lower processing temperature is used, thus cumulating in 10% of annual energy savings and lower CO2 emissions. The agreement ensures that ELE become the first Malaysian producer authorised to use the UL-certified Green Label environment accreditation on its products and is expected to boost ELE sales locally and globally. This label communicates to customers that products have been audited by a credible third-party and independently validated to have been manufactured and/perform in accordance with its environmental claims.

For energy consumption, we are solely dependent on local electricity supply. The Group has been continuously devoting efforts to reduce the usage of the electricity, we have also engaged a certified electricity consultant to perform an analysis and to provide solutions to further reduce the usage of electricity apart from our current initiatives.

SOCIAL

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.

The expansion of the Group has been consistently providing a wide range of employment opportunities to local communities. Our employees are offered competitive salaries, performance incentives and various benefits. The Group also provides training to our employees in order to cultivate more talent within the Group to sustain our future growth.

Through the engagement with Department of Occupational safety and Health, it provides us with the framework for handling occupational health and safety related matters for our people to follow. The Group is committed to continue creating a safe and healthy environment. Apart from that, we have set up a safety committee to oversee the day-to-day occupational health and safety matters. The safety committee had conducted several programs to increase the level of safety through awareness of our employees in our working environment.

The programs below are initiatives that have been implemented:
a) Safety and awareness training;
b) Fire drill training for at least once a year;
c) Policies enforcing production employees to equip safety wear at work;
d) Requirement of work permit for all contractors or in-house maintenance to perform hot work;
e) Enforcing each factory have their own emergency response team ("ERT");
f) Compliance with Occupational Safety and Health ("OSH") regulations; and
g) Frequent inspection on machines, building structures and vehicles to detect unsafe conditions which may lead to accidents.

In addition, rules and regulations have been enforced to ensure a safe working environment for our employees as well as third parties that enter into our plants. Work instructions are clearly visible on every machine to ensure that our employees are always aware of safety procedures while operating machines.

CONCLUSION

SWSCAP recognised the importance of sustainability and continue to improve the corporate governance framework. The Group will continue to adopt a balance approach to promote effective economic approach, environmental stewardship, social responsibility and value.

OTHER DISCLOSURE **REQUIREMENTS**

The information set out below are disclosed in compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

UTILISATION OF PROCEEDS

There were no proceeds raised from any proposal during the financial year.

AUDIT AND NON-AUDIT FEES

The fees payable to the External Auditors in relation to the audit and non-audit services rendered to the SWS Capital Berhad ("SWSCAP" or "Company") and the subsidiaries ("Group") to the financial year ended 31 August ("FYE") 2018 are as follows:

	The Company (RM)	The Group (RM)
Audit fees	30,000	164,000
Non-audit fees	5,000	5,000

MATERIAL CONTRACTS

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

RELATED PARTY DISCLOSURE

Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature for FYE 2018

The aggregate value of recurrent related party transactions conducted pursuant to the shareholders' mandate during FYE 2018 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 ("ELE")	11,536,444 1,026,267	Sales of plastic wares and other household products Purchases of plastic wares and other household products	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan
Ebottles Marketing (M) Sdn Bhd	ELE	144,634 88,335	Sales of water bottles and tumblers Purchases of water bottles and tumblers	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan

OTHER DISCLOSURE REQUIREMENTS (CONT'D)

RELATED PARTY DISCLOSURE (CONT'D)

Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature for FYE 2018 (Cont'd)

Related Party with whom the Group is transacting	Company within the Group involved	Amount (RM)	Nature of transactions	Interested Related Party
E Sponge Household Sdn Bhd	ELE	280,310 249,070 54,000	Sales of cleaning products Purchases of cleaning products Rental	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan
PT Elianware Houseware Trading	ELE	1,259,400	Sales of plastic wares and other household products	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan
Ee Jia Housewares (M) Sdn Bhd	Ee-Lian Plastic Industries (M) Sdn Bhd ("ELP")	160 32,000	Sales of plastic wares and other household products Purchases of plastic wares and other household products	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan
Ebottles Marketing (M) Sdn Bhd	ELP	29,674	Sales of printing services	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan
E Sponge Household Sdn Bhd	ELP	475	Purchase of cleaning products	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION

SWS Capital Berhad ("SWSCAP" or "Company") recognises the importance of being a good corporate citizen in the conduct of its business as well as fulfilling its corporate social responsibility ("CSR"). SWSCAP has officially announced a policy on corporate social responsibility so that all groups of stakeholders, both inside and outside the Company, acknowledge, understand, and abide. This reflects the reinforcement and importance the Company and the subsidiaries ("Group") give and the responsible practices that the Group has complied with including operating the business based on corporate governance, taking care of all of its stakeholders, balancing between business, society, and environment with the focus on benefits of living together and growing alongside each other in a sustainable manner.

COMMUNITY

The Group is committed to producing quality goods that are safe for consumers while taking into account its responsibility for communities and environment, related parties, and society as a whole in different aspects that might be affected from the Group's operations. This is based on business principles that are transparent, accountable and ethical. The Group respects human rights and interests of stakeholders by complying with the laws and other regulations or relevant international standards. It is also committed to developing and improving in order to continuously and sustainably create a foundation of corporate social responsibility alongside its business growth with continuity.

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

Apart from having product quality which is a strength and manufacturing process that does not affect society and environment, receiving certified standard by external organizations regarding the Group's products, managing energy and environment, and providing channels coupled with monitoring of complaints from both internal and external parties.

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 personnel are one of the key success factors of the corporate social responsibility which will build sustainable growth to the Group. The Group considers its employees as valuable assets and treats all staff with dignity, fairness and respect. CSR Implementation has been set as one of the annual working plan agendas that is brainstormed and implemented by every department continuously in order to make it as direct duty and responsibility of all personnel as well as building awareness of importance and advantages of the corporate social responsibility amongst personnel. Moreover, supports, developments or gap identification are also needed for improvement. 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.

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

WORKPLACE (CONT'D)

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.

PROJECT - GREEN BOX PROGRAM PARTNERS FOR A GREENER WORLD

Ee-Lian Enterprise (M) Sdn Bhd, subsidiary of SWSCAP, felt proud to be one of the strategic partners of Green Box Program Partners for a greener world organized by Junior Chamber International Malaysia, to undertake the task of organizing a series of projects in an effort to eradicate usage of polystyrene containers.

Malaysia is the eighth largest producer of mismanaged plastic wastes of about 4,000 metric tonnes of each day. The most appropriate long-term solution is and always has been to fight litter in all forms and implement an effective waste separation and recycling system through education and encouragement.

The Goals of Green Box Program Partners for a greener world Project are:

1. To cultivate the seeds of loving our earth and create positive change in the society we live in.
2. To educate general public, especially our youth on humanitarian, to treasure what we already have and to care for our environment.
3. To demonstrate taking the lead with actions for the go green efforts.
4. To increase the awareness and concern for mother earth by contributing to eradicating polystyrene containers.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2018.

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
Loss for the financial year	923,205	224,464
Attributable to:		
Owners of the parent	1,038,120	224,464
Non-controlling interests	(114,915)	–
	923,205	224,464

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 Board of Directors do not recommend any dividend in respect of the current financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 36,468,744 new ordinary shares arising from the issuance of bonus shares on the basis of two bonus shares for every eight existing ordinary shares held.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES

Employees' share option scheme ("ESOS")

At the Extraordinary General Meeting held on 26 March 2018, the Company's shareholders approved the establishment of an ESOS.

On 17 August 2018, the option offered to eligible directors to subscribe for the new ordinary shares in the Company by acceptance with 30 days from date of offer. The options shall be exercisable from the date of acceptance of the options until the expiry of the ESOS on 16 August 2023 if there is no extension of ESOS. Subsequent to the financial year, all ESOS lapsed due to no acceptance make by eligible directors with 30 days of offer.

WARRANT

Warrant B

During the financial year, the Company had issued 91,171,801 detachable Warrant B which were listed on Bursa Malaysia Securities Berhad on 26 July 2018 in conjunction with the basis of five warrants for every eight existing ordinary shares held.

The warrants are constituted by a Deed Poll dated 10 April 2018 executed by the Company. Each warrant entitles the registered holder during the exercise period to subscribe for one new ordinary share at the exercise price of RM0.90 per share, subject to adjustment in accordance with the provisions of the Deed Poll.

The salient features of the warrants are as disclosed in Note 14(c) to the financial statements.

As at 31 August 2018, the total number of detachable Warrant B that remain unexercised were 91,171,801.

DIRECTORS

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

Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	
Teoh Han Chuan	
Piong Yew Peng	
Tan Kok Tiam	
Loh Yee Feei	
Chua Heok Wee	
Dato' Seri MR. Serm Juthamongkhon	
Neo Chee Kiat	
Chew Seng Guan	(appointed on 6 August 2018)
Lau Teck Poh	(resigned on 7 September 2017)

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

Heng Sew Hua	
Tan Soon Ping	
Heng Lih Jiun	
Lee Yew Chye	
Lim Boon Leong	
Ooi Chen Hoon	(appointed on 27 November 2017)
Tan Kean Aik	(appointed on 16 April 2018)
Teo Miow Loo	(resigned on 31 January 2018)

The information required to be disclosed pursuant to Section 253 of the Companies Act, 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares and warrant 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 1.9.2017	Bought	Sold	At 31.8.2018
Interests in the Company				
Direct Interests				
Tan Sri Dato' Seri Dr.Tan King Tai @ Tan Khoon Hai	13,817,620	3,579,405	–	17,397,025
Teoh Han Chuan	10,000,000	625,000	–	10,625,000
Chua Heok Wee	945,645	236,411	–	1,182,056
Dato' Seri MR. SermJuthamongkhon	7,261,300	1,815,325	–	9,076,625
Neo Chee Kiat	4,358,210	1,089,552	–	5,447,762
Chew Seng Guan ^	7,831,625	86,600	–	7,918,225
Indirect Interests				
Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai #	2 5,484,261	6 ,371,064	–	31,855,325
Teoh Han Chuan #	50,000	1,891,250	–	1,941,250
Chua Heok Wee *	2,162,500	540,625	–	2,703,125
Neo Chee Kiat #	10,000	2,500	–	12,500
Chew Seng Guan # ^	50,000	–	–	50,000

	Number of Warrant B				
	At 1.9.2017	Granted	Converted	Expired	At 31.8.2018
Interests in the Company					
Direct Interests					
Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	–	8,698,512	–	–	8,698,512
Teoh Han Chuan	–	5,312,500	–	–	5,312,500
Chua Heok Wee	–	591,028	–	–	591,028
Dato' Seri MR. Serm Juthamongkhon	–	4,538,312	–	–	4,538,312
Neo Chee Kiat	–	2,723,881	–	–	2,723,881
Chew Seng Guan ^	–	3,915,812	–	–	3,915,812
Indirect Interests					
Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai #	–	15,927,660	–	–	15,927,660
Teoh Han Chuan #	–	970,625	–	–	970,625
Chua Heok Wee *	–	1,351,562	–	–	1,351,562
Neo Chee Kiat #	–	6,250	–	–	6,250
Chew Seng Guan # ^	–	25,000	–	–	25,000

deemed interest by virtue of shares held by spouse/children.
* deemed interest by virtue of the shares held by MBL Realty Sdn. Bhd. in the Company.
^ at date of appointment.

