ANNUAL REPORT 2019

SWS Capital Berhad

[199901027346 (502246-P)]

CONTENTS

CORPORATE OVERVIEW

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 INTO EVERYTHING WE DO.

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 sale 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 household and industrial 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.


BE IN
LOVE
WITH YOUR
LIFE!
EVERY
MINUTE
OF IT!

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
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

Chua Heok Wee
Independent Non-Executive Director

Dr Loh Yee Feei
Independent Non-Executive Director

Chew Seng Guan
Independent Non-Executive Director

Neo Chee Kiat
Non Independent Non-Executive Director
(Resigned w.e.f. 19.04.2019)

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 SECRETARIES

Ng Mei Wan (MIA 28862)

Tan Hui Khim (LS 0009936)

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
[199901027346 (502246-P)]
("SWSCAP")

- 100% — **Poh Keong Industries Sdn. Bhd.** [199401001321 (286999-X)] ***("PKI")***
- 100% — **EE-Lian Industries Sdn. Bhd.** [199001000762 (192321-U)] ***("ELI")***
- 100% — **Syarikat U.D. Trading Sdn. Bhd.** [198201005271 (85023-X)] ***("UDT")***
- 100% — **U.D. Panelform Sdn. Bhd.** [198401007875 (120394-P)] ***("UDP")***
  - 100% — **U.D. Wood Products Sdn. Bhd.** [199601030240 (402592-K)] ***("UDW")***
- 100% — **EE - Lian Enterprise (M) Sdn. Bhd.** [199301028474 (283212-H)] ***("ELE")***
  - 77.5% — **EE - Lian Plastic Industries (M) Sdn. Bhd.** [200201023752 (591415-M)] ***("ELP")***


友利
UD
友利家俱出口有限公司
U.D. PANELFORM SDN. BHD.


Cremabella
Cremabella
U'GO
U'GO


UV Fresh Guard
MARIGOLD
Kopi & Teh Tarik
Vitagen
Peel-Fresh
MIXED BLACKCURRANT CRANBERRY
TOSHIBA REFRIGERATOR-FREEZER
elianware

GLOBAL
PRESENCE

AFRICA

Algeria
Mauritius
Seychelles
South Africa

ASIA

Brunei
Cambodia
China
India
Indonesia
Maldives
Myanmar
Pakistan
Philippines
Republic of Nepal
Singapore
South Korea
Sri Lanka
Taiwan
Thailand
Vietnam

EUROPE

Belgium
Denmark
England
Germany
Greece
Italy
Latvia
Netherlands
Norway
Poland
Portugal
Russia
Sweden
Turkey
Ukraine

MIDDLE EAST

Iraq
Kuwait
Saudi Arabia
United Arab Emirates

NORTH AMERICA

Canada
Mexico
United States

OCEANIA

Australia
Fiji
New Zealand
Papua New Guinea

SOUTH AMERICA

Suriname

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 16 months financial period ended 31 December ("FPE") 2019.

INDUSTRY OUTLOOK

1. Furniture division

Ranked amongst the top 10 largest exporters of furniture in the world, Malaysia exports around 80% of its production and has a strong position in the global furniture industry. The total export value for Malaysian furniture in 2018 stood at RM9.83 billion, 3% fall from RM10.13 billion in 2017. Among the main exports of Malaysian furniture include wooden bedroom furniture, seats and its parts, kitchen wooden furniture and metal furniture. Major export destinations were traditional markets such as the United States, Japan, Singapore, Australia and the United Kingdom. Under the National Timber Industry Policy, the furniture industry is targeted to contribute RM12 billion in exports by 2020.

While lower priced Chinese and Vietnamese furniture pose strong competition, Malaysian furniture continues to set itself apart with original design that places importance on aesthetics as well as good work ethics. In recent years, branding activities and international exhibitions were organized by government to support the development of furniture industry market. 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 furniture industry has also been recognised as one of the main industries capable to drive the transformation of the manufacturing industry into one that champions Industry 4.0.

2. Plastic wares division

The plastics industry registered a total turnover of RM30.98 billion in 2018, representing an increase of 4% from RM29.80 billion in 2017. Exports grew marginally by 0.14% from RM14.58 billion in 2017 to RM14.60 billion in 2018. The marginal growth in exports was partially attributed to the restrictions on the use of plastic bags in certain European Union ("EU") countries. Packaging sector is still the largest export component due to growing demand from the food sector. Portability, design flexibility, ease of cleaning, light weight are among the benefit of plastic material. Growth of the plastics industry in domestic market mainly due to strong demand from sectors such as electrical and electronic, automotive and infrastructure. With an anticipation of the slowing global and Malaysian economies, the plastics industry is expected to grow at about 2% in 2019.

Increasing household and commercial applications for containers, plastic bags, canisters, and tableware, among others, are expected to drive the consumption demand for plastics products. The pace of automation has accelerated in recent years due to the shortage of labour, demand of consistent quality, and high-volume production. A shortage in talent in plastic industry could have an adverse long-term effect on productivity, that ultimately would affect the industry. Training and human capital development is therefore one of the key pillars of plastic industries.

OPERATING ENVIRONMENT

After performing better than expected growing at 4.7% in the Gross Domestic Product (“GDP”) in 2018, the Malaysian economy is expected to grow at a slower pace in 2019. Referring to the Economic Report 2019/2020 released by Finance Ministry, GDP is projected to grow at 4.9% in 2019. The GDP grow rate for 2019 was later moderated to 4.3% referring to Bank Negara Malaysia ("BNM"") statistics.

Since the reintroduction of the sales and services tax ("SST") in September 2018, manufacturers are facing the difficulties in meeting SST rules and regulations due to rapid updates. Technical and reporting requirements are another challenges face by software providers and users. Traders are facing cost planning issues due to the 10% SST which might not be able to transfer the cost to customers. Local market is becoming more competitive. Exporters on the other hands are not getting any benefits from SST implementation and facing the risk of penalty charges as application for SST exemptions is complicated. The Employment Insurance System ("EIS") has been implemented effective 1 January 2018, revised minimum wage and the levy of foreign workers is now borne by the employers instead of by the employees caused difficulty in monitoring labour costs. 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.

Although the US-China trade war has opened up opportunities for local manufacturers, they are unable to fully seize these opportunities due to labour shortage issue since the government’s decision over two years ago to freeze the hiring of foreign workers. The industry has been facing difficulty in getting new local talents to fill up the vacancies as many are just not interested to work in factories. Local furniture players should move towards Industry 4.0 to reduce the reliance on foreign labour and improve competitiveness with automation. To promote the evolutions, government introduced all kinds of related subsidies, incentives and grants — including the 200% capital allowance for up to RM4 million qualifying capital investment provided by the Malaysian Investment Development Authority, and the financial incentive provided by the Malaysian Timber Council for the purchase of machinery.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATIONS

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

KEY BUSINESS SEGMENTS

1. **Furniture division**
   The furniture division, based in Muar, Johor, major in producing wood-based furniture mainly dining set and bedroom set, manufacturing of furniture plywood, paper and veneer laminations. Furniture division also involve in trading of hardware, furniture parts, equipment and construction materials, packing materials, metal stamping and tooling. Furniture division export to more than 20 countries worldwide primarily to Northern Europe and US.

2. **Plastic wares division**
   Plastic wares division is principally a plastic ware solutions provider specialising in designing, developing, manufacturing and distributing a wide range of plastic storage, preparation, containment, serving and cleaning products for the home, office and industrial applications. It is also involved in ancillary services such as manufacturing and trading of other household products which includes plastic furniture and industrial products. Plastic wares division is located at Simpang Ampat, Penang. Plastic wares division trades in local market mostly. Export contributed about 10% of total revenue of the division, exporting to over 30 countries worldwide mainly ASEAN Countries.

CHANGE OF FINANCIAL YEAR END

As announced on 29 July 2019, the Board of Directors of the Company had approved the change of financial year end of the Company from 31 August to 31 December. Following the change of financial year end, the financial period of the Companies and its subsidiaries presented for this Annual Reports is for the 16-month financial period ended 31 December 2019 ("FPE 2019").

Accordingly, the next set of financial statements will be made up from 1 January to 31 December.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL PERFORMANCE REVIEW

Five Years Financial Highlights	2015	2016	2017	2018	2019
	1 September to 31 August				01.09.2018 to 31.12.2019
	(12 months)				(16 months)
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	124,852	149,098	144,864	130,666	178,296
Profit/(Loss) before tax	479	5,922	11,462	647	(10,649)
Profit/(Loss) after tax	1,081	5,907	9,070	(923)	(10,699)
Net Profit/(Loss) attributable to owners of the Parent	302	4,408	8,555	(1,038)	(9,824)
Equity attributable to owners of the Parent	62,436	80,881	99,838	98,800	90,171
Total assets	104,579	127,215	187,362	187,340	179,365
Deposit, bank and cash balance	8,002	23,772	13,595	10,231	8,047
Borrowings	22,080	26,824	54,900	54,771	59,932
Number of ordinary shares in issue ('000)	126,506	145,875	145,875	182,344	182,344
Net assets per share attributable to owners of the Parent (RM)	0.53	0.60	0.55	0.55	0.50
Earnings/(Loss) per share attributable to owers of the Parent (Sen)	0.24	3.13	4.69	(0.57)	(5.39)

REVIEW OF ITEMS OF STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Furniture Division	Plastic Wares Division	Others	Total
	RM'000	RM'000	RM'000	RM'000
Revenue	85,864	92,432	-	178,296
Gross Profit	11,691	13,305	-	24,996
Loss before tax	(1,219)	(6,552)	(2,878)	(10,649)
Loss after tax	(1,580)	(6,134)	(2,985)	(10,699)

1. Revenue

The Group generated RM178.30 million sales revenue for the FPE 2019. Management found opportunities to export with recurrent and increase in sales order for bedroom sets to United States ("US") during the reporting period when tensions between US and China are still on-going. Management also take note on the potential risk cause by United Kingdom's decision to leave the European Union. Recurrent sales order from other export customers especially from European countries remain consistent for FPE 2019. Hence, the Group can focus on the cost control and manufacturing efficiency by utilisation of the available capacity.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF ITEMS OF STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

1. Revenue (Cont'd)

Plastic ware division is facing slowdown in the local and export market. Consumer spending behaviour change, mainly due to public awareness on the impact of plastic waste to the environment. The Group is not producing "one use plastic products" but still facing the negative impact. Sales orders decreased significantly from distributors and wholesalers for plastic housewares since beginning of FPE 2019. Sales order of plastic industrial products pick up since mid of FPE 2019. The selling price however is not favourable due to competition. Management invested in upgrading of plant and machinery to improve the production output and reducing the wastage on raw material and products.