By virtue of his interests in the shares of the Company, Tan Sri Dato' Seri Dr. 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' REPORT (CONT'D)

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 27 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 27 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

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM3,000,000 and RM4,700 respectively. No indemnity was given to or insurance effected for auditors of the Company.

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 there were no bad debts to be written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets 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 and of the Company which has arisen since the end of the financial year which secures the liabilities 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.

OTHER STATUTORY INFORMATION (CONT'D)

(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; 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 21 to the financial statements.

SIGNIFICANT EVENTS

Details of the significant events are disclosed in Note 31 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 7 December 2018.

TAN SRI DATO' SERI DR. 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 65 to 135 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 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 7 December 2018.

TAN SRI DATO' SERI DR. 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 DR. 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 65 to 135 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 7 December 2018)

TAN SRI DATO' SERI DR. 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 2018 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 65 to 135.

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 2018, 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 Responsibilities

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
1. Inventory Valuation	
The carrying amount of inventories of the Group as at 31 August 2018 is RM38,636,414. 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 of the inventories, as well as assessing which items may be slow-moving or obsolete. Due to significance of inventories and the corresponding uncertainty inherent in such an estimate, we considered this is a key audit matter. The Group incurred written down of inventories amounting to RM191,531 during the financial year.	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 cost used in the final inventory listing summary to the 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 analysed and reviewed the level of slow moving inventories and the associated provisions. We assessed the adequacy of the disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Key Audit Matters (Cont'd)

Key Audit Matters	How we addressed the key audit matters
2. Impairment of trade receivables As at 31 August 2018, the carrying value of Group's trade receivables amounting to RM34,734,615 which represents 39% of the Group's total current assets. The Group assesses at each reporting date whether there are objective evidence that an impairment loss for trade receivables has been incurred. If such evidence exists, an impairment test for trade receivables is required. The aforementioned impairment review gave rise to impairment loss of RM379,560 for the financial year ended 31 August 2018. The nature of the industry exposes the Group to credit risk. The assessment for impairment for trade receivables involves significant management judgement, taking into consideration the age of the trade debts, historical payment patterns, existence of disputes and other available information concerning the recoverability of the receivables. Accordingly, impairment of trade receivables has been identified as a key audit matter.	We obtained an understanding and evaluated the appropriateness of the Group's policy on management of credit risk and its credit exposures. We reviewed and evaluated the design, implementation and operating effectiveness of key controls over the administration and monitoring processes of credit control. We assessed the reasonableness of the methods and assumptions used by management in estimating the recoverable amount and impairment loss; and tested the accuracy and completeness of the data used by the management. We reviewed the adequacy of the amount of impairment loss and enquired the management regarding the recoverability of a sample of trade receivables that are pass due but not impaired accounts and review of customers' correspondence. We reviewed the appropriateness of disclosures made in accordance with MFRS 136 *Impairment of Assets*.

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Other Matters

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

TIO SHIN YOUNG
Approved Number: 03355/02/2020 J
Chartered Accountant

KUALA LUMPUR
7 December 2018

STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 AUGUST 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	96,081,500	93,774,688	–	–
Investment properties	5	3,260,000	3,218,000	–	–
Investment in subsidiary companies	6	–	–	69,465,013	69,465,013
		99,341,500	96,992,688	69,465,013	69,465,013
Current assets					
Inventories	7	38,636,414	36,239,950	–	–
Trade receivables	8	34,734,615	36,702,435	–	–
Other receivables	9	2,866,384	2,279,042	29,123	1,000
Amount due from subsidiary companies	10	–	–	1,008,425	101,760
Tax recoverable		1,530,330	1,546,271	38,951	38,951
Derivative financial assets	11	–	6,419	–	–
Deposits, bank and cash balances	12	10,230,832	13,595,438	2,655,940	3,912,179
		87,998,575	90,369,555	3,732,439	4,053,890
Total assets		187,340,075	187,362,243	73,197,452	73,518,903

STATEMENTS OF FINANCIAL POSITION (CONT'D)
As At 31 August 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
EQUITY					
Share capital	13	91,171,891	72,937,519	91,171,891	72,937,519
Reserves	14	7,628,124	26,900,616	(18,079,304)	379,532
Equity attributable to owners of the parent		98,800,015	99,838,135	73,092,587	73,317,051
Non-controlling interests		983,802	868,887	–	–
Total equity		99,783,817	100,707,022	73,092,587	73,317,051
LIABILITIES					
Non-current liabilities					
Loans and borrowings	15	13,864,367	14,305,606	–	–
Deferred tax liabilities	16	4,297,423	4,085,579	–	–
		18,161,790	18,391,185	–	–
Current liabilities					
Loans and borrowings	15	40,906,688	40,594,090	–	–
Trade payables	17	23,591,771	22,176,471	–	–
Other payables	18	4,855,484	5,493,475	104,865	201,852
Derivative financial liabilities	11	40,525	–	–	–
		69,394,468	68,264,036	104,865	201,852
Total liabilities		87,556,258	86,655,221	104,865	201,852
Total equity and liabilities		187,340,075	187,362,243	73,197,452	73,518,903

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 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Revenue	19	130,666,305	144,864,467	600,000	216,000
Cost of sales		(106,628,199)	(123,475,296)	–	–
Gross profit		24,038,106	21,389,171	600,000	216,000
Other income		2,041,366	13,672,694	106,050	15,617,548
Administrative expenses		(15,574,716)	(14,799,292)	(926,326)	(2,835,377)
Selling and distribution expenses		(6,458,678)	(7,022,529)	–	–
Other expenses		(213,291)	(728,081)	–	–
Profit/(Loss) from operations		3,832,787	12,511,963	(220,276)	12,998,171
Finance costs	20	(3,185,550)	(1,050,343)	–	–
Profit/(Loss) before tax	21	647,237	11,461,620	(220,276)	12,998,171
Taxation	22	(1,570,442)	(2,391,472)	(4,188)	(20,865)
(Loss)/Profit for thefinancial year		(923,205)	9,070,148	(224,464)	12,977,306
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of land and buildings		–	9,268,308	–	–
Total comprehensive (loss)/income for the financial year		(923,205)	18,338,456	(224,464)	12,977,306
(Loss)/Profit for the financial year attributable to:					
Owners of the parent		(1,038,120)	8,555,322	(224,464)	12,977,306
Non-controlling interests		114,915	514,826	–	–
		(923,205)	9,070,148	(224,464)	12,977,306
Total comprehensive (loss) /income attributable to:					
Owners of the parent		(1,038,120)	17,819,580	(224,464)	12,977,306
Non-controlling interests		114,915	518,876	–	–
		(923,205)	18,338,456	(224,464)	12,977,306
(Loss)/Earnings per share					
- Basic (loss)/earnings per share (sen)	24	(0.6)	4.7		
- Diluted (loss)/ earnings per share (sen)	24	(0.6)	4.7		

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

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

		Attributable to owners of the parent								
		Non-distributable								
Group	**Note**	**Share capital RM**	**Share premium RM**	**Other reserve RM**	**Warrant reserve RM**	**Revaluation reserve RM**	**Accumulated losses RM**	**Total RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 September 2017		72,937,519	18,305,398	–	–	9,429,771	(834,553)	99,838,135	868,887	100,707,022
Loss for the financial year, representing total comprehensive loss for the financial year		–	–	–	–	–	(1,038,120)	(1,038,120)	114,915	(923,205)
Realisation of revaluation surplus upon depreciation		–	–	–	–	(435,928)	435,928	–	–	–
Transactions with owners:										
Issuance of bonus shares	13	18,234,372	(18,234,372)	–	–	–	–	–	–	–
Issuance of warrants	14	–	–	(68,816,475)	68,816,475	–	–	–	–	–
At 31 August 2018		91,171,891	71,026	(68,816,475)	68,816,475	8,993,843	(1,436,745)	98,800,015	983,802	99,783,817

STATEMENTS OF CHANGES IN EQUITY (CONT'D)
For The Financial Year Ended 31 August 2018

Group	Note	Attributable to owners of the parent						
		Non-distributable						
		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 interests in subsidiary companies		–	–	–	–	–	826,171	826,171
Changes in ownership interest in a subsidiary		–	–	–	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 2018

Company	Note	Non-distributable Share capital RM	Non-distributable Share premium RM	Non-distributable Other reserve RM	Non-distributable Warrant reserve RM	Accumulated interests RM	Total equity RM
At 1 September 2017		72,937,519	18,305,398	–	–	(17,925,866)	73,317,051
Loss for the financial year, representing total comprehensive loss for the financial year		–	–	–	–	(224,464)	(224,464)
Transactions with owners:							
Issuance of bonus shares	13	18,234,372	(18,234,372)	–	–	–	–
Issuance of warrants	14	–	–	(68,816,475)	68,816,475	–	–
At 31 August 2018		91,171,891	71,026	(68,816,475)	68,816,475	(18,150,330)	73,092,587
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 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

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

STATEMENTS OF **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash flows from operating activities					
Profit/(Loss) before tax		647,237	11,461,620	(220,276)	12,998,171
Adjustments for:					
Bargain purchase of subsidiary company		–	(10,491,741)	–	–
Depreciation of property, plant and equipment		6,507,651	3,442,158	–	–
Dividend income		–	–	(600,000)	–
Fair value gain on investment properties		(42,000)	(30,000)	–	–
Fair value loss/(gain) on derivatives		46,944	(6,419)	–	–
Finance costs		3,185,550	1,050,343	–	–
Finance income		(263,581)	(318,466)	(106,050)	(203,940)
Gain on disposal of subsidiary company		–	(257,724)	–	(15,413,608)
Gain on disposal of property, plan and equipment		(1,271,331)	(307,364)	–	–
Impairment losses on:					
- Investment in subsidiary company		–	–	–	1,480,058
- Trade receivables		379,560	169,846	–	–
Inventories written down		191,531	21,185	–	–
Property, plan and equipment written off		–	1,174	–	–
Reversal of impairment losses on trade receivables		(10,000)	–	–	–
Unrealised loss on foreign exchange		75,126	303,797	–	–
Operating profit/(loss) before working capital changes		9,446,687	5,038,409	(926,326)	(1,139,319)
Change in working capital:					
Amount due from subsidiary companies		–	–	101,760	3,977,669
Inventories		(2,587,995)	(1,998,084)	–	–
Trade and other receivables		1,018,169	2,370,795	(28,123)	–
Trade and other payables		733,138	(2,006,048)	(96,987)	166,852
		(836,688)	(1,633,337)	(23,350)	4,144,521
Cash generated from/(used in) operations		8,609,999	3,405,072	(949,676)	3,005,202
Interest paid		(3,185,550)	(1,050,343)	–	–
Tax paid		(2,167,271)	(1,379,495)	(42,500)	(120,971)
Tax refund		824,614	176,741	38,312	–
Net cash from/(used in) operating activities		4,081,792	1,151,975	(953,864)	2,884,231

STATEMENTS OF CASH FLOWS (CONT'D)

For The Financial Year Ended 31 August 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash flows from investing activities					
Acquisition of property, plant and equipment	4(e)	(6,703,577)	(4,345,079)	–	–
Acquisition of subsidiary company	6(a)(ii)	–	(30,263,619)	–	(36,135,000)
Acquisition of interest of non-controlling interests	6(b)	–	(5,390,000)	–	(5,390,000)
Advances to subsidiary companies		–	–	(1,008,425)	–
Dividends received		–	–	600,000	–
Interest received		263,581	318,466	106,050	203,940
Withdrawal/(Placement) of pledged fixed deposit		401,995	(4,704,644)	–	–
Proceeds from disposal of property, plant and equipment		1,290,445	449,179	–	–
Proceeds from disposal of subsidiary company	6(c)	–	26,176,551	–	30,739,866
Net cash used in investing activities		(4,747,556)	(17,759,146)	(302,375)	(10,581,194)
Cash flows from financing activities					
Repayment of bankers acceptance	25	(816,195)	(742,213)	–	–
Drawdown of term loans		–	143,419	–	–
Repayment of finance lease liabilities	25	(885,698)	(1,116,989)	–	–
Repayment of term loans	25	(1,623,893)	(929,966)	–	–
Net cash used in financing activities		(3,325,786)	(2,645,749)	–	–
Net decrease in cash and cash equivalents		(3,991,550)	(19,252,920)	(1,256,239)	(7,696,963)
Effect of exchange translation differences on cash and cash equivalents		(38,206)	104,399	–	–
Cash and cash equivalents at the beginning 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		(808,641)	3,221,115	2,655,940	3,912,179
Cash and cash equivalents at the end of the financial year comprises:					
Deposits, bank and cash balances	12	10,230,832	13,595,438	2,655,940	3,912,179
Less: Bank overdrafts	15	(5,816,486)	(4,749,341)	–	–
		4,414,346	8,846,097	2,655,940	3,912,179
Less: Fixed deposits pledged with licensed banks		(5,222,987)	(5,624,982)	–	–
		(808,641)	3,221,115	2,655,940	3,912,179

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

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2018

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 ("MFRSs"), International Financial Reporting Standards and the requirements of the 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 amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 - 2016 Cycle	Amendments to MFRS 12

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities in Note 25. Other than that, the adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	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
Annual Improvements to MFRSs 2014 - 2016 Cycle:		
▪ Amendments to MFRS 1		1 January 2018
▪ Amendments to MFRS 128		1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 - 2017 Cycle:		
▪ Amendments to MFRS 3		1 January 2019
▪ Amendments to MFRS 11		1 January 2019
▪ Amendments to MFRS 112		1 January 2019
▪ Amendments to MFRS 123		1 January 2019

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

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: (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards:		
▪ Amendments to MFRS 2 *Share-Based Payment*		1 January 2020
▪ Amendment to MFRS 3 *Business Combinations*		1 January 2020
▪ Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*		1 January 2020
▪ Amendment to MFRS 14 *Regulatory Deferral Accounts*		1 January 2020
▪ Amendments to MFRS 101 *Presentation of Financial Statements*		1 January 2020
▪ Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*		1 January 2020
▪ Amendments to MFRS 134 *Interim Financial Reporting*		1 January 2020
▪ Amendment to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*		1 January 2020
▪ Amendment to MFRS 138 *Intangible Assets*		1 January 2020
▪ Amendment to IC Interpretation 12 *Service Concession Arrangements*		1 January 2020
▪ Amendment to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*		1 January 2020
▪ Amendment to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*		1 January 2020
▪ Amendment to IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*		1 January 2020
▪ Amendments to IC Interpretation 132 *Intangible Assets- Web Site Costs*		1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale 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.

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*.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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)

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

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.

Based on the analysis of the Group and the Company's financial assets and liabilities as at 31 August 2018 on the basis of facts and circumstances that existed at that date, the Directors of the Group and the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

(i) Classification and measurement

Based on its assessment, the Group and the Company believe that the new classification requirements will have no material impact on the Group's and the Company's financial assets and financial liabilities.

(ii) Impairment

The Group and the Company has chosen to apply the simplified approach prescribed by MFRS 9, which requires a lifetime expected credit loss to be recognised from initial recognition of the trade and other receivables, including financial assets. The Group and the Company believe that the new impairment model will not have any significant impact on the Group's and the Company's financial statements. However, the Company has yet to complete the quantification of the financial impact.

(iii) Hedge accounting

As the Company do not apply hedge accounting, applying the hedging requirements of MFRS 9 will not have a significant impact on the Company's financial statements.

The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in 2019 when the Group and the Company adopt MFRS 9.

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)

(ii) MFRS 15 *Revenue from Contracts with Customers* (effective for annual period beginning on or after on 1 January 2018)

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.

Revenue relating to sales of goods will be recognised when control of the products has transferred, being the point when products are delivered to the customer or sold from the customer's premise. As the transfer of risks and rewards generally coincides with the transfer of control at the point in time, the timing and amount of revenue recognised for the sale of good under MFRS 15 is unlikely to be materially different from its current practice.

Based on the preliminary assessment, the Group and the Company do not expect that the application of MFRS 15 will have significant impact on financial instruments upon initial application except for the determination of transaction price of revenue contracts whereby variable consideration is deducted from the contract value as well as extensive new disclosures in the financial statements for the year ending 31 August 2019.

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 MFRS 16 to published standard on the financial statements of the Group and of the Company are currently being assessed by the management.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(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 estimation uncertainty and critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

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:

Useful lives of property, plant and equipment

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.

Revaluation of investment properties

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 2018 for investment properties. For investment properties, a valuation methodology based on sales comparison approach was used.

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

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 16.

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)

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 7.

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 8, 9 and 10.

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 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 2018, the Group has tax recoverable of RM1,530,330 (2017: RM1,546,271) and the Company have tax recoverable of RM38,951 (2017: RM38,951).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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.

If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(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)(i) to the financial statements on impairment of non-financial assets.

(b) Foreign currency transaction 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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) to the financial statement.

(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.

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 land and buildings are 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 land and building 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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%

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

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.

(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 and building which in substance is a finance lease is classified as a property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (Cont'd)

(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 and building which in substance is an operating lease is classified as prepaid land lease payments.

As lessor

Leases in which the Group or the Company 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.

(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, including transaction costs. Subsequently, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are 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.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are valued by independent professionally qualified valuers, having appropriate recognised professional qualification and recent experience in the locations and segments of the investment properties valued. The management team reviewed and discussed the valuations, including valuation processes, performed by the independent valuers for financial reporting purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment properties (Cont'd)

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 non-current.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets (Cont'd)

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: (Cont'd)

(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.

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Contingent consideration in a business combination or financial liabilities designated into this category upon initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivatives financial instruments that are not designated as effective hedging instruments. Separated embedded derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognised in profit or loss.

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: (Cont'd)

(ii) 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.

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.

(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 comprise cost of purchase and other costs incurred in bringing it to their present location and condition are 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) are stated on a first-in-first-out basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets and investment properties 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.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investment 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

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 proceeds received,net of directly attributable incremental transaction costs. 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.

(m) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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.

(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.

(o) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) 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.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements 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.

(q) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) 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.

(s) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services are not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are recognised inclusive of GST

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

	At valuation				At cost				
Group	**Freehold land RM**	**Freehold buildings RM**	**Leasehold land RM**	**Leasehold buildings RM**	**Renovation and electrical installation RM**	**Plant, machinery and equipment RM**	**Motor vehicles RM**	**# Other assets RM**	**Total RM**
2018									
Cost/Valuation									
At 1 September 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
Additions	2,616,067	–	–	57,970	200,928	5,095,500	228,342	634,770	8,833,577
Disposal	–	–	–	–	–	(2,175,650)	(369,886)	–	(2,545,536)
At 31 August 2018	10,194,067	3,152,000	22,550,000	35,481,621	2,497,732	53,999,433	6,707,750	7,367,982	141,950,585
Accumulated depreciation									
At 1 September 2017	–	8,666	11,794	40,833	1,316,837	31,716,355	4,564,197	4,229,174	41,887,856
Charge for thefinancial year	–	59,400	409,929	712,555	417,258	3,790,984	782,671	334,854	6,507,651
Disposal	–	–	–	–	–	(2,175,650)	(350,772)	–	(2,526,422)
At 31 August 2018	–	68,066	421,723	753,388	1,734,095	33,331,689	4,996,096	4,564,028	45,869,085
Carrying amount									
At 31 August 2018	10,194,067	3,083,934	22,128,277	34,728,233	763,637	20,667,744	1,711,654	2,803,954	96,081,500

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	At valuation				At cost					
Group	**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**
2017										
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	At valuation				At cost					
	Freehold land	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
2017										
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	–	–	4 39,815	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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	Company	
	2018	**2017**
	RM	**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 15 are:

	Group	
	2018	**2017**
	RM	**RM**
Freehold buildings	3,083,934	3,143,334
Freehold land	10,194,067	7,578,000
Leasehold buildings	34,728,233	35,382,818
Leasehold land	22,128,277	22,538,206
	70,134,511	68,642,358

(b) Assets held under finance leases

At 31 August 2018, the net carrying amount of leased plant and equipment of the Group held under finance lease are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Motor vehicles	1,388,713	1,816,208
Plant and machinery	1,462,193	1,682,068
	2,850,906	3,498,276

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 15.