2. Gross Profit

The Group recorded RM25.00 million gross profit for FPE 2019. Furniture division contributed RM11.69 million gross profit, with an improved in gross profit margin from 12.6% in financial year ended 31.08.2018 ("FYE 2018") to 13.6% in FPE 2019. The gross profit margin of furniture division still remains challenging. The improvement mainly due to consistent supply of raw materials at stable price during FPE 2019. The management monitor sales orders and production planning effectively. The appreciation of USD also improved the gross profit margin. However, furniture division is still facing issues from shortage of manpower from time to time.

Plastic wares division contributed RM13.31 million gross profit for FPE 2019. The gross profit margin decreased from 22.3% in FYE 2018 to 14.4% in FPE 2019. Raw Material price increased at beginning of FPE 2019, due to the increased in crude oil price. Off grade material cost also increased due to the reduced in suppliers. Management work on new material mixed and supplement material but still not able to bring down the raw material cost. The reduced in sales order also cause unutlised production capacity and not able to cover the fixed operation overhead. The marketing strategy to push sales with sales promotion also cause the decreased in gross profit margin.

3. Profit Before Tax

In FPE 2019, the Group recorded RM10.65 million loss before tax. Furniture division recorded RM1.22 million loss before tax. The improved sales performance and gross profit margin is still insufficient to generate profit before tax. The poor performance in plastic wares division recorded RM6.55 million loss before tax was due to significant drop in revenue as mentioned above, resulting insufficient gross profit to cover the administrative and finance expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF ITEMS OF STATEMENTS OF FINANCIAL POSITION

1. Capital Expenditure

The Group invested RM8.01 million in plant and equipment to improve efficiency, productivity and product quality. The use of automated plant and machinery to partially solve the labour shortage issues. A substantial amount of about RM6.16 million is for addition of product mould and machinery for plastic wares division. Furniture division also invested about RM1.85 million upgrading and acquiring new equipment, machineries and other assets.

2. Inventories

	31.12.2019 RM'000	31.08.2018 RM'000
Furniture Division	19,480	15,765
Plastic Wares Division	23,376	22,871
	42,856	**38,636**

Inventories increased from RM38.64 million in FYE 2018 to RM42.86 million in FPE 2019 mainly due to increased mainly for furniture division to support the improved sales orders. The increase also due to management decision to stock up at end of FPE 2019 before the increased in wood cost due to shortage in supply. Raw material price for plastic division decreased significantly by end of FPE 2019. Management decided to stock up for cost planning purposes. Management will monitor the closing stock level and raw material cost to improve the gross profit margin.

3. Trade receivables and payables

Trade receivables reduced from RM34.73 million in FYE 2018 to RM26.06 million in FPE 2019 mainly due to the decreased in sales revenue for FPE 2019. The decreased also due to slow payment from overseas customers. Management and salesperson are monitoring the credit term and limit.

Trade payables decreased from RM23.59 million in FYE 2018 to RM20.79 million in FPE 2019 mainly due to reduce in purchase of raw material and sub-contractors. The management monitor the inventories level to ensure enough cash flow for operations.

4. Total Assets

As at FPE 2019, Group's total assets is RM179.37 million representing 0.04% decrease as compared to the preceding year.

5. Shareholders' Equity

Shareholders' equity remained at a positive level at RM90.17 million as at FPE 2019 as compared to RM98.80 million for the preceding year.

REVIEW OF ITEMS OF STATEMENTS OF CASH FLOW

1. Liquidity

	2019 (Days)	2018 (Days)	Changes (Days)
Trade receivables' turnover period (1)	71	97	(26)
Inventories' turnover period (2)	136	132	4
Trade payables' turnover period (2)	66	81	(15)
Cash conversion cycle	**141**	**148**	**(7)**

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF ITEMS OF STATEMENTS OF CASH FLOW (CONT'D)

1. Liquidity (Cont'd)

(1) This is derived using the formula: (Closing balance as at year-end / Total revenue) x no of days for the FPE 2019 (487 days) or FY 2018 (365 days)
(2) This is derived using the formula: (Closing balance as at year-end / Cost of sales) x no of days for the FPE 2019 (487 days) or FY 2018 (365 days)

During the year, the cash conversion cycle of 141 days compared with prior year 148 days decrease 7 days. As at FPE 2019, the Group reported negative cash flow from operating activities of RM1.18 million.

2. Cash and Cash Equivalents

	2019 RM'000	2018 RM'000
Cash and cash equivalents at end of financial year:		
Deposits, bank and cash balances	8,047	10,231
Less: Bank overdrafts	(6,646)	(5,817)
	1,401	4,414
Less: Fixed deposits pledged with licensed banks	(3,188)	(5,223)
	(1,787)	(809)

As at FPE 2019, the Group's cash and bank balances amounted to RM8.05 million compared to RM10.23 million in the preceding year.

3. Borrowing

The Group's gearing ratio still monitored at 0.57 (FYE 2018: 0.45) 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.

RISKS RELATING TO THE BUSINESS

The Group's business operation and performance are exposed to risks. Group management are responsible 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.

The Executive Directors 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. Periodic operational/management meetings are held to ensure that the risks identified are monitored and related internal controls are communicated to the management.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISKS RELATING TO THE BUSINESS (CONT'D)

1. Foreign currency exchange risk

Furniture division export most of their products to Europe and US. The raw material including hardware and tools are imported from foreign countries. The Group profitability is exposed to foreign currency exchange risks as most transactions are denominated in United States Dollar ("USD"). Fluctuations in USD exchange rate will lead to impact on export gross profit margin and direct material cost. Strengthening USD will improve the profit margin while weakening USD will conversely reduce the Group profit. The Group has credit banking facilities with several financial institutions to monitor the foreign exchange risks. Further, the Group also maintain a foreign currency account to facilitate the revenue collections in USD to pay purchases which are also in USD, reducing the foreign exchange fluctuations.

Plastic wares division's export is about 10% of total revenue. The raw material and accessories are from local suppliers, who sourced from oversea, and thus also exposed to forex risks. Plastic raw material suppliers will provide quotation monthly, for management to monitor inventories level, cash flow and production planning. Export department will ensure oversea customers pay minimum deposit (30% of total invoices) before the delivery, and settle the balance when products reach port for clearance. Any credit term must be approved by the management and supported by local bankers.

2. Labour market shortage

The furniture manufacturing process is mostly relying on human. The skilled and experienced staffs are Group assets which are difficult to replaced. Plastic wares division depend on foreign workers for 24 hours production. Contract workers are sometimes hard to get and expensive, thus increased the labour cost. The Group is subject to shortage of labour, both local and foreign workers from time to time.

The Group is required to comply with the policies imposed by the Government of Malaysia with regards to the employment of foreign workers, and subject to future changes which might incurred significant expenses. The company need to incur additional cost for training if unable to find suitable replacements. The production will also be interrupted, reducing the production capacity and effectiveness.

The Group actively liaise with the relevant Government and recruitment agencies for timely application and renewals of foreign workers' work permits. In addition, the Group ensure workplace and environment safety. Adequate training and monitoring from experienced supervisors will be provided for new recruits. Remuneration is another challenge to the management, to set the suitable and competitive remuneration package, that will benefit the staff to perform better and not putting burden to labour cost.

The investment in automated plant and machinery minimised the dependence on labour, improve production effectiveness and minimised human error. However not all operation can be automated. Research and development will also help to improve the process flow and quality control.

3. Shortage and price fluctuation of raw materials

The supply of raw material is always at risks of shortage and pricing issues, due to available market supply and competition. Both furniture and plastic wares division faced raw material shortage in prior years. Management need to monitor the available stock for maximum production and profitability. At the moment, no suppliers in the market can ensure consistent supply and stable pricing. Environment issues and limited supply due to monopoly also causing supply issues. Some suppliers requested the Group to secured minimum order quantity for better quotations.

Fluctuations in the price of raw material will increased the direct material cost and bring down the profit margin. Raw material shortage will result in production downtime and customers' complaint due to delay in delivery of finished goods. Acquisition of expensive replacement material will significantly affect operating margins. Reduced in sales order will end up insufficient profit to cover fixed operation and administrative expenses. The Group is unable to pass on such increases in the costs to the customers or find alternative sources for such raw materials at competitive prices.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISKS RELATING TO THE BUSINESS (CONT'D)

4. Credit Risk

The Group's exposure to credit risk arises primarily from trade and other receivables. Trade and other receivables are monitored on an ongoing basis via the management reports. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group has a credit policy in place to control credit risk by dealing with creditworthy counterparties. Credit terms transaction with customers are on case by case basis. Management will run background checking before the approval and creation of account code in accounting system for further operations. Annual review evaluation will be done, with input from salesperson and account receivables control. Any changes of credit term for customers with good credit rating will need approval from management. The group has no significant concentration of credit risk as its exposure spread over a large number of customers.