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 cost approach that reflects the cost to a similar lands that were sold recently and those that are currently offered for sale in the vicinity with appropriate adjustments made to reflect the dissimilarities and to arrive at the value of subject land as an improved site.

The fair value of buildings is within level 3 of the fair value hierarchy. The fair value was determined using the market comparison approach that reflects recent transaction price or listed for sale within the same location or other comparable localities.

There has been no change to the valuation technique during the financial year.

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	
	2018 RM	**2017 RM**
Freehold land and buildings	11,258,452	8,712,832
Leasehold land	10,226,237	10,370,869
Leasehold buildings	24,751,844	25,053,229
	46,236,533	44,136,930

(d) Leasehold land and buildings

The remaining lease term of the leasehold land and buildings is 50 years to 76 years. (2017: 51 years to 77 years)

(e) Purchase of property, plant and equipment

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

	Group	
	2018 RM	**2017 RM**
Aggregate costs	8,833,577	4,893,079
Less: Finance lease financing	(180,000)	(548,000)
Less: Term loan financing	(1,950,000)	–
Cash payment	6,703,577	4,345,079

(f) The strata title of a leasehold land with carrying amount RM2,850,000 (2017: RM2,900,000) acquired in previous financial year has yet to be issued by relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. INVESTMENT PROPERTIES

	Group 2018 RM	Group 2017 RM
At 1 September	3,218,000	4,938,000
Change in fair value recognised in profit or loss	42,000	30,000
Disposal of subsidiary company	–	(1,750,000)
At 31 August	3,260,000	3,218,000
Included in the above are:		
At fair value		
Freehold land	1,970,000	1,930,000
Buildings	1,290,000	1,288,000
	3,260,000	3,218,000

(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 2 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 RM3,260,000 (2017: RM3,218,000). 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 RM42,000 (2017: RM30,000) 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 2018 RM	Group 2017 RM
Rental income	136,150	139,600
Direct operating expenses:		
- Income generating investment properties	(5,702)	(5,702)
- Non-income generating investment properties	(2,181)	(2,181)

(d) Investment properties pledged as securities to financial institutions

Investment property of the Group amounting to RM1,800,000 (2017: RM1,800,000) has been pledged to secure banking facilities granted to the Group as disclosed in Note 15.

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2018 RM	Company 2017 RM
In Malaysia		
Unquoted shares, at cost	91,855,847	91,855,847
Less: Accumulated impairment losses	(22,390,834)	(22,390,834)
	69,465,013	69,465,013

Movements in the allowance for impairment losses of subsidiary companies are as follows:

	Company 2018 RM	Company 2017 RM
At the beginning of the year		
Add: impairment losses recognised	22,390,834	20,910,776
At the end of the year	–	1,480,058
	22,390,834	22,390,834

The Company conducted a review of the recoverable amounts of its investments in certain subsidiary companies of which its carrying amount of investments exceeded net assets of the respective subsidiary companies at the reporting date.

Details of the subsidiary companies are as follows:

Name of Company	Country of incorporation	Effective interest (%) 2018	Effective interest (%) 2017	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 and manufactures of furniture and furniture parts
Poh Keong Industries Sdn. Bhd.	Malaysia	100.00	100.00	Furniture and parts manufacturing
Ee-Lian Industries Sdn. Bhd. (Formerly known as 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	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	77.50	Manufacturer and trader of plastic wares, utensils and goods

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Acquisition of subsidiary company

In previous financial year, 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. (collectively known as "ELE Group") 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 2017 RM
Property, plant and equipment	59,348,903
Inventories	2,863,599
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)

Contingent consideration asset

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 Dr. 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 for the financial year ended 31 December 2017 falls below RM4,000,000 ("Guaranteed Amount"). If the PAT amount fall below Guaranteed Amount for the financial year ended 31 December 2017, the vendor shall compensate the Company shortfall or deficiency for the financial year ended 31 December 2017.

Based on the results of ELE Group for the financial year ended 31 December 2017, the Guaranteed Amount has been fulfilled.

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

	ELE and ELP 2017 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 2017 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 RM Nil (2017: RM566,734) related to external legal fees and due diligence costs. The expenses have been included in administrative 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 companies have contributed RM11,707,550 and RM486,832 to the Group's revenue and profit for the previous financial year respectively. If the combination had taken place at the beginning of previous financial year, the Group's revenue and profit for previous financial year from its continuing operations would have been RM51,377,639 and RM1,494,399 respectively.

There was no acquisition during the financial year.

(b) Acquisition of non-controlling interests

In previous financial year, 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 noncontrolling interests of RM6,527,420 and a increase in retained profits of RM1,137,420.

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

	PK 2017 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 during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) Disposal of subsidiary company

In previous financial year, 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. The Group and the Company have reported a gain of RM257,724 and RM15,413,608 respectively.

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

	SWS 2017 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 during the 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. INVENTORIES

	Group	
	2018 RM	2017 RM
Raw materials	16,456,850	15,027,976
Work-in-progress	7,298,970	7,630,543
Finished goods	14,759,079	13,461,319
Good-in-transit	121,515	120,112
	38,636,414	36,239,950
Recognised in profit or loss:		
Inventories recognised as cost of sales	106,628,199	123,475,296
Inventories written down	191,531	21,185

8. TRADE RECEIVABLES

	Group	
	2018 RM	2017 RM
Trade receivables	32,479,174	33,642,023
Companies in which certain Directors have substantial financial interest	2,794,847	3,230,258
	35,274,021	36,872,281
Less: Accumulated impairment losses	(539,406)	(169,846)
	34,734,615	36,702,435

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2017: 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 (2017: 30 to 120 days).

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

	Group	
	2018 RM	2017 RM
At 1 September	169,846	–
Impairment losses recognised	379,560	169,846
Impairment losses reversed	(10,000)	–
At 31 August	539,406	169,846

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. TRADE RECEIVABLES (CONT'D)

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

	Group	
	2018 RM	2017 RM
Neither past due nor impaired	17,735,007	15,583,770
Past due not impaired:		
Less than 30 days	7,441,020	8,888,135
31 to 60 days	3,678,151	3,353,966
More than 61 days	5,880,437	8,876,564
Total past due but not impaired	16,999,608	21,118,665
	34,734,615	36,702,435
Impaired	539,406	169,846
	35,274,021	36,872,281

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

As at 31 August 2018, trade receivables of RM16,999,608 (2017: RM21,118,665) 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 RM539,406 (2017: RM169,846), 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.

9. OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	971,664	832,484	29,123	1,000
Deposits	289,480	314,498	–	–
Prepayments	1,605,240	1,132,060	–	–
	2,866,384	2,279,042	29,123	1,000

10. AMOUNT DUE FROM SUBSIDIARY COMPANIES

		Company	
	Note	**2018 RM**	**2017 RM**
Amount due from subsidiary companies			
Trade	a	–	101,760
Non-trade	b	1,008,425	–
		1,008,425	101,760

(a) Amount due from subsidiary companies are unsecured, interest free and repayable on demand.
(b) Amount due from subsidiary companies are unsecured, which bear interest at 4.96% (2017: Nil) per annum and repayable on demand.

11. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2018		2017	
	Contract/ Notional amount USD	**Financial liabilities RM**	**Contract/ Notional amount USD**	**Financial assets RM**
Group				
Non-hedging derivative				
Current				
- Forward exchange contracts	500,000	(40,525)	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 loss of RM46,944 (2017: gain of RM6,419) arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

12. DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Cash and bank balances	4,462,715	7,559,854	2,655,940	3,912,179
Fixed deposits with licensed banks	5,768,117	6,035,584	–	–
	10,230,832	13,595,438	2,655,940	3,912,179

Fixed deposits with licensed banks of the Group amounting to RM5,222,987 (2017: RM5,624,982) are pledged as security for bank borrowings as disclosed in Note 15.

The effective interest rates and maturities of fixed deposits of the Group as at the end of the reporting period range from 3.00% to 3.80% (2017: 2.95% to 3.50%) per annum and 30 days to 12 months (2017: 30 days to 12 months) respectively.

13. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2018 Units	2017 Units	2018 RM	2017 RM
Ordinary shares issued and fully paid:				
At 1 September	145,875,038	145,875,038	72,937,519	72,937,519
Issuance of bonus shares	36,468,744	–	18,234,372	–
At 31 August	182,343,782	145,875,038	91,171,891	72,937,519

During the financial year, the issued and paid-up ordinary share capital was increased from 145,875,038 to 182,343,782 by the issuance of 36,468,744 new ordinary shares pursuant to the issuance of bonus shares on the basis of two bonus share for every eight existing ordinary shares held.

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.

14. RESERVES

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Non-distributable					
Share premium	a	71,026	18,305,398	71,026	18,305,398
Revaluation reserve	b	8,993,843	9,429,771	–	–
Warrant reserve	c	68,816,475	–	68,816,475	–
Other reserve	c	(68,816,475)	–	(68,816,475)	–
Accumulated losses		(1,436,745)	(834,553)	(18,150,330)	(17,925,866)
		7,628,124	26,900,616	(18,079,304)	379,532

The nature of reserves of the Group and the Company is as follows:

(a) Share premium

	Group and Company	
	2018 RM	2017 RM
At 1 September	18,305,398	18,305,398
Issuance of bonus shares	(18,234,372)	–
At 31 August	71,026	18,305,398

14. RESERVES (CONT'D)

The nature of reserves of the Group and the Company is as follows: (Cont'd)

(a) Share premium (Cont'd)

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

Section 618(2) of the Companies Act, 2016 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 (31 January 2017 to 30 January 2019) upon commencement of Section 74.

(b) 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.

(c) Warrants reserve/Other reserve

Warrants reserve represent reserve allocated to free detachable warrants issued with right issue.

<u>Warrant B</u>

The Company issued 91,171,801 warrants which were listed on the Bursa Malaysia Securities Berhad on 26 July 2018 in conjunction with the bonus issue on the basis of five free warrants for every eight existing ordinary shares held.

The warrants is constituted by a Deed Poll dated 10 April 2018 executed by the Company.

The salient features of the warrants is as follows:

(i) Each warrant entitles the registered holder during the exercise period to subscribe for one new ordinary share at the exercise price of RM0.90 per share, subject to adjustment in accordance with the provision of the Deed Poll.

(ii) The warrants may be exercised at any time on or before the expiry date of five years from the issue date of the warrants on 20 July 2018. The warrants not exercised during the exercise period will thereafter become lapse and void.

(iii) All the new ordinary shares in the Company to be issued upon the exercise of the warrants shall, on allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company excepts that they shall not be entitled to any dividends, that may be declared prior to the date of allotment and issue of the new shares, nor shall they be entitled to any distributions or entitlements for which the record date is prior to the date of exercise of the warrants.