5. Competition

Both divisions are facing tough competition from existing and newcomer in the industries. The management ensure all products are highly competitive in price, quality, and design. Marketing strategies play an important role to ensure the Group stay competitive. The Group focused on cost control (including sourcing of raw materials) and operational efficiency. The Group also continues to explore new markets and invest in research and development in order to meet ever-changing consumer demand.

6. Political, economic and environment conditions

The Group operation is subject to uncertainties in the political, economic and regulatory environment in Malaysia and other regions. Any adverse changes could have unfavourable effect on the Group financial result and business prospects. The Group will constantly monitor external developments to ensure that the volatilities are managed in a prudent and effective manner.

PROSPECTS

With the continued uncertainties in the global economy and the negative impact of the Covid-19 outbreak, economic growth is seen slowing into year 2020. Depending on the severity and duration of the outbreak and barring any other unforeseen circumstances, the management are cautiously optimistic of the Group's prospects in the near future as the Group forged a resilient path to growth and success.

2020 Malaysia Movement Control Order ("MCO") was implemented by the federal government of Malaysia towards the 2019–20 coronavirus pandemic on 18 March 2020. As both furniture and plastic division does not fall within the approve industries, the Group's operations were shut down for around two months. The management is putting effort to cover the significant loss of revenue during the MCO period. The group is monitoring the cashflow and available fund to face the challenges and any uncertainties.

The launching of new range of plastic housewares include Raya series was affected by MCO. The Group anticipates that the conditions of the plastic wares sector will be more challenging and slowdown in both local and export market demands. Management is working on marketing strategies to stay competitive and to attract a larger pool of prospects, including further investment for ecommerce department. The management is also exploring the opportunity to expand the plastic industrial market.

Plastic wares division is expecting short term increased in sales for local products as Covid-19 outbreak had reduced the imports from China. The Group will take the opportunity to improve sales of premium products and to clear the slow-moving products. The management focus on cost control as labour cost increased due to minimum salary and overtime arrangement announced in BUDGET 2020 and decreased in plastic raw material cost since end of year 2019.

PROSPECTS (CONT'D)

Furniture division is also facing negative impact from Covid-19 outbreak. Sales order from foreign customers were cut due to lock down of many countries. Imports from China include hardware and raw material are slow down. Substitute suppliers are increasing the selling price as available stock is running low. The management estimated the negative impact will be on-going for year 2020.

The margin of furniture division remains challenging. Hence, the Group is focusing on the cost control and manufacturing efficiency. Management also working on adoption and improvement in automated technology as promoted in Budget 2020.

DIVIDENDS

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

CORPORATE GOVERNANCE

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

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

(a) Code of Conduct
(b) Whistle Blowing Policy
(c) Charter of Board
(d) 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 thank and express my deepest gratitude to Mr Neo Chee Kiat, who has resigned as Non-Independent Non-Executive Director on 19 April 2019.

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

Nationality:
Malaysian

Age:
64

Gender:
Male

Position:
Executive Chairman
Executive Director of:-

- Poh Keong Industries Sdn. Bhd.
- U.D. Panelform Sdn. Bhd.
- U.D. Wood Products Sdn. Bhd.
- Syarikat U.D. Trading Sdn. Bhd.
- Ee-Lian Industries Sdn. Bhd.
- Ee-Lian Enterprise (M) Sdn. Bhd.

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 38 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*

Nationality:
Thailand

Age:
81

Gender:
Male

Position:
Independent Non-Executive Deputy Chairman

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.

TEOH HAN CHUAN

Nationality:
Malaysian

Age:
59

Gender:
Male

Position:
Managing Director
Executive Director of:
- Ee-Lian Enterprise (M) Sdn. Bhd.
- Ee-Lian Plastic Industries (M) Sdn. Bhd.
- Poh Keong Industries Sdn. Bhd.
- Ee-Lian Industries Sdn. Bhd.

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 ware products. He has over 27 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

Nationality:
Malaysian

Age:
50

Gender:
Male

Position:
Senior Independent Non-Executive Director

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

TAN KOK TIAM *

Nationality:
Malaysian

Age:
55

Gender:
Male

Position:
Independent Non-Executive Director

Appointed as Independent Non-Executive Director on 23 December 2015 and is presently a member of the Audit Committee, a member of the Nomination Committee and Chairman of the Remuneration Committee. He is a Chartered Accountant and qualified as a Certified Public Accountant (CPA). He is a member of Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He has more than 25 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 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. 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

CHUA HEOK WEE

Nationality:
Malaysian

Age:
46

Gender:
Male

Position:
Independent Non-Executive Director

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 25 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.

Nationality:
Malaysian

Age:
57

Gender:
Male

Position:
Independent Non-Executive Director

DR LOH YEE FEEI *

Appointed as Independent Non-Executive Director on 23 December 2015 and is presently a member of the Audit Committee, Chairman of the Nomination Committee and a member of Remuneration Committee. 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 34 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.

Nationality:
Malaysian

Age:
47

Gender:
Male

Position:
Independent Non-Executive Director

CHEW SENG GUAN

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 5 years other than traffic offences.

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

KEY SENIOR MANAGEMENT PROFILE

HENG SEW HUA

Nationality:
Malaysian

Age:
72

Gender:
Male

Position:
Executive Director of:-
- Ee-Lian Enterprise (M) Sdn. Bhd.
- Ee-Lian Plastic Industries (M) Sdn. Bhd.

He is the co-founder of the Ee-Lian Enterprise (M) Sdn. Bhd.. 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.

TAN SOON PING

Nationality:
Malaysian

Age:
48

Gender:
Male

Position:
Executive Director of:-
- Ee-Lian Enterprise (M) Sdn. Bhd.
- Ee-Lian Plastic Industries (M) Sdn. Bhd.

He is an Executive Director of subsidiaries in SWS Group. After graduating from Han Chiang High School in 1989, he joined Eming Trading Company in 1990 in Penang as a Sales Representative responsible for sales and marketing. In 1994, he joined Quality Plastics Industries Sdn Bhd in Ipoh as a Sales Representative. In 1996, through his connection with Teoh Han Chuan and Heng Sew Hua, he invested into ELE and became a shareholder. He has no family relationship with any other Director or major shareholder of the Company.

OOI CHEN HOON

Nationality:
Malaysian

Age:
45

Gender:
Male

Position:
Executive Director of:-
- Ee-Lian Enterprise (M) Sdn. Bhd.

He is an Executive Director of subsidiary in SWS Group. He began his career in 1990 when he joined a cotton factory in Farlim, Penang where he worked as a machines operator. Between 1991 and 1992, he worked as a Van Salesman for Cheong Kee Special Food Product Ltd. Between 1992 and 2000, he was a Sales Executive for Yueang Fang (M) Sdn Bhd, distributing plastic and ceramic household products to the whole of Peninsular Malaysia. It was with Yueang Fang that he developed business relationships with many supermarket and hypermarket customers. In 2000, he was approached by Teoh Han Chuan and Heng Sew Hua to assist in promoting ELE's products, which subsequently led to the establishment of Ee Jia Housewares (M) Sdn. Bhd, an established supplier of quality products, receiving numerous awards from accredited bodies and customers. He has no family relationship with any other Director or major shareholder of the Company.

HENG LIH JIUN

Nationality:
Malaysian

Age:
47

Gender:
Male

Position:
Executive Director of:-
- Ee-Lian Enterprise (M) Sdn. Bhd.

He is an Executive Director of subsidiary in SWS Group. He holds a Bachelor's of Science Degree with Honours in Computing & Information Systems from Oxford Brookes University, United Kingdom ("UK"), in 1998 and graduated with Masters of Business Administration ("MBA") Postgraduate degree from Inti International University, Penang, in 2017. After completing his Bachelor's Degree, he started his career with Mexter Technology Berhad as a Software Engineer, where he was responsible for the system study, design, development, testing and implementing of automation solutions for the company's clients. Prior to joining our Group in 2005, he worked with various information and communications technology ("ICT") companies, such as Dynacraft Industries Sdn Bhd as Software Application Engineer in 2000, Nothern IT Distribution Sdn Bhd as Manager in 2001, and Elcomp Technologies Sdn Bhd as a Senior Software Engineer and a shareholder in 2002. He joined Ee- Lian Enterprise (M) Sdn. Bhd. in 2005 as a Director. He is currently responsible for overseeing plastic division production and IT divisions. He has no family relationship with any other Director or major shareholder of the Company.

LEE YEW CHYE

Nationality:
Malaysian

Age:
53

Gender:
Male

Position:
Executive Director of:-
- Poh Keong Industries Sdn. Bhd.
- U.D. Panelform Sdn. Bhd.
- U.D. Wood Products Sdn. Bhd.
- Syarikat U.D. Trading Sdn. Bhd.

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.

LIM BOON LEONG

Nationality:
Malaysian

Age:
45

Gender:
Male

Position:
Executive Director of:-
- Poh Keong Industries Sdn. Bhd.
- U.D. Panelform Sdn. Bhd.
- U.D. Wood Products Sdn. Bhd.
- Syarikat U.D. Trading Sdn. Bhd.
- Ee-Lian Industries Sdn. Bhd.

As Malaysian, aged 45, He is graduated secondary education at SMK St Andrew, Muar. He holds Bachelor in Business Management from the Unitversity Malaysia Pahang. He conferred Pingat Jasa Kebaktian (PJK) from the Yang Dipertua Negeri Pulau Pinang in year 2017. Hs is actively involved in social and charitable work and he also the Hon Secretary of Chinese Chamber of Commerce, Muar, Johor. He has 18 years of working experiences on property development and project management. He Joined SWS Group in 2016, involved in furniture manufacturing and marketing. He has no family relationship with any other Director or major shareholder of the Company.

Nationality:
Malaysian

Age:
28

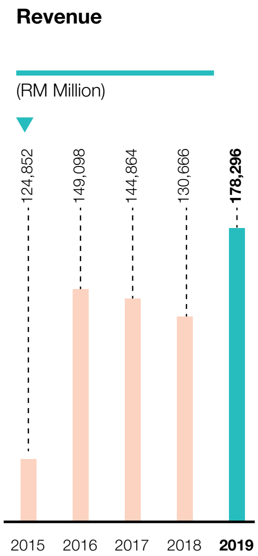
Gender:
Male

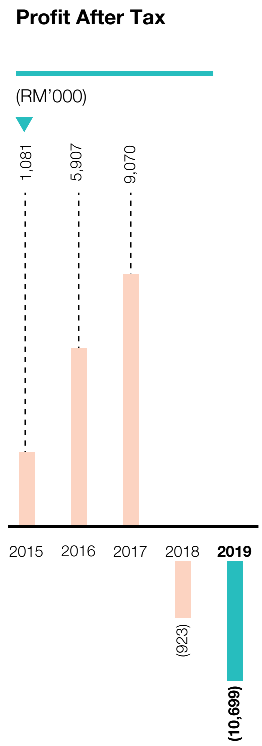
Position:
Executive Director of:-
- U.D. Panelform Sdn. Bhd.
- Ee-Lian Industries Sdn. Bhd.

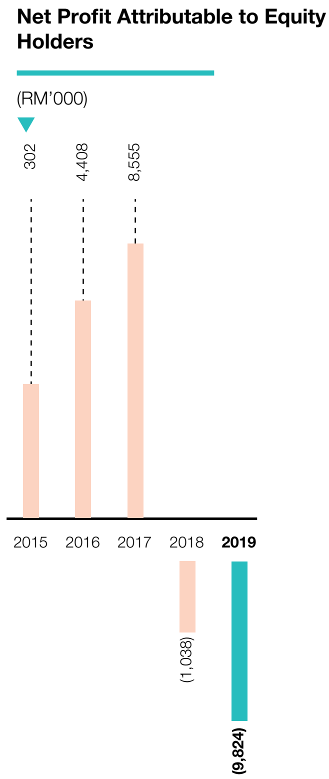
TAN KEAN AIK

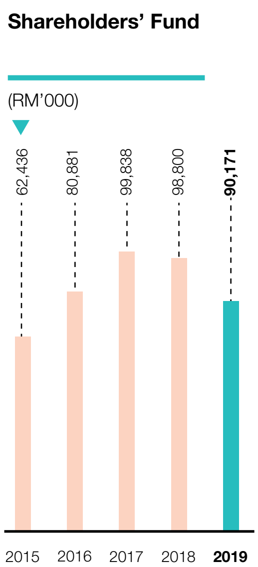
He is the Executive Director of U.D. Panelform Sdn. Bhd. His roles in the company includes planning of the company business strategy, and evaluation of the company's financial performance along its operation. He had graduated with a Bachelor of Engineering in the field of Chemical Engineering from Monash University in 2014. In June 2015, he started his career with Tan Commercial Management Services Sdn. Bhd., as Company Secretary Assistant. From there, he acquired knowledge about company laws, company management and corporate finance. During the same period of time, he was also appointed as an Executive Director in Lean Huat Plantation Sdn. Bhd., where he was responsible for the management, administrative and internal controls of the palm oil plantation estate owed by the company. He is the son of the Executive Chairman of the Company.

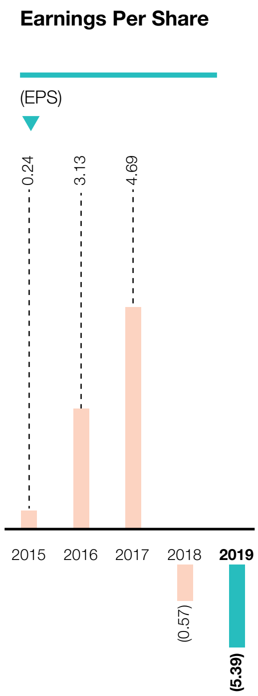
FINANCIAL HIGHLIGHTS

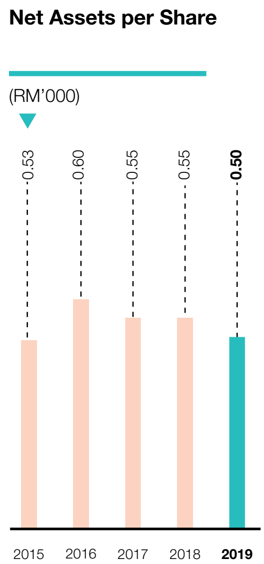













elianware
elianware
3 TIER TIFFIN CARRIER
7P
elianware
2 TIER TIFFIN CARRIER
5P
Lunch BOX
Lunch BOX

elianware
LUNCH BOX
LUNCH BOX
BENTO LUNCH BOX
BENTO LUNCH BOX
LUNCH BOX
elianware
LUNCH BOX

CORPORATE GOVERNANCE OVERVIEW
STATEMENT

The Board of Directors (or "Board") of SWSCAP ("Company") acknowledges the importance of achieving good corporate governance("CG") , and ensures that the highest standards of 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 new Malaysian Code on Corporate Governance ("MCCG") during the financial period 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 27 February 2020 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 eight (8) members of whom two (2) are Executive Directors of whom one (1) is also the Managing Director ("MD"), 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 46 to 81, 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.

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 22 to 26 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 clause 21.5(a) of the Company's Constitution, 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 20th Annual General Meeting of the Company are as follows:

Name	Designation
Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	Executive Chairman
Tan Kok Tiam	Independent Non-Executive Director
Dr Loh Yee Feei	Independent Non-Executive Director

Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai, Tan Kok Tiam and Dr Loh Yee Feei are due to retire pursuant to clause 21.5(a) of the Constitution of the Company at the 20th 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 22 to 26 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.

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 16-month financial period ended 31 December 2019 ("FPE 2019") was conducted via Questionnaires in early February 2020. 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.

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 period under review.

Name	Board	AC	NC	RC
Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	6/6*	Nil	Nil	Nil
Dato' Seri MR. Serm Juthamongkhon	6/6	Nil	Nil	Nil
Teoh Han Chuan	6/6	Nil	Nil	Nil
Piong Yew Peng	5/6	5/6*	0/1	0/1
Tan Kok Tiam	6/6	6/6	1/1	1/1*
Chua Heok Wee	4/6	4/6	1/1	1/1
Dr Loh Yee Feei	6/6	6/6	1/1*	1/1
Chew Seng Guan	6/6	Nil	Nil	Nil
Neo Chee Kiat *(Resigned w.e.f. 19.04.2019)*	1/3	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.

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 period 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	• Penang Domestic Investment Seminar 2019	16/07/2019
	• MFPC Penang Chapter : My Money & Me (Financial Planning Planning Workshop)	06/10/2019
	• National Tax Seminar 2019	05/11/2019
	• Malaysian Company Secretaries Conference 2019	18/09/2019 & 19/09/2019
Dato' Seri MR. Serm Juthamongkhon	• Penang Domestic Investment Seminar 2019	16/07/2019
Teoh Han Chuan	• Penang Domestic Investment Seminar 2019	16/07/2019
	• Microsoft Excel 2016 – Intermediate	16/10/2019
Piong Yew Peng	• Malaysia Tax Budget 2020	22/10/2019
Tan Kok Tiam	• Fin Tech and Algorithmic Trading	20/04/2019
	• Use Economics For An Edge When Investing	15/06/2019

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	• MFPC Penang Chapter : My Money & Me (Financial Planning Planning Workshop)	06/10/2019
	• National Tax Seminar 2019	05/11/2019
Dr Loh Yee Fei	• Evaluating Effective Internal Audit Function Audit Committees Guide	17/10/2019
	• National Tax Seminar 2019	05/11/2019
Chew Seng Guan	• National Tax Seminar 2019	05/11/2019

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 period 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.

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 FPE 2019 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 details of the remuneration of the Directors of the Company for the 16-month financial period from 01.09.2018 to 31.12.2019:

	EXECUTIVE DIRECTORS	NON EXECUTIVE DIRECTORS
Salaries and other emoluments	2,036,500	–
Fee	–	528,000
Social contribution plan	3,918	–
Defined contribution plan	239,180	–
Other benefits	117,011	–
Share-base payment expenses	217,800	653,400
Estimated money value of benefits-in-kind	75,332	24,400
	2,689,741	1,205,800

The number of Directors of the Company, whose total remuneration during the financial period 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	–

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

1.3 Remuneration Committee (Cont'd)

The number of Directors of the Company, whose total remuneration during the financial period under review fell within the following successive bands of RM50,000 is as follows: (Cont'd)

Range of Remuneration	Numbers of Directors
Executive Directors: (Cont'd)	
RM850,001 to RM900,000	–
RM900,001 to RM950,000	–
RM950,001 to RM1,000,000	–
RM1,000,001 to RM1,050,000	–
RM1,050,001 to RM1,100,000	–
RM1,100,001 to RM1,150,000	–
RM1,150,001 to RM1,200,000	–
RM1,200,001 to RM1,250,000	–
RM1,250,001 to RM1,300,000	1
RM1,150,001 to RM1,200,000	1
Non-Executive Directors	
Below RM50,000	1
RM50,001 to RM100,000	–
RM100,001 to RM150,000	–
RM150,001 to RM200,000	5
RM200,001 to RM250,000	1

The non-disclosure of detailed remuneration of each Director was due to confidentiality and security reasons and such disclosure may be prejudicial to the Company's business interest. The Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the 'breakdown and band disclosure' presented in this Statement.