As at 31 August 2018, the total number of warrants that remain unexercised were 91,171,801 (2017: Nil). The closing market price of warrant for the financial year was at RM0.125 each.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. LOANS AND BORROWINGS

	Note	Group 2018 RM	Group 2017 RM
Secured			
Term loans	a	15,155,083	14,828,976
Bank overdrafts	a	5,816,486	4,749,341
Bankers acceptance	a	32,123,487	32,939,682
Finance lease liabilities	b	1,675,999	2,381,697
		54,771,055	54,899,696
Non-current			
Term loans		12,994,663	12,918,160
Finance lease liabilities		869,704	1,387,446
		13,864,367	14,305,606
Current			
Term loans		2,160,420	1,910,816
Bank overdrafts		5,816,486	4,749,341
Bankers acceptance		32,123,487	32,939,682
Finance lease liabilities		806,295	994,251
		40,906,688	40,594,090
		54,771,055	54,899,696

(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 12;

(iii) Facilities agreement;

(iv) Corporate guarantee by the Company; and

(v) Guarantee by the certain Directors of the subsidiary companies.

15. LOANS AND BORROWINGS (CONT'D)

(b) Finance lease liabilities

	Group	
	2018	**2017**
	RM	**RM**
Minimum lease payments:		
Within one year	882,109	1,108,059
Later than one year and not later than two years	685,904	745,420
Later than two years and not later than five years	231,274	743,356
	1,799,287	2,596,835
Less: Future finance charges	(123,288)	(215,138)
Present value of minimum lease payments	1,675,999	2,381,697
Present value of minimun lease payments:		
Within one year	806,295	994,251
Later than one year and not later than two years	644,552	682,830
Later than two years and not later than five years	225,152	704,616
	1,675,999	2,381,697

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.

The average effective interest rates per annum are as follows:

	Group	
	2018	**2017**
	%	**%**
Term loans	4.77 to 7.15	4.52 to 7.15
Bank overdrafts	7.60 to 8.70	6.60 to 7.97
Bankers acceptance	3.51 to 5.62	2.49 to 5.32
Finance lease liabilities	2.47 to 7.16	4.48 to 7.16

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. DEFERRED TAX LIABILITIES

	Group	
	2018 RM	2017 RM
At 1 September	4,085,579	(1,202,637)
Recognised in profit or loss (Note 22)	118,696	747,611
Acquired in business combination	–	2,926,357
Disposal of subsidiary company	–	(109,226)
Relating to crystallisation of deferred tax liability on revaluation reserve	(20,697)	(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
Under provision in prior years	113,845	1,225,334
At 31 August	4,297,423	4,085,579

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

	Group	
	2018 RM	2017 RM
Deferred tax assets	(475,186)	(291,024)
Deferred tax liabilities	4,772,609	4,376,603
	4,297,423	4,085,579

16. DEFERRED TAX LIABILITIES (CONT'D)

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 2017	–	(291,024)	–	(291,024)
Recognised in profit or loss (Note 22)	(2,000)	(195,461)	–	(197,461)
Over provision in prior years	–	13,299	–	13,299
At 31 August 2018	(2,000)	(473,186)	–	(475,186)
At 1 September 2016	(129,159)	(2,919,704)	(94,561)	(3,143,424)
Recognised in profit or loss (Note 22)	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)

	Others RM	Accelerated capital allowances RM	Revaluation of assets RM	Total RM
Group				
Deferred tax liabilities				
At 1 September 2017	(74,232)	3,285,338	1,165,497	4,376,603
Recognised in profit or loss (Note 22)	28,915	287,242	–	316,157
Relating to crystallisation of deferred tax liability on revaluation reserve	–	–	(20,697)	(20,697)
Under provision in prior years	–	100,546	–	100,546
At 31 August 2018	(45,317)	3,673,126	1,144,800	4,772,609

16. DEFERRED TAX LIABILITIES (CONT'D)

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

	Others RM	Accelerated capital allowances RM	Revaluation of assets RM	Total RM
Group				
Deferred tax liabilities (Cont'd)				
At 1 September 2016	109,226	1,831,561	–	1,940,787
Recognised in profit or loss (Note 22)	(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

The amounts of temporary differences for which no deferred tax assets have been recognised are as follow:

	Group 2018 RM	Group 2017 RM
Unutilised tax losses	17,277,897	16,565,494
Unutilised capital allowances	1,401,963	914,408
Unutilised reinvestment allowances	2,620,419	2,348,238
	21,300,279	19,828,140

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.

17. TRADE PAYABLES

	Group 2018 RM	Group 2017 RM
Trade payables	23,287,779	21,959,383
Companies in which certain Directors have substantial financial interest	303,992	217,088
	23,591,771	22,176,471

17. TRADE PAYABLES (CONT'D)

Credit terms of trade payables of the Group ranged from 30 to 90 days (2017: 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 90 days (2017: 30 to 120 days).

18. OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Amount due to Directors	43,725	864,497	–	–
Other payables	2,252,995	2,281,378	24,865	4,852
Deposit received	880,881	596,570	–	–
Accrued	1,677,883	1,751,030	80,000	197,000
	4,855,484	5,493,475	104,865	201,852

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

19. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sale of goods	130,666,305	144,864,467	–	–
Management fees	–	–	–	216,000
Dividend income	–	–	600,000	–
	130,666,305	144,864,467	600,000	216,000

20. FINANCE COSTS

	Group	
	2018 RM	2017 RM
Interest expenses on:		
- Bank overdrafts	543,885	112,147
- Bankers acceptance	1,529,369	324,532
- Term loans	990,954	464,529
- Finance lease liabilities	121,342	149,135
	3,185,550	1,050,343

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration				
- statutory audits	146,000	132,050	30,000	30,000
- special audits	18,000	–	–	–
- non-audit services	5,000	5,000	5,000	5,000
Bargain purchase of subsidiary company	–	(10,491,741)	–	–
Compensation received	–	(80,000)	–	–
Depreciation of property, plant and equipment	6,507,651	3,442,158	–	–
Fair value gain on investment properties	(42,000)	(30,000)	–	–
Fair value loss/(gain) on derivatives	46,944	(6,419)	–	–
Foreign exchange loss/(gain)				
- realised	30,587	(1,532,711)	–	–
- unrealised	75,126	303,797	–	–
Gain on disposal of				
- property, plant and equipment	(1,271,331)	(307,364)	–	–
- subsidiary company	–	(257,724)	–	(15,413,608)
Impairment losses ontrade receivables	379,560	169,846	–	–
Impairment losses on investment in subsidiary company	–	–	–	1,480,058
Interest income				
- Fixed deposit with licensed financial institution	(93,919)	(25,786)	–	–
- Interest received from banks	(169,662)	(292,680)	(69,903)	(203,940)
- Interest received from subsidiary company	–	–	(36,147)	–
Inventories written down	191,531	21,185	–	–
Property, plant and equipment written off	–	1,174	–	–
Reversal of impairment losses on trade receivables	(10,000)	–	–	–
Rental income	(190,150)	(156,400)	–	–
Rental expenses	81,665	51,847	–	–

22. TAXATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Tax expenses recognised in profit or loss				
Current tax	1,225,000	331,893	–	–
Under provision in prior years	133,598	89,933	4,188	20,865
	1,358,598	421,826	4,188	20,865

22. TAXATION (CONT'D)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax				
Origination and reversal of temporary differences (Note 16)	118,696	747,611	–	–
Relating to crystallisation of deferred tax liability on revaluation reserve	(20,697)	(3,299)	–	–
Under provision of deferred tax liabilities in prior years	113,845	1,225,334	–	–
	211,844	1,969,646	–	–
	1,570,442	2,391,472	4,188	20,865

Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profits for the financial year.

A reconciliation of income tax expenses applicable to profit/(loss) 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(Loss) before tax	647,237	11,461,620	(220,276)	12,998,171
At Malaysian statutory tax rate of 24%	155,337	2,750,789	(52,866)	3,119,561
Income not subject to tax	(67,639)	(2,587,592)	(144,000)	(3,699,266)
Expenses not deductible for tax purposes	1,067,901	877,292	196,866	579,705
Tax incentives	(165,215)	(59,220)	–	–
Deferred tax assets not recognised	353,312	98,235	–	–
Relating to crystallisation of deferred tax liability on revaluation reserve	(20,697)	(3,299)	–	–
	1,322,999	1,076,205	–	–
Under provision of tax expenses in prior years	133,598	89,933	4,188	20,865
Under provision of deferred tax in prior years	113,845	1,225,334	–	–
	1,570,442	2,391,472	4,188	20,865

The Group has estimated unutilised tax losses, unutilised capital allowances and unutilised reinvestment allowances of RM18,594,445 (2017: RM17,722,682), RM2,057,025 (2017: RM914,408) and RM2,620,419 (2017: RM2,348,238) respectively available for carried forward to set-off against future taxable profit. The said amounts are subject to approval by the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. STAFF COSTS

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Salaries, wages and other emoluments	20,532,274	22,270,234	317,000	270,000
Social contributions plan	130,144	109,876	–	–
Defined contribution plans	1,486,270	1,624,805	–	–
Other benefits	257,107	162,986	–	–
Estimated money value of benefit-in-kind	150,036	107,179	20,900	43,844
	22,555,831	24,275,080	337,900	313,844

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as disclosed in Note 27 to the financial statements.

24. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share are calculated based on the consolidated loss/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 (loss)/earnings per share are calculated based on the adjusted consolidated (loss)/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 (loss)/earnings per share during the year as follows:

	Group	
	2018 RM	**2017 RM**
(Loss)/Profit attributable to owners of the parent (RM)	(1,038,120)	8,555,322
Weighted average number of ordinary shares in issue	182,343,782	145,875,038
Effect of bonus issue	–	36,468,744
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	182,343,782	182,343,782
Basic (loss)/earnings per share (sen)	(0.6)	4.7
Diluted (loss)/earnings per share (sen)	(0.6)	4.7

There are no effects on the diluted (loss)/earnings per share as warrants have a dilutive effect only when the average market price of ordinary share during the financial year exceeds the exercise price of the warrants.