While MCCG has prescribed for disclosure of the detailed remuneration packages of its Key Senior Management staff on a named basis, the Board has considered and is of the view that the transparency and accountability aspects of CG applicable for the Key Senior Management staff are adequately served by the disclosure of the remuneration packages on a no-name basis.

The number of Key Senior Management of the Group, whose total remuneration during the financial period under review fell within the following successive bands of RM50,000 is as follows:

Range of Remuneration	Numbers of Directors
RM50,000 to RM100,000	1
RM100,001 to RM150,000	–
RM150,001 to RM200,000	1
RM200,001 to RM250,000	–
RM250,001 to RM300,000	1
RM300,001 to RM350,000	1
RM350,001 to RM400,000	–
RM400,001 to RM450,000	–

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

1.3 Remuneration Committee (Cont'd)

The number of Key Senior Management of the Goup, whose total remuneration during the financial period under review fell within the following successive bands of RM50,000 is as follows: (Cont'd)

Range of Remuneration	Numbers of Directors
RM450,001 to RM500,000	1
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
RM900,001 to RM950,000	–
RM950,001 to RM1,000,000	1

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 period under review, are set out in the Audit Committee Report on pages 54 to 55 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.

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

2.1 Audit Committee (Cont'd)

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

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

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

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

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

In this regard, the Audit Committee had on 27 February 2020, 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 period 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 20th 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 28 to the annual audited financial statements on pages 130 to 133 of this Annual Report.

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

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 period under review is provided in the Audit Committee Report set out on pages 54 to 55 of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP 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.

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

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 20th 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 20th Annual General Meeting.

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 20th Annual General Meeting will include the Chairman's briefing on the Company's overall performance for FPE 2019 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 20th Annual General Meeting by the Minority Shareholder Watchdog Group, if any.

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

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

Communication and Engagement with Shareholders and Prospective Investors (Cont'd)

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 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, the relevant chapters of the Listing Requirements on CG and all applicable laws and regulations throughout the financial period under review.

This Statement was approved by the Board on 5 June 2020.

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 16-month financial period ended 31 December 2019 ("FPE 2019").

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 FPE 2019, 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 period 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 period 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.

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.

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 period was RM37,782.95.

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 period 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 period 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 5 June 2020.

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 six (6) meetings in for the 16-month financial period ended 31 December 2019 ("FPE 2019") 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 FPE 2019 to present the audit review memorandum and auditors' report on the annual audited financial statements for FPE 2019.

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 Audit Committe 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 PERIOD

During the financial period 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 period under review. The Internal Auditors are engaged to provide independent assessments on the adequacy and effectiveness of the risk management, internal control and governance processes within the Group.

An overview of the Group's approach in maintaining a sound system of internal control is set out in the Statement on Risk Management and Internal Control on pages 50 to 53 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 December 2019, and of the results and cash flows of the Group and of the Company for the financial period 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.

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 40 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 financial period, 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 2018 to date of this report. This statement is prepared in accordance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Sustainability Reporting Guide and its accompanying Toolkit issued by Bursa Securities.

STAKEHOLDER ENGAGEMENT

The Group understand the important to communicate with stakeholders. All issues raised by stakeholders are brought to the attention of the Management. Stakeholders engagement are carried out on a regular basis as they are integral to business development, relationships with stakeholders and commitment to sustainability.

The key stakeholders are outlines on the below table, along area to focus and forms of engagement:

Stakeholders	Focus areas	Engagement approach	Frequency
Shareholders	Business / Financial performance	Corporate website	On going
	Timely disclosure of information	Annual general meeting	annually
	Corporate governance	annual report	annually
	Ethical business conduct	Quarterly result	quarterly
	Internal control and risk management	Bursa announcement	as required
Customers	Product design	In house Research & Development team on product design and development	On going
	Product quality	Quality Control ("QC") checking on in house product	On going
	Product pricing	Marketing plan and products promotion	On going
	Timely delivery of finished goods	Monitoring the production progress and due date of delivery	On going
	Customer performance	Customers valuation and on-site visit	As required

STAKEHOLDER ENGAGEMENT (CONT'D)

The key stakeholders are outlines on the below table, along area to focus and forms of engagement: (Cont'd)

Stakeholders	Focus areas	Engagement approach	Frequency
Employees	Health and safety of working environment	Compliance with relevant health and safety rules	On going
	Career development and training	Provide training and promotion opportunity	On going
	Prompt payment of remuneration	Ensure compliance of relevant employees and labour law in Malaysia	On going
	Performance and reward	Performance appraisal and bonus	Annually
	Comminucation and engagement	Social events and recreational activities with employees	On going
Supplier	Supplier performance	Supplier valuation and selection	As required
	Quality of supply	In coming QC inspection on raw materials	On going
Government and regulator	Compliance with laws and regulations	Compliance with local authorities	On going
	Approvals and permits	Regulatory compliance training	On going
	Standards and certifications	Audit and verification	As required
Local communities	Community wellbeing	Donations and sponsorship	On going
	Community investment	Social and cultural activities	On going
	Corporate social responsibilities	Idustrial basedlearning and training	On going

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.

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.

SOCIAL (CONT'D)

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.

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 period.

AUDIT AND NON-AUDIT FEES

The fees payable to the External Auditors in relation to the audit and non-audit services rendered to SWS Capital Berhad ("SWSCAP" or "Company") and the subsidiaries ("Group") for the 16-month financial period ended 31 December 2019 ("FPE 2019") are as follows:

	The Company (RM)	The Group (RM)
Audit fees	40,000	196,000
Non-audit fees	5,000	13,713

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 period.

RELATED PARTY DISCLOSURE

Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature for FPE 2019

The aggregate value of recurrent related party transactions conducted pursuant to the shareholders' mandate during FPE 2019 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 ("EJ")	Ee-Lian Enterprise (M) Sdn Bhd ("ELE")	13,238,355 1,524,619	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 ("EBM")	ELE	- 18,480	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

RELATED PARTY DISCLOSURE (CONT'D)

The aggregate value of recurrent related party transactions conducted pursuant to the shareholders' mandate during FPE 2019 are as follow:-(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 ("ES")	ELE	15,973 284,031 80,000	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	3,317,741	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
EJ	Ee-Lian Plastic Industries (M) Sdn Bhd ("ELP")	4,739 256,000	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
EBM	ELP	152,823	Sales of printing services	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan
ES	ELP	190	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 period under review, 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 period under review, trainings, festival feast, annual dinner and some sports activities have been carried out to build better rapport among employees.

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

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

MARKETPLACE

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

FINANCIAL STATEMENTS

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial period ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principle activity of the Company is investment holding. 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 period.

CHANGE IN FINANCIAL YEAR END

The financial year end of the Group and of the Company were changed from 31 August to 31 December. Accordingly, the current financial statements are prepared for sixteen months from 1 September 2018 to 31 December 2019. As a result, the comparative figures stated in the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows and the related notes are not comparable.

FINANCIAL RESULTS

	Group RM	Company RM
Loss for the financial period	10,698,950	1,862,381
Attributable to:		
Owners of the parent	9,824,329	1,862,381
Non-controlling interests	874,621	–
	10,698,950	1,862,381

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period 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 period.

ISSUE OF SHARES AND DEBENTURES

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

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 25 June 2019, 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 2 August 2023 if there is no extension of ESOS. All ESOS were accepted within the 30 days from date of offer.

The salient features of the ESOS are disclosed in Note 32 to the financial statements.

WARRANT

Warrant B

During the prior 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 15(c) to the financial statements.

As at 31 December 2019, 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 period until the date of this report are:

Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai
Dato' Seri MR. Serm Juthamongkhon
Teoh Han Chuan
Piong Yew Peng
Tan Kok Tiam
Loh Yee Feei
Chua Heok Wee
Chew Seng Guan
Neo Chee Kiat (resigned on 19 April 2019)

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) during the financial period 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
Tan Kean Aik

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 period end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 01.09.2018	Bought	Sold	At 31.12.2019
Interests in the Company				
Direct interests				
Tan Sri Dato' Seri Dr Tan King Tai @ Tan Khoon Hai	17,397,025	–	–	17,397,025
Teoh Han Chuan	10,625,000	–	–	10,625,000
Chua Heok Wee	1,182,056	–	(200)	1,181,856
Dato' Seri MR. Serm Juthamongkhon	9,076,625	3,616,000	–	12,692,625
Chew Seng Guan	7,918,225	94,000	–	8,012,225
Indirect interests				
Tan Sri Dato' Seri Dr Tan King Tai @ Tan Khoon Hai #	31,855,325	–	–	31,855,325
Teoh Han Chuan #	1,941,250	–	–	1,941,250
Chua Heok Wee *	2,703,125	–	–	2,703,125
Chew Seng Guan #	50,000	–	–	50,000

	Number of Warrant B			
	At 01.09.2018	Brought	Sold	At 31.12.2019
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
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	2,243,928	(2,091,250)	16,080,338
Teoh Han Chuan #	970,625	–	(500,000)	470,625
Chua Heok Wee *	1,351,562	–	–	1,351,562
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.

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 period 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 period had any interest in shares in the Company or its related corporations during the financial period.

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 28 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 28 to the financial statements.

Neither during nor at the end of the financial period, 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 period, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM3,000,000 (31.08.2018: RM3,000,000) and RM4,700 (31.08.2018: 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 all known bad debts had been 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 period 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 period.

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 period 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 period 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 period 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 period in which this report is made.

SUBSIDIARY COMPANIES

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

AUDITORS' REMUNERATION

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

SIGNIFICANT EVENTS

Details of the significant events are disclosed in Note 33 to the financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are disclosed in Note 35 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 5 June 2020.

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 75 to 151 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 December 2019 and of their financial performance and cash flows for the financial period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 5 June 2020.

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, **TEOH HAN CHUAN**, 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 75 to 151 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 5 June 2020)

TEOH HAN CHUAN

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 December 2019 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 period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 75 to 151.

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 December 2019, and of their financial performance and their cash flows for the financial period 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 period. 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 December 2019 is RM42,855,979. As described in the Accounting Policies in Note 3(l) 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 as a key audit matter. The Group incurred written down and written off of inventories amounting to RM62,033 and RM20,984, respectively during the financial period.	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.

Key Audit Matters (Cont'd)

Key Audit Matters	How we addressed the key audit matters
2. Impairment of trade receivables	
As at 31 December 2019, the carrying value of Group's trade receivables amounting to RM26,059,780 which represents 32% of the Group's total current assets. 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. The aforementioned impairment review gave rise to impairment loss of RM103,992 for the financial period ended 31 December 2019	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 9 *Financial Instruments*.

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.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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 period 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.

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

LIM WAN YINN
Approved Number: 03262/04/2021 J
Chartered Accountant

PENANG
5 June 2020

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Group		Company	
	Note	31.12.2019 RM	31.08.2018 RM	31.12.2019 RM	31.08.2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	95,036,462	96,081,500	–	–
Investment properties	5	2,140,000	3,260,000	–	–
Investment in subsidiary companies	6	–	–	70,118,413	69,465,013
		97,176,462	99,341,500	70,118,413	69,465,013
Current assets					
Inventories	7	42,855,979	38,636,414	–	–
Trade receivables	8	26,059,780	34,734,615	–	–
Other receivables	9	2,150,886	2,866,384	29,123	29,123
Amount due from subsidiary companies	10	–	–	2,047,832	1,008,425
Tax recoverable		2,114,759	1,530,330	–	38,951
Deposits, bank and cash balances	12	8,047,181	10,230,832	772,356	2,655,940
Asset held for sale	13	960,000	–	–	–
		82,188,585	87,998,575	2,849,311	3,732,439
Total assets		179,365,047	187,340,075	72,967,724	73,197,452

STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	Group 31.12.2019 RM	Group 31.08.2018 RM	Company 31.12.2019 RM	Company 31.08.2018 RM
EQUITY					
Share Capital	14	91,242,917	91,171,891	91,242,917	91,171,891
Reserves	15	(1,071,631)	7,628,124	(18,488,111)	(18,079,304)
Equity attributable to owners of the parent		90,171,286	98,800,015	72,754,806	73,092,587
Non-controlling interests		109,181	983,802	–	–
Total equity		90,280,467	99,783,817	72,754,806	73,092,587
LIABILITIES					
Non-current liabilities					
Loans and borrowings	16	13,903,934	13,864,367	–	–
Deferred tax liabilities	17	3,319,267	4,297,423	–	–
		17,223,201	18,161,790	–	–
Current liabilities					
Loans and borrowings	16	46,028,161	40,906,688	–	–
Trade payables	18	20,789,932	23,591,771	–	–
Other payables	19	4,992,207	4,855,484	165,500	104,865
Derivative financial liabilities	11	–	40,525	–	–
Provision of taxation		51,079	–	47,418	–
		71,861,379	69,394,468	212,918	104,865
Total liabilities		89,084,580	87,556,258	212,918	104,865
Total equity and liabilities		179,365,047	187,340,075	72,967,724	73,197,452

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

STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

		Group		Company	
	Note	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Revenue	20	178,295,631	130,666,305	1,040,000	600,000
Cost of sales		(153,299,729)	(106,628,199)	–	–
Gross profit		24,995,902	24,038,106	1,040,000	600,000
Other income		2,399,073	2,041,366	127,978	106,050
Administrative expenses		(24,102,097)	(15,574,716)	(2,924,026)	(926,326)
Selling and distribution expenses		(8,905,195)	(6,458,678)	–	–
Other expenses		(505,633)	(213,291)	–	–
(Loss)/Profit from operations		(6,117,950)	3,832,787	(1,756,048)	(220,276)
Finance costs	21	(4,531,512)	(3,185,550)	–	–
(Loss)/Profit before tax	22	(10,649,462)	647,237	(1,756,048)	(220,276)
Taxation	23	(49,488)	(1,570,442)	(106,333)	(4,188)
Loss for the financial period/year		(10,698,950)	(923,205)	(1,862,381)	(224,464)
Other comprehensive income		–	–	–	–
Total comprehensive loss for the financial period/year		(10,698,950)	(923,205)	(1,862,381)	(224,464)
Loss for the financial period/year attributable to:					
Owners of the parent		(9,824,329)	(1,038,120)	(1,862,381)	(224,464)
Non-controlling interests		(874,621)	114,915	–	–
		(10,698,950)	(923,205)	(1,862,381)	(224,464)
Total comprehensive loss attributable to:					
Owners of the parent		(9,824,329)	(1,038,120)	(1,862,381)	(224,464)
Non-controlling interests		(874,621)	114,915	–	–
		(10,698,950)	(923,205)	(1,862,381)	(224,464)
Loss per share					
- Basic loss per share (sen)	25	(5.4)	(0.6)		
- Diluted loss per share (sen)	25	(5.4)	(0.6)		

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

CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

		Attributable to owners of the parent									
		Non-distributable									
	Note	Share capital RM	Share premium RM	Other reserve RM	Warrant reserve RM	Share-based payment reserve RM	Revaluation reserve RM	Accumulated losses RM	Total Rm	Non-controlling interests RM	Total equity RM
Group											
At 1 September 2018:											
As previously reported		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
Effect of adoption of MFRS 9		–	–	–	–	–	–	(329,000)	(329,000)	–	(329,000)
At 1 September 2018, as restated		91,171,891	71,026	(68,816,475)	68,816,475	–	8,993,843	(1,765,745)	98,471,015	983,802	99,454,817
Loss for the financial period, representing total comprehensive loss for the financial period		–	–	–	–	–	–	(9,824,329)	(9,824,329)	(874,621)	(10,698,950)
Issuance of warrants	15	71,026	(71,026)	–	–	–	–	–	–	–	–
Issuance of ESOS	15	–	–	–	–	1,524,600	–	–	1,524,600	–	1,524,600
Realisation of revaluation surplus upon depreciation		–	–	–	–	–	(484,917)	484,917	–	–	–
At 31 December 2019		91,242,917	–	(68,816,475)	68,816,475	1,524,600	8,508,926	(11,105,157)	90,171,286	109,181	90,280,467

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
		Attributable to owners of the parent								
		Non-distributable								
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	14	18,234,372	(18,234,372)	–	–	–	–	–	–	–
Issuance of warrants	15	–	–	(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

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

		Non-distributable						
	Note	Share capital RM	Share premium RM	Other reserve RM	Warrant reserve RM	Share-based payment RM	Accumulated losses RM	Total equity RM
Company								
At 1 September 2018		91,171,891	71,026	(68,816,475)	68,816,475	–	(18,150,330)	73,092,587
Loss for the financial period, representing total comprehensive loss for the financial period		–	–	–	–	–	(1,862,381)	(1,862,381)
Transactions with owners:								
Issuance of warrants		71,026	(71,026)	–	–	–	–	–
Issuance of ESOS		–	–	–	–	1,524,600	–	1,524,600
At 31 December 2019		91,242,917	–	(68,816,475)	68,816,475	1,524,600	(20,012,711)	72,754,806
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	14	18,234,372	(18,234,372)	–	–	–	–	–
Issuance of warrants	15	–	–	(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

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

STATEMENTS OF
CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

	Note	Group 01.09.2018 to 31.12.2019 RM	Group 01.09.2017 to 31.08.2018 RM	Company 01.09.2018 to 31.12.2019 RM	Company 01.09.2017 to 31.08.2018 RM
Cash flows from operating activities					
(Loss)/Profit before tax		(10,649,462)	647,237	(1,756,048)	(220,276)
Adjustment for:					
Deposit written off		200,000	–	200,000	–
Depreciation of property, plant and equipment	4	9,052,596	6,507,651	–	–
Dividend income		–	–	–	(600,000)
Share-based payment expense		1,524,600	–	871,200	–
Fair value gain on investment properties		(40,000)	(42,000)	–	–
Fair value (gain)/loss on derivatives		(40,525)	46,944	–	–
Finance costs		4,531,512	3,185,550	–	–
Finance income		(221,407)	(263,581)	(127,978)	(106,050)
Gain on disposal of:					
- Investment property		(50,000)	–	–	–
- Property, plant and equipment		(1,295,753)	(1,271,331)	–	–
Impairment losses on trade receivables		103,992	379,560	–	–
Inventories:					
- Written down		62,033	191,531	–	–
- Written off		20,984	–	–	–
Prepayment written off		823,628	–	823,628	–
Reversal of impairment losses on trade receivables		(128,251)	(10,000)	–	–
Unrealised (gain)/loss on foreign exchange		(76,936)	75,126	–	–
Operating profit/(loss) before working capital changes		3,817,011	9,446,687	10,802	(926,326)
Changes in working capital:					
Amount due from subsidiary companies		–	–	(1,039,407)	101,760
Inventories		(4,302,582)	(2,587,995)	–	–
Trade and other receivables		8,059,192	1,018,169	(1,023,628)	(28,123)
Trade and other payables		(2,660,554)	733,138	60,635	(96,987)
		1,096,056	(836,688)	(2,002,400)	(23,350)
Cash generated from/(used in) operations		4,913,067	8,609,999	(1,991,598)	(949,676)
Interest paid		(4,531,512)	(3,185,550)	–	–
Tax paid		(2,165,137)	(2,167,271)	(53,131)	(42,500)
Tax refunded		604,143	824,614	33,167	38,312
Net cash (used in)/from operating activities		(1,179,439)	4,081,792	(2,011,562)	(953,864)