The closing market price of Warrant B for the financial year was of RM0.125 each and is below the exercise price of RM0.90 per warrant.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes:

	At 1 September 2017 RM	Repayment RM	Non-Cash changes New finance lease (Note 4(e)) RM	At 31 August 2018 RM
Group				
Bankers acceptance (Note 15)	32,939,682	(816,195)	–	32,123,487
Term Loans (Note 15)	14,828,976	(1,623,893)	1,950,000	15,155,083
Finance lease liabilities (Note 15)	2,381,697	(885,698)	180,000	1,675,999
	50,150,355	(3,325,786)	2,130,000	48,954,569

26. COMMITMENTS

	Group 2018 RM	Group 2017 RM
Capital expenditure		
Authorised and contracted for:		
Property, plant and equipment	–	2,211,300

Operating lease commitments - as lessee

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

	Group 2018 RM	Group 2017 RM
Within one year	92,000	91,200
Later than one year but not later than two years	61,100	12,900
	153,100	104,100

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.

27. 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.

(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 8,10 and 17 the significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(i) Transactions with subsidiary companies:				
- Management fee received	–	–	–	216,000
- Dividend income received	–	–	600,000	–
- Interest income	–	–	36,147	–
(ii) Transactions with companies which Directors of the Company have substantial financial interest:				
- Sales of goods	13,250,621	2,244,525	–	–
- Purchase of goods	1,364,147	190,159	–	–
- Rental income	54,000	4,000	–	–
- Rental expenses	32,000	–	–	–
(iii) Transactions with companies in which certain past Directors of the Company have substantial financial interest:				
- Purchase of goods	–	130,432	–	–
- Foreign workers' expenses paid/payable	–	49,110	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive Directors				
Existing Directors of the Company				
Salaries and other emoluments	1,429,480	1,799,381	–	–
Social contributions plan	3,555	2,636	–	–
Defined contribution plans	183,045	154,310	–	–
Other benefits	14,003	7,772	–	–
Estimated money value of benefits-in-kind	35,000	57,066	–	6,661
	1,665,083	2,021,165	–	6,661
Existing Directors of the Subsidiary Companies				
Fees	–	80,450	–	–
Salaries and other emoluments	1,724,897	1,091,127	–	–
Social contributions plan	6,519	4,247	–	–
Defined contribution plans	287,908	149,177	–	–
Other benefits	121,312	52,784	–	–
Estimated money value of benefits-in-kind	94,136	63,590	–	–
	2,234,772	1,441,375	–	–
Past Director of the Subsidiary Companies *				
Salaries and other emoluments	36,216	270,663	–	–
Social contribution plans	291	2,149	–	–
Defined contribution plans	4,725	31,731	–	–
Other benefits	1,500	9,500	–	–
Estimated money value of benefits-in-kind	–	11,100	–	–
	42,732	325,143	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-executive Directors				
Directors of the Company				
Fees	287,000	270,000	287,000	270,000
Estimated money value of benefits-in-kind	20,900	37,183	20,900	37,183
	307,900	307,183	307,900	307,183
Past Director of the Company *				
Fees	30,000	–	30,000	–
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	4,280,487	4,296,199	337,900	313,844

* This represents the remuneration paid to Directors during the financial year until their resignation.

28. 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 wooden furniture products.
Manufacturing of plastic wares	Manufacturer and trader of plastic wares, utensil and goods.

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.

28. SEGMENT INFORMATION (CONT'D)

(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	Adjustment and eliminations RM	Consolidated RM
Group					
2018					
Revenue					
External revenue	–	52,286,788	78,379,517	–	130,666,305
Dividend income	600,000	–	–	(600,000)	–
Inter-segment revenue	–	3,299,217	37,520,479	(40,819,696)	–
Total revenue	600,000	55,586,005	115,899,996	(41,419,696)	130,666,305
Results					
Interest income	106,050	183,410	155,045	(180,924)	263,581
Finance costs	–	(732,047)	(2,634,427)	180,924	(3,185,550)
Depreciation of property, plant and equipment	–	(1,603,077)	(4,658,687)	(245,887)	(6,507,651)
Fair value gains on investment properties	–	62,000	1,000,000	(1,020,000)	42,000
Taxation	(4,188)	(130,901)	(1,382,622)	(52,731)	(1,570,442)
Other non-cash items	-	(466,861)	840,709	(15,000)	358,848
Segment (loss)/profit	(224,464)	(2,209,409)	3,345,428	(1,834,760)	(923,205)
Segment assets	73,197,452	78,585,467	129,334,016	(93,776,860)	187,340,075
Segment liabilities	104,865	27,392,511	75,227,508	(15,168,626)	87,556,258

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. 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	Manufacturing of plastic wares RM	Adjustment 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/(loss)	12,977,306	(971,578)	486,832	(3,422,412)	9,070,148
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

28. 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	
	2018 RM	2017 RM
Bargain purchase of subsidiary company	–	(10,491,741)
Inventories written down	420,853	21,185
Fair value loss/(gain) on derivative	46,944	(6,419)
Gain on disposal of subsidiary company	–	(257,724)
Gain on disposal of property, plant and equipment	(1,271,331)	(307,364)
Impairment losses on trade receivables	379,560	169,846
Property, plant and equipment written off	–	1,174
Reversal of impairment losses on receivables	(10,000)	–
Unrealised loss on foreign exchange	75,126	303,797
	(358,848)	(10,567,246)

(b) Geographical segments

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

	Revenue		Non-current assets	
Group	2018 RM	2017 RM	2018 RM	2017 RM
Asia Pacific	15,837,581	46,484,836	–	–
Australia	579,789	17,371,026	–	–
Europe	14,977,089	32,014,151	–	–
Malaysia	94,337,353	41,838,166	99,341,500	96,992,688
Middle East	1,254,325	1,220,839	–	–
Others	3,680,168	5,935,449	–	–
	130,666,305	144,864,467	99,341,500	96,992,688

Non-current assets for this purpose consist of property, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. 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 liability at fair value through profit or loss RM	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
2018				
Financial assets				
Trade receivables	–	34,734,615	–	34,734,615
Other receivables, net of prepayments	–	1,261,144	–	1,261,144
Deposits, bank and cash balances	–	10,230,832	–	10,230,832
	–	46,226,591	–	46,226,591
Financial liabilities				
Trade payables	–	–	23,591,771	23,591,771
Other payables	–	–	4,855,484	4,855,484
Derivative financial liabilities	40,525	–	–	40,525
Loans and borrowings	–	–	54,771,055	54,771,055
	40,525	–	83,218,310	83,258,835
2017				
Financial assets				
Trade receivables	–	36,702,435	–	36,702,435
Other receivables, net of prepayments	–	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

29. 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
2018			
Financial assets			
Other receivables	29,123	–	29,123
Amounts due from subsidiary companies	1,008,425	–	1,008,425
Cash and bank balances	2,655,940	–	2,655,940
	3,693,488	–	3,693,488
Financial liability			
Other payables	–	104,865	104,865
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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Credit risk (Cont'd)

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 RM14,720,132 (2017: RM11,587,328), 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 below.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. 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
2018						
Non-derivative financial liabilities						
Trade payables	23,591,771	–	–	–	23,591,771	23,591,771
Other payables	4,855,484	–	–	–	4,855,484	4,855,484
Loans and borrowings	41,925,040	3,788,862	8,725,769	4,024,191	58,463,862	54,771,055
Financial guarantee liabilities*	270,000	–	–	–	270,000	–
	70,642,295	3,788,862	8,725,769	4,024,191	87,181,117	83,218,310
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
Loans and borrowings	41,640,120	3,588,458	8,796,796	4,855,723	58,881,097	54,899,696
Financial guarantee liabilities*	260,000	–	–	–	260,000	–
	69,570,066	3,588,458	8,796,796	4,855,723	86,811,043	82,569,642

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. 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			
2018			
Non-derivative financial liabilities			
Other payables	104,865	104,865	104,865
Financial guarantee liabilities*	14,720,132	14,720,132	–
	14,824,997	14,824,997	104,865
2017			
Non-derivative financial liabilities			
Other payables	201,852	201,852	201,852
Financial guarantee liabilities*	11,587,328	11,587,328	–
	11,789,180	11,789,180	201,852

* Based on the maximum amount that can be called for under the financial guarantee contract.

The Company provides unsecured financial guarantee to banks in respect of credit facilities granted to a subsidiary companies and monitors on an ongoing basis the performance of the subsidiary companies. At end of the financial year, there was no indication that the subsidiary companies would default on repayment.

The maximum amount of the financial guarantees issued to the banks for subsidiary companies borrowings is limited to the amount utilised by the subsidiary companies, amounting to RM14,720,132 as at 31 August 2018 (2017: RM11,587,328). The earliest period any of the financial guarantees can be called upon by the financial institutions is within the next 12 months. At end of the financial year, there was no indication that the subsidiary and related companies would default on repayment.

Financial guarantee 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.

29. FINANCIAL INSTRUMENTS (CONT'D)

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

(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.

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

		Denominated in	
	USD	**Others**	**Total**
Group	**RM**	**RM**	**RM**
2018			
Trade receivables	4,169,210	39,901	4,209,111
Other receivables	42,148	–	42,148
Deposits, bank and cash balances	545,390	20,687	566,077
Trade payables	(303,516)	–	(303,516)
Other payables	(316,298)	–	(316,298)
	4,136,934	60,588	4,197,522
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

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	2018 Effect on profit before tax RM	2017 Effect on profit before tax RM
USD	Strengthened 5%(2017: 5%)	206,847	283,220
	Weakened 5% (2017: 5%)	(206,847)	(283,220)
Others	Strengthened 5% (2017: 5%)	3,029	1,358
	Weakened 5% (2017: 5%)	(3,029)	(1,358)

(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.

29. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

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:

	2018 RM	2017 RM
Group		
Fixed rate instruments		
Financial asset		
Fixed deposit with licensed banks	5,768,117	6,035,584
Financial liabilities		
Finance lease liabilities	(1,675,999)	(2,381,697)
	4,092,118	3,653,887
Floating rate instrument		
Financial liabilities		
Term loans	(15,155,083)	(14,828,976)
Bank overdrafts	(5,816,486)	(4,749,341)
Bankers acceptance	(32,123,487)	(32,939,682)
	(53,095,056)	(52,517,999)
Company		
Fixed rate instruments		
Financial asset		
Amount due from subsidiary company	1,008,425	–

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis (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 increased/(decreased) the Group's profit before tax by RM530,951 (2017: RM525,180) and, 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.

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.