		Group		Company	
	Note	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Cash flows from investing activities					
Acquisition of property, plant and equipment	4(e)	(5,189,053)	(6,703,577)	–	–
Advances to subsidiary companies		–	–	–	(1,008,425)
Dividends received		–	–	–	600,000
Interest received		221,407	263,581	127,978	106,050
Withdrawal of pledged fixed deposit		2,034,923	401,995	–	–
Proceeds from disposal of investment property		250,000	–	–	–
Proceeds from disposal of property, plant and equipment		1,297,399	1,290,445	–	–
Net cash (used in)/from investing activities		(1,385,324)	(4,747,556)	127,978	(302,375)
Cash flows from financing activities					
Repayment of bankers acceptance	26	3,073,954	(816,195)	–	–
Drawdown of term loans	26	3,034,987	–	–	–
Repayment of finance lease liabilities	26	(1,409,729)	(885,698)	–	–
Repayment of term loans	26	(3,165,562)	(1,623,893)	–	–
Net cash from/(used in) financing activities		1,533,650	(3,325,786)	–	–

		Group		Company	
	Note	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Net decrease in cash and cash equivalents		(1,031,113)	(3,991,550)	(1,883,584)	(1,256,239)
Effect of exchange translation differences on cash and cash equivalents		52,669	(38,206)	–	–
Cash and cash equivalents at the beginning of the financial period/year		(808,641)	3,221,115	2,655,940	3,912,179
Cash and cash equivalents at the end of the financial period/year		(1,787,085)	(808,641)	772,356	2,655,940
Cash and cash equivalents at the end of the financial period/year comprises:					
Deposit, bank and cash balances	12	8,047,181	10,230,832	772,356	2,655,940
Less: Bank overdrafts	16	(6,646,202)	(5,816,486)	–	–
		1,400,979	4,414,346	772,356	2,655,940
Less: Fixed deposits pledged with licensed banks		(3,188,064)	(5,222,987)	–	–
		(1,787,085)	(808,641)	772,356	2,655,940

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 investment holding. 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 period.

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

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments with MFRS 4 Insurance Contracts*
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
Annual Improvements to MFRSs 2014 – 2016 Cycle:	Amendments to MFRS 1 Amendments to MFRS 128

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

The adoption of the new and amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company, except for:

(i) <u>MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)</u>

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group and to the Company.

The Group and the Company applied MFRS 9 retrospectively and have elected not to restate the comparative periods in the financial period of initial adoption as permitted under MFRS 9 transitional provision. The impact arising from MFRS 9 adoption were included in the opening retained earnings at the date of initial application, 1 September 2018.

(a) Classification of financial assets and liabilities

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL") and replaces the existing MFRS 139 *Financial Instruments*: *Recognition and Measurement* categories of loans and receivables, held-to maturity and available-for-sale. Classification under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics.

Unquoted equity instruments previously carried at cost less impairment loss that classified as available-for-sale financial assets are classified and measured as equity instruments designated at FVTOCI beginning 1 September 2018. The Group and the Company elected to classify irrevocably its unquoted equity instruments under this category at the date of initial application as it intends to hold these investments for the foreseeable future.

Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes in OCI (provided the instruments is not held for trading). The Group and the Company changed the measurements of the investments in equity instruments currently held as available-for-sale to FVTOCI.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. There were no changes to the classification and measurements of financial liabilities to the Group and the Company.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

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

(b) Impairment

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The Group and the Company are required to record ECL on all of its debt instruments, loans and receivables, either on a 12-months or lifetime basis. The Group and the Company applied the simplified approach and record lifetime expected losses on all receivables. Based on readily information as at the date of this report, the Group and the Company do not expect any significant increase in impairment losses.

The directors of the Group and the Company reviewed and assessed the Group's and the Company's financial position by applying MFRS 9 as at 1 September 2018 and concluded that the initial application of MFRS 9 has had the impact as disclosed in Note 34.

(ii) MFRS 15 Revenue from Contracts with customers

MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Revenue is recognised when a customer obtains control of a goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services. 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 in exchange for those goods or services.

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 September 2018. Under this method, MFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

The adoption of MFRS 15 has no material financial impact other than the disclosures made in the financial statements.

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 for the Company:

		Effective dates for financial periods beginning on or after
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

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 for the Company: (Cont'd)

		Effective dates for financial periods beginning on or after
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
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
Amendments to MFRS 16	Covid-19-related Rent Concessions	1 June 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRSs Standards 2018 - 2020:		
• Amendments to MFRS 1		1 January 2022
• Amendments to MFRS 9		1 January 2022
• Amendments to MFRS 16		1 January 2022
• Amendments to MFRS 141		1 January 2022
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further noticed

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

The initial application 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:

<u>MFRS 16 *Leases*</u>

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.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 16 *Leases* (Cont'd)

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 others amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and 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 and the Company'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 reviews 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 December 2019 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.

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 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: (Cont'd)

<u>Deferred tax assets</u>

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 17.

<u>Inventories valuation</u>

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.

<u>Impairment of loans and receivables</u>

Significant estimates are required in determining the impairment of trade receivables. The Group uses a simplified approach in calculating loss allowances for trade receivables by applying an ECL rate. The measurement of the ECL rate is based on the Group's historical time value loss rate and historical loss rate from past collection records, adjusted by forward-looking information that is available without undue cost or effort. At each reporting date, the ECL rate is re-measured. In addition, trade receivables with significant balances and are credit-impaired are assessed for ECL individually. The loss allowances of ECL are sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 8.

<u>Share-based payments</u>

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

<u>Income taxes</u>

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 December 2019, the Group has tax recoverable of RM2,114,759 and tax payable of RM51,079 (31.08. 2018: tax recoverable of RM1,530,330) and the Company have tax payable of RM47,418 (31.08.2018: tax recoverable of 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

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

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

(iii) Disposal of subsidiary companies

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

(iv) Goodwill on consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (Cont'd)

As lessee (Cont'd)

(i) Finance lease (Cont'd)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment properties (Cont'd)

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.

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) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment are not depreciated once classified as held for sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets

Policy applicable from 1 September 2018

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include trade and other receivables, amount due from subsidiary companies and deposits, bank and cash balances.

(i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Fair value through other comprehensive income

Debt instruments

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

Financial assets categorised as FVOCI are subsequently measured at fair value, with unrealised gains and losses recognised directly in OCI and accumulated under fair value adjustment reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets (Cont'd)

Policy applicable from 1 September 2018 (Cont'd)

(iii) Financial assets at fair value though profit or loss

All financial assets not classified as measured at amortised cost or FVOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment.

The Group and the Company have not designated any financial assets as FVTPL.

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 and sales of financial assets are recognised or 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 where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

Policy applicable before 1 September 2018

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets (Cont'd)

Policy applicable before 1 September 2018 (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.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity. They are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current.

After initial recognition, financial assets categorised as held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when held-to-maturity investments are derecognised or impaired, and though the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends from an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

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 loss that had been recognised in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial liabilities

Policy applicable from 1 September 2018

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability 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.

Policy applicable before 1 September 2018

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)

(h) Financial liabilities (Cont'd)

Policy applicable before 1 September 2018 (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.

(iii) Financial guarantee contracts

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial guarantee contracts

Policy applicable from 1 September 2018

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of:

- the best estimate of the expenditure required to settle the present obligation at the reporting date; and
- the amount initially recognised less cumulative amortisation.

Liabilities arising from financial guarantees are presented together with other provisions.

(j) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement 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.

(k) Derivatives instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a noncurrent liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) 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.

(n) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment of assets (Cont'd)

(ii) Financial assets

Policy applicable from 1 September 2018

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, other receivables, contract assets and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Policy applicable before 1 September 2018

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies and associates, 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 and the Company consider 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 and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Available-for-sale financial assets

Significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of investments in equity instruments below its cost is also an objective evidence of impairment.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value of equity instrument, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the Group's share of net assets or the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(o) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) 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.

(iii) Share-based payments

Equity-settled share-based payments to eligble employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled based transactions are set out in Note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basiss over the reporting period, based on the Group's estimate of equity instruments that will eventually vest with a corresponding increase in equity. At the end of the reprorting period, the Group revises its estimate of the number of equity instrustments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(q) Revenue and other income recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

(i) Sale of goods

Sales of goods are recognised upon delivery of products and when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Rental income

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

(iii) Interest income

Interest income is recognised on accrual 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 basis when services are rendered.

(r) 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.

(s) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Income taxes (Cont'd)

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.

(t) 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.

(u) 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.

(v) Statements of cash flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows. Cash and cash equivalents comprise cash and bank balances, deposits with licensed banks and other short-term, highly liquid investments that are readily convertible into cash with insignificant risk of changes in value against which bank overdrafts, if any, are deducted.