29. 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
Group										
2018										
Financial liabilities										
Derivative financial liabilities	–	(40,525)	–	(40,525)	–	–	–	–	(40,525)	(40,525)
Term loans	–	–		–	–	(14,781,919)	–	(14,781,919)	(14,781,919)	(15,155,083)
Finance lease liabilities	–	–	–	–		(1,652,280)	–	(1,652,280)	(1,652,280)	(1,675,999)
	–	(40,525)	–	(40,525)	–	(16,434,199)	–	(16,434,199)	(16,474,724)	(16,871,607)
2017										
Financial asset										
Derivative financial assets	–	6,419	–	6,419	–	–	–	–	6,419	6,419
Financial liabilities										
Term loans	–	–	–	–	–	(14,383,507)	–	(14,383,507)	(14,383,507)	(14,828,976)
Finance lease liabilities	–	–	–	–	–	(2,351,802)	–	(2,351,802)	(2,351,802)	(2,381,697)
	–	–	–	–	–	(16,735,309)	–	(16,735,309)	(16,735,309)	(17,210,673)

29. FINANCIAL INSTRUMENTS (CONT'D)

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

(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).

Derivatives

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).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iii) Level 3 fair value

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

30. 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.

30. CAPITAL MANAGEMENT (CONT'D)

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:

	2018 RM	2017 RM
Total loans and borrowings (Note 15)	54,771,055	54,899,696
Less: Deposits, bank and cash balances (Note 12)	(10,230,832)	(13,595,438)
Net debts	44,540,223	41,304,258
Total equity	98,800,015	99,838,135
Gearing ratio (times)	0.45	0.41

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

31. SIGNIFICANT EVENTS

Employees' share option scheme ("ESOS")

At the Extraordinary General Meeting held on 26 March 2018, the Company's shareholders approved the establishment of an ESOS of up to 15 percent of the total number of issued shares of SWS at any point in time to be granted to the eligible Directors and employees of SWS and its subsidiary companies.

On 17 August 2018, the Company announced the decision to offer ESOS to eligible directors to subscribe for the new ordinary shares in the Company by acceptance with 30 days from date of offer. The options shall be exercisable from the date of acceptance of the options until the expiry of the ESOS on 16 August 2023 if there is no extension of ESOS. Subsequent to the financial year, all ESOS lapsed due to no acceptance make by eligible directors with 30 days of offer.

32. 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 7 December 2018.

LIST OF **MATERIAL PROPERTIES**
AS AT 31 AUGUST 2018

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	16,657 square metres	Office with plastic manufacturing facilities	60 years leasehold expiring in 12-10-2068 / 8 years	21,563	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 / 8 years	9,778	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 / 21 years	6,367	30.06.17
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 / 12 years	5,539	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 / 3 years	5,195	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 / 15 years	4,921	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 / 15 years	4,594	22.06.17

LIST OF MATERIAL PROPERTIES (CONT'D)

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 years	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 / 3 years	2,850	31.08.17
PTD 5960, HS(D) 35568, Mukim Parit Jawa, Daerah Muar, Johor	Industrial land	13,046 square metres	Vacant	Freehold / 1 year	2,616	30.08.18*
No 18, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor.	Double storey terrace warehouse cum office	991 square metres	Rented	Freehold / 24 years	1,800	23.08.18
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 / 14 years	1,450	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 / 18 years	920	15.08.18

* Date of acquisition

ANALYSIS OF **SHAREHOLDINGS**
AS AT 30 NOVEMBER 2018

ANALYSIS BY SIZE OF HOLDINGS AS AT 30/11/2018

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	31	2.390	934	0.001
100 - 1,000	66	5.089	25,976	0.014
1,001 - 10,000	718	55.359	2,715,651	1.489
10,001 - 100,000	344	26.523	10,194,954	5.591
100,001 - 9,117,188 (*)	137	10.562	157,742,392	86.508
9,117,189 AND ABOVE (**)	1	0.077	11,663,875	6.397
TOTAL :	**1,297**	**100.000**	**182,343,782**	**100.000**

REMARK :
* - LESS THAN 5% OF ISSUED SHARES
** - 5% AND ABOVE OF ISSUED SHARES

INFORMATION ON DIRECTORS HOLDINGS AS AT 30/11/2018

NO	NAME	DIRECT INTEREST		INDIRECT INTEREST	
		HOLDINGS	%	HOLDINGS	%
1	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	17,397,025	9.541	31,855,325 (1)	17.470
2	DATO' SERI MR. SERM JUTHAMONGKHON	11,692,625	6.412	-	-
3	TEOH HAN CHUAN	10,625,000	5.827	1,941,250 (2)	1.065
4	PIONG YEW PENG	-	-	-	-
5	TAN KOK TIAM	-	-	-	-
6	NEO CHEE KIAT	5,447,762	2.988	12,500 (3)	0.007
7	CHUA HEOK WEE	1,181,856	0.648	2,703,125 (4)	1.482
8	DR. LOH YEE FEEI	-	-	-	-
9	CHEW SENG GUAN (APPOINTED ON 06.08.2018)	8,012,225	4.394	50,000 (3)	0.027
	TOTAL :	**54,356,493**	**29.810**	**36,562,200**	**20.051**

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
(3) Deemed interested by virtue of his spouse's direct interest in the company
(4) Deemed interested by virtue of his direct and indirect interest in MBL Realty Sdn. Bhd.

ANALYSIS OF SHAREHOLDINGS (CONT'D)

SUBSTANTIAL SHAREHOLDERS AS AT 30/11/2018

NO	NAME	DIRECT INTEREST		INDIRECT INTEREST	
		HOLDINGS	%	HOLDINGS	%
1	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	17,397,025	9.541	31,855,325 (1)	17.470
2	PUAN SRI DATIN CHAN MEI CHENG	8,774,656	4.812	40,477,694 (2)	22.199
3	DATO' SERI MR. SERM JUTHAMONGKHON	11,692,625	6.412	-	-
4	TEOH HAN CHUAN	10,625,000	5.827	1,941,250 (3)	1.065
5	NEO TIAM HOCK	6,460,056	3.543	5,476,896 (4)	3.004
TOTAL :		**54,949,362**	**30.135**	**79,751,165**	**43.737**

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 her spouse's, son's and daughters' direct interest in the company
(3) Deemed interested by virtue of his spouse's and son's direct interest in the company
(4) Deemed interested by virtue of his spouse's and sons' direct interest in the company

LIST OF TOP 30 HOLDERS AS AT 30/11/2018

NO	NAME	HOLDINGS	%
1	MR. SERM JUTHAMONGKHON	11,663,875	6.397
2	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (6000117)	6,823,750	3.742
3	NEO TIAM HOCK	6,460,056	3.543
4	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN MEI CHENG	6,415,000	3.518
5	NEO CHEE KIAT	5,447,762	2.988
6	TAN HUI TING	5,435,625	2.981
7	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR TEOH HAN CHUAN (SMART)	5,360,000	2.940
8	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KEAN AIK	4,765,750	2.614
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HUI LUN (6000201)	4,721,481	2.589
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW SENG KHAI	4,447,925	2.439
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW SENG GUAN	4,226,100	2.318
12	TAN KEAN AIK	4,182,500	2.294
13	RHB NOMINEES (TEMPATAN) SDN BHD TEOH HAN CHUAN	4,065,000	2.229

ANALYSIS OF SHAREHOLDINGS (CONT'D)

LIST OF TOP 30 HOLDERS AS AT 30/11/2018 (CONT'D)

NO	NAME	HOLDINGS	%
14	HENG SEW HUA	3,875,000	2.125
15	BO ENG CHEE	3,750,000	2.057
16	CHEW SENG GUAN	3,750,000	2.057
17	CHEW SENG KHAI	3,750,000	2.057
18	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR TAN KING TAI @ TAN KHOON HAI (SMART)	3,406,250	1.868
19	TAN SOON PING	3,375,000	1.851
20	LEE YEW CHYE	2,875,000	1.577
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (471821)	2,754,250	1.510
22	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR MBL REALTY SDN.BHD.(SMART)	2,500,000	1.371
23	TEOH BOAY LAN	2,437,200	1.337
24	CHAN MEI CHENG	2,359,656	1.294
25	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (M01)	2,350,000	1.289
26	TAN HUI LUN	2,322,625	1.274
27	HENG LIH JIUN	2,137,500	1.172
28	YEAP BOEY LEAN	1,937,500	1.063
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (474003)	1,879,592	1.031
30	CHUA ENG HUI	1,877,625	1.030
TOTAL :		**121,352,022**	**66.551**

ANALYSIS OF **WARRANTHOLDINGS**
AS AT 30 NOVEMBER 2018

ANALYSIS BY SIZE OF HOLDINGS AS AT 30/11/2018

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	70	5.495	2,963	0.003
100 - 1,000	256	20.094	158,610	0.174
1,001 - 10,000	622	48.823	2,187,387	2.399
10,001 - 100,000	238	18.681	8,128,934	8.916
100,001 - 4,558,589 (*)	88	6.907	80,693,907	88.508
4,558,590 AND ABOVE (**)	-	-	-	-
TOTAL :	**1,274**	**100.000**	**91,171,801**	**100.000**

REMARK :
* - LESS THAN 5% OF ISSUED WARRANTS
** - 5% AND ABOVE OF ISSUED WARRANTS

INFORMATION ON DIRECTORS HOLDINGS AS AT 30/11/2018

NO	NAME	DIRECT INTEREST		INDIRECT INTEREST	
		HOLDINGS	%	HOLDINGS	%
1	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	8,698,512	9.541	15,927,660 (1)	17.470
2	DATO' SERI MR. SERM JUTHAMONGKHON	4,538,312	4.978	-	-
3	TEOH HAN CHUAN	5,312,500	5.827	970,625 (2)	1.065
4	PIONG YEW PENG	-	-	-	-
5	TAN KOK TIAM	-	-	-	-
6	NEO CHEE KIAT	2,723,881	2.988	6,250 (3)	0.007
7	CHUA HEOK WEE	591,028	0.648	1,351,562 (4)	1.482
8	DR. LOH YEE FEEI	-	-	-	-
9	CHEW SENG GUAN (APPOINTED ON 06.08.2018)	3,915,812	4.295	25,000 (3)	0.027
TOTAL :		**25,780,045**	**28.276**	**18,281,097**	**20.051**

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
(3) Deemed interested by virtue of his spouse's direct interest in the company
(4) Deemed interested by virtue of his direct and indirect interest in MBL Realty Sdn. Bhd.

ANALYSIS OF WARRANTHOLDINGS (CONT'D)

SUBSTANTIAL WARRANTHOLDERS AS AT 30/11/2018

NO	NAME	DIRECT INTEREST		INDIRECT INTEREST	
		HOLDINGS	%	HOLDINGS	%
1	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	8,698,512	9.541	15,927,660 (1)	17.470
2	PUAN SRI DATIN CHAN MEI CHENG	4,387,328	4.812	20,238,844 (2)	22.199
3	TEOH HAN CHUAN	5,312,500	5.827	970,625 (3)	1.065
4	NEO TIAM HOCK	3,230,028	3.543	2,738,448 (4)	3.004
TOTAL :		**21,628,368**	**23.723**	**39,875,577**	**43.737**

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 her spouse's, son's and daughters' direct interest in the company
(3) Deemed interested by virtue of his spouse's and son's direct interest in the company
(4) Deemed interested by virtue of his spouse's and sons' direct interest in the company

LIST OF TOP 30 HOLDERS AS AT 30/11/2018

NO	NAME	HOLDINGS	%
1	MR. SERM JUTHAMONGKHON	4,523,937	4.962
2	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (6000117)	3,411,875	3.742
3	OH CHWEE HOE	3,372,700	3.699
4	NEO TIAM HOCK	3,230,028	3.543
5	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN MEI CHENG	3,207,500	3.518
6	RHB NOMINEES (TEMPATAN) SDN BHD TEOH HAN CHUAN	3,187,500	3.496
7	NEO CHEE KIAT	2,723,881	2.988
8	TAN HUI TING	2,717,812	2.981
9	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KEAN AIK	2,382,875	2.614
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HUI LUN (6000201)	2,360,740	2.589
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW SENG KHAI	2,144,062	2.352
12	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR TEOH HAN CHUAN (SMART)	2,125,000	2.331
13	TAN KEAN AIK	2,091,250	2.294
14	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (M01)	2,052,125	2.251

ANALYSIS OF WARRANTHOLDINGS (CONT'D)

LIST OF TOP 30 HOLDERS AS AT 30/11/2018 (CONT'D)

NO	NAME	HOLDINGS	%
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW SENG GUAN	2,022,750	2.219
16	HENG SEW HUA	1,937,500	2.125
17	BO ENG CHEE	1,875,000	2.057
18	CHEW SENG GUAN	1,875,000	2.057
19	CHEW SENG KHAI	1,875,000	2.057
20	TAN SOON PING	1,687,500	1.851
21	THYE MOOI LEE	1,640,000	1.799
22	TAN KING TAI @ TAN KHOON HAI	1,253,887	1.375
23	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR MBL REALTY SDN.BHD.(SMART)	1,250,000	1.371
24	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR TAN KING TAI @ TAN KHOON HAI (SMART)	1,203,125	1.320
25	CHAN MEI CHENG	1,179,828	1.294
26	TAN HUI LUN	1,162,312	1.275
27	TEOH BOAY LAN	1,054,700	1.157
28	HENG LIH JIUN	968,750	1.063
29	YEAP BOEY LEAN	968,750	1.063
30	CHUA ENG HUI	938,812	1.030
TOTAL :		**62,424,199**	**68.469**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth (19th) 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 Friday, 18 January 2019 at 11:00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To Receive the Audited Financial Statement for the financial year ended 31 August 2018 together with the Reports of Directors and Auditors thereon.

2. To approve the payment of Directors' fees and monthly allowances as per Table A for the period commencing from 1 September 2018 up to the next Annual General Meeting. **(Ordinary Resolution 1)**

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

   a) Mr Piong Yew Peng (Article 91) **(Ordinary Resolution 2)**

   b) Mr Chua Heok Wee (Article 91) **(Ordinary Resolution 3)**

   c) Dato' Seri MR. Serm Juthamongkhon (Article 91) **(Ordinary Resolution 4)**

   d) Mr Chew Seng Guan (Article 96) **(Ordinary Resolution 5)**

4. To approve the re-appointment of retiring Auditors, Messrs UHY as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

AS SPECIAL BUSINESS

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

5. **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 Constitution of the Company and the approvals and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors of the Company 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 during the preceding twelve (12) months does not exceed ten percent (10%) of the total number of the issued shares (excluding treasury shares, if any) of the Company for the time being AND THAT the Board of Directors be hereby also empowered to obtain approval for the listing of and quotation for the additional ordinary shares so issued in Bursa Malaysia Securities Berhad."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

6. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")** **(Ordinary Resolution 8)**

"THAT pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be hereby given for the renewal of the shareholders' mandate for the Company and its subsidiaries ("SWSCAP Group") to enter into and to give effect to specified RRPT and with specified class of the related parties as stated in Section 3.3 of the Circular to Shareholders dated 27 December 2018, which are necessary for its day-to-day operations, to be entered into by the SWSCAP Group on the basis that these transactions are entered into 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 (hereinafter referred to as the "Proposed Renewal of Shareholders' Mandate");

THAT the Proposed Renewal of Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Renewal of Shareholders' Mandate shall only continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which time the Proposed Renewal of Shareholders' Mandate has been passed, at which time they will lapse, unless by a resolution passed at the meeting, the authority is renewed; 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 ("the 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 general meeting,

whichever is the earlier;

AND FURTHER 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 Proposed Renewal of Shareholders' Mandate."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. **Proposed Allocation of Employees' Share Option Scheme ("ESOS") Options to Mr Chew Seng Guan** **(Ordinary Resolution 9)**

   "THAT approval be hereby given to the Board to authorise the ESOS Committee to offer, from time to time throughout the duration of the ESOS, ESOS Options to subscribe for up to 1,650,000 new ordinary shares in the Company under the ESOS to Mr Chew Seng Guan ("Proposed Allocation"), provided that not more than 10% of the new ordinary shares in the Company made available under the ESOS and any other employee share schemes which may be implemented from time to time by the Company is allocated to him if he, either singly or collectively through persons connected with him, holds 20% or more of the total number of issued new ordinary shares in the Company (excluding treasury shares), subject always to such terms and conditions of the by-laws of the ESOS dated 2 August 2018 ("ESOS By-Laws") and/or any adjustments which may be made in accordance with the provisions of the ESOS By-Laws and Main Market Listing Requirements of Bursa Securities, or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time."

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

By order of the Board

NG MEI WAN (MIA 28862)
TAN HUI KHIM (LS 0009936)
Company Secretaries

Muar, Johor DarulTakzim

Dated this 27 December 2018

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 11 January 2019 shall be regarded as members and be entitled to attend, participate, speak and vote at the Nineteenth Annual General Meeting ("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 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 Nineteenth AGM to vote by 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 2 of the Agenda - Ordinary Resolution no. 1**
   Approval of Directors' fees for the financial year ending 31 August 2019

   Directors' fees approved for the financial year ended 31 August 2018 was RM270,000.

   The Directors' fees and allowance proposed for the financial year ending 31 August 2019 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 calculation 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.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9. **Item 5 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 Nineteenth Annual General Meeting to allot and issue shares in the Company up to an amount not exceeding in total of ten percent (10%) of the 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 annual general meeting of the Company.

   (b) The General Mandate is a renewal of the previous mandate obtained at the last annual general meeting held on 22 January 2018 which will expire at the conclusion of the Nineteenth Annual General Meeting of the Company.

   (c) As at the date of this Notice, the Company did not issue any new ordinary shares based on the previous mandate obtained at the last annual general meeting.

   (d) The General Mandate, if granted will provide flexibility to the Company for any possible fund raising 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 6 of the Agenda - Ordinary Resolution no. 8**
    Proposed Renewal of Shareholders' Mandate for RRPT

    The proposed Ordinary Resolution 8, if passed, will authorise the SWSCAP Group to enter into RRPT which are necessary for the SWSCAP Group's day-to-day operations with the respective specified class of the related parties, subject to the transactions are to be entered into on terms which are not more favorable to the related parties involved than generally available to the public and are not detrimental to the minority shareholders of the Company.

    Further details on the Proposed Renewal of Shareholders' Mandate for RRPT are provided in the Circular to Shareholders dated 27 December 2018.

11. **Item 7 of the Agenda - Ordinary Resolution no. 9**
    Proposed Allocation of ESOS Options to Mr Chew Seng Guan

    The proposed Ordinary Resolution 9 is made pursuant to the ESOS which had been approved by the shareholders of the Company at the Extraordinary General Meeting ("EGM") held on 26 March 2018. The ESOS is in force for a period of five (5) years from the effective date of implementation of the ESOS. The Board now wishes to seek the approval of shareholders to allocate ESOS Options up to 1,650,000 as described in the Ordinary Resolution 9 to Mr Chew Seng Guan. The proposed Ordinary Resolution 9 is to approve the Proposed Allocation, subject always to such terms and conditions and/or any adjustments and/or variations which may be made in accordance with the provisions of the ESOS By-Laws. The Proposed Allocation is part of the incentive scheme which the SWSCAP Group has implemented for all its employees. Mr Chew Seng Guan, is eligible to participate in the ESOS, and is therefore deemed interested to the extent of his Proposed Allocation under the ESOS. Accordingly, he has declared his interest in the Proposed Allocation and has abstained and will continue to abstain from deliberating and voting on any subject matter pertaining to her entitlement under the ESOS at the Board meeting(s) and will continue to abstain from voting in respect of his direct and/or indirect shareholdings in the Company, if any, on the resolution pertaining to the Proposed Allocation to be tabled at this AGM. Mr Chew Seng Guan shall also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolution approving the Proposed Allocation to be tabled at this AGM. Save as disclosed above, none of the other Directors, major shareholders and/or persons connected to him has any interest, whether direct or indirect, in the Proposed Allocation.

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 Nineteenth 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 Nineteenth 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 Friday, 18 January 2019 at 11:00 a.m. and at any adjournment thereof.

No.	Ordinary Resolution	For	Against
1	Approval of Directors' fees for the financial year ending 31 August 2019		
2	Re-election of Mr Piong Yew Peng as Director		
3	Re-election of Mr Chua Heok Wee as Director		
4	Re-election of Dato' Seri MR. Serm Juthamongkhon as Director		
5	Re-election of Mr Chew Seng Guan as Director		
6	Re-appointment of Messrs UHY as Auditors		
7	Authority for Directors to issue shares pursuant to Section 75 of the Companies Act 2016		
8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
9	Proposed Allocation of ESOS Options to Mr Chew Seng Guan		

Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy(ies) to vote at his/her discretion.

For appointment of two proxies, percentage of shareholdings to be represented by each proxy is as follows :

	NRIC No./ Passport No.	No. of Ordinary Shares	Percentage
Proxy 1			
Proxy 2			
Total			100%

CDS Account No	
Number of Ordinary Shares held	

As witness *my/our hand this __________ day of ____________________, 2019

____
Signature of Shareholder(s) or Common Seal

NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 11 January 2019 shall be regarded as members and be entitled to attend, participate, speak and vote at the Nineteenth 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 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, Batu 8,
Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor

Tel : +606-9865 236 I Fax : +606-9865 239 I Email : Info@swscap.com