4. PROPERTY, PLANT AND EQUIPMENT

	At valuation				At cost				
	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
Group									
31.12.2019									
Cost/Valuation									
At 1 September 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
Additions	–	–	–	88,722	20,208	7,447,877	276,344	176,053	8,009,204
Disposal	–	–	–	–	–	(2,189,590)	(859,713)	(44,231)	(3,093,534)
Written off	–	–	–	–	–	(22,000)	–	(387,244)	(409,244)
At 31 December 2019	10,194,067	3,152,000	22,550,000	35,570,343	2,517,940	59,235,720	6,124,381	7,112,560	146,457,011
Accumulated depreciation									
At 1 September 2018	–	68,066	421,723	753,388	1,734,095	33,331,689	4,996,096	4,564,028	45,869,085
Charge for the financial period	–	79,200	553,023	950,125	252,588	5,549,684	942,530	725,446	9,052,596
Disposal	–	–	–	–	–	(2,189,590)	(859,710)	(42,588)	(3,091,888)
Written off	–	–	–	–	–	(22,000)	–	(387,244)	(409,244)
At 31 December 2019	–	147,266	974,746	1,703,513	1,986,683	36,669,783	5,078,916	4,859,642	51,420,549
Carrying amount									
At 31 December 2019	10,194,067	3,004,734	21,575,254	33,866,830	531,257	22,565,937	1,045,465	2,252,918	95,036,462

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

	At valuation				At cost				
	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
Group									
31.08.2018									
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 the financial 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

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

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

	Company	
	31.12.2019 RM	31.08.2018 RM
Signboard		
Cost		
At 1 September/31 December/31 August	10,797	10,797
Accumulated depreciation		
At 1 September/31 December/31 August	10,797	10,797
Carrying amount		
At 31 December/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 16 are:

	Group	
	31.12.2019 RM	31.08.2018 RM
Freehold buildings	3,004,734	3,083,934
Freehold land	10,194,067	10,194,067
Leasehold buildings	31,792,682	34,728,233
Leasehold land	23,649,402	22,128,277
	68,640,885	70,134,511

(b) Assets held under finance leases

At financial period/year end, the net carrying amount of leased plant and equipment of the Group held under finance lease are as follows:

	Group	
	31.12.2019 RM	31.08.2018 RM
Motor vehicles	1,408,839	1,388,713
Plant and machinery	2,095,919	1,462,193
	3,504,758	2,850,906

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 16.

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 period.

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

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

	Group	
	31.12.2019 RM	**31.08.2018 RM**
Freehold land and buildings	11,164,797	11,258,452
Leasehold buildings	10,068,692	10,226,237
Leasehold land	22,266,760	24,751,844
	43,500,249	46,236,533

(d) Leasehold land and buildings

The remaining lease term of the leasehold land and buildings is 49 years to 75 years. (31.08.2018: 50 years to 76 years)

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

(e) Purchase of property, plant and equipment

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

	Group	
	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Aggregate costs	8,009,204	8,833,577
Less: Finance lease financing	(2,820,151)	(180,000)
Less: Term loan financing	–	(1,950,000)
Cash payment	5,189,053	6,703,577

(f) During the financial period, the strata title of a leasehold land with carrying amount RM2,782,164 (31.08.2018: RM2,850,000) acquired in financial year 2017 has been issued by relevant authorities.

5. INVESTMENT PROPERTIES

	Group	
	31.12.2019 RM	31.08.2018 RM
At 1 September	3,260,000	3,218,000
Change in fair value recognised in profit or loss	40,000	42,000
Disposal	(200,000)	–
Transfer to asset held for sale (Note 13)	(960,000)	–
At 31 December/31August	2,140,000	3,260,000
Included in the above are:		
At fair value		
Freehold land	1,640,000	1,970,000
Buildings	500,000	1,290,000
	2,140,000	3,260,000

(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.

5. INVESTMENT PROPERTIES (CONT'D)

(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 RM2,140,000 (31.08.2018: RM3,260,000). 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 RM40,000 (31.08.2018: RM42,000) has been recognised in the profit or loss during the financial period.

(c) Income and expenses recognised in profit or loss

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

	Group	
	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Rental income	188,000	136,150
Direct operating expenses:		
- Income generating investment properties	(18,712)	(5,702)
- Non-income generating investment properties	(583)	(2,181)

(d) Investment properties pledged as securities to financial institutions

Investment properties of the Group amounting to RM1,800,000 (31.08.2018: RM1,800,000) has been pledged to secure banking facilities granted to the Group as disclosed in Note 16.

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	31.12.2019 RM	31.08.2018 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
Cost of investment in relation to share option granted to employees of subsidiary companies	653,400	–
	70,118,413	69,465,013

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

	Group	
	31.12.2019	**31.08.2018**
	RM	**RM**
At the beginning of the period/year and at the end of the period/year	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 (%) 31.12.2019**	**Effective interest (%) 31.08.2018**	**Principal activities**
Syarikat U.D. Trading Sdn. Bhd.	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 manufacturer of furniture and furniture parts
Poh Keong Industries Sdn. Bhd.	Malaysia	100.00	100.00	Furniture and parts manufacturing
Ee-Lian 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

7. INVENTORIES

	Group	
	31.12.2019	**31.08.2018**
	RM	**RM**
Raw materials	16,904,889	16,456,850
Work-in-progress	10,757,708	7,298,970
Finished goods	14,615,448	14,759,079
Goods-in-transit	577,934	121,515
	42,855,979	38,636,414

Recognised in profit or loss:		
Inventories recognised as cost of sales	153,216,712	106,436,668
Inventories written off	20,984	–
Inventories written down	62,033	191,531

8. TRADE RECEIVABLES

	Group	
	31.12.2019	**31.08.2018**
	RM	**RM**
Trade receivables	24,830,457	32,479,174
Companies in which certain Directors have substantial financial interest	1,718,869	2,794,847
	26,549,326	35,274,021
Less: Accumulated impairment losses	(489,546)	(539,406)
	26,059,780	34,734,615

Trade receivables are non-interest bearing and are generally on 30 to 120 days (31.08.2018: 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 (31.08.2018: 30 to 120 days).

8. TRADE RECEIVABLES (CONT'D)

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

	Group	
	31.12.2019 RM	31.08.2018 RM
At 1 September, as previously reported	539,406	169,846
Effect of adoption of MFRS 9	329,000	–
At 1 September, as restated	868,406	169,846
Impairment losses recognised	103,992	379,560
Impairment losses reversed	(128,251)	(10,000)
Written off against trade receivables	(354,601)	–
At 31 December/31 August	489,546	539,406

Impairment losses reversed during the financial period amounting to RM 128,251 (31.08.2018: RM10,000) pertains to previously impaired receivables recovered during the financial period.

Allowance for impairment loss written off against trade receivables during the financial period amounting to RM354,601 (31.08.2018: Nil) are still subjected to enforcement activity.

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

		Group	
	Gross amount RM	Loss allowance RM	Net amount RM
31 December 2019			
Neither past due nor impaired	10,579,149	(33,000)	10,546,149
Past due not impaired:			
Less than 30 days	7,977,918	(53,000)	7,924,918
31 to 60 days	3,091,057	(34,000)	3,057,057
More than 61 days	4,744,656	(213,000)	4,531,656
Total past due but not impaired	15,813,631	(300,000)	15,513,631
	26,392,780	(333,000)	26,059,780
Individually Impaired	156,546	(156,546)	–
	26,549,326	(489,546)	26,059,780
31 August 2018			
Neither past due nor impaired	17,735,007	–	17,735,007
Past due not impaired:			
Less than 30 days	7,441,020	–	7,441,020
31 to 60 days	3,678,151	–	3,678,151
More than 61 days	5,880,437	–	5,880,437
Total past due but not impaired	16,999,608	–	16,999,608
	34,734,615	–	34,734,615
Individually Impaired	539,406	(539,406)	–
	35,274,021	(539,406)	34,734,615

8. TRADE RECEIVABLES (CONT'D)

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

As at 31 December 2019, trade receivables of RM15,513,631 (31.08.2018: RM16,999,608) were past due but not impaired as there has not been significant change in the credit quality and the Group believes that the amounts are still considered fully recoverable.

The Group has applied a simplified approach in calculating loss allowance for trade receivables at an amount equal to lifetime expected credit loss ("ECL"). The Group estimated the loss allowance on trade receivables by applying an ECL rate at each reporting period. The ECL rate is computed based on estimated irrecoverable amounts determined by reference to past default experience of the Group and an analysis of general economic conditions of the industry and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM156,546 (31.08.2018: RM539,406), 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	
	31.12.2019 RM	**31.08.2018 RM**	**31.12.2019 RM**	**31.08.2018 RM**
Other receivables	317,013	971,664	28,123	29,123
Companies in which certain Directors have substantial financial interest	24,047	–	–	–
	341,060	971,664	28,123	29,123
Deposits	398,634	289,480	1,000	–
Prepayments	1,411,192	1,605,240	–	–
	2,150,886	2,866,384	29,123	29,123

Amount due from companies in which certain Directors have substantial financial interest is unsecured, non-interest bearing and repayable on demand.

10. AMOUNT DUE FROM SUBSIDIARY COMPANIES

		Company	
	Note	31.12.2019 RM	31.08.2018 RM
Amount due from subsidiary companies			
Trade	(a)	702,502	–
Non-trade	(b)	1,345,330	1,008,425
		2,047,832	1,008,425

(a) Amount due from subsidiary companies are unsecured, interest fee and repayable on demand.

(b) Amount due from subsidiary companies are unsecured, which bear interest at 4.96% (31.08.2018: 4.96%) per annum and repayable on demand.

11. DERIVATIVE FINANCIAL LIABILITIES

	31.12.2019		31.08.2018	
	Contract/ Notional amount USD	Financial liabilities RM	Contract/ Notional amount USD	Financial liabilities RM
Group				
Non-hedging derivative				
Current				
- Forward exchang contracts	–	–	500,000	(40,525)

The Group had forward currency contracts to manage some of the transaction exposure. These contracts were 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 period, the Group recognised a gain of RM40,525 (31.08.2018: loss of RM46,944) 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	
	31.12.2019 RM	31.08.2018 RM	31.12.2019 RM	31.08.2018 RM
Cash and bank balances	4,292,623	4,462,715	772,356	2,655,940
Fixed deposits with licensed banks	3,754,558	5,768,117	–	–
	8,047,181	10,230,832	772,356	2,655,940

Fixed deposits with licensed banks of the Group amounting to RM3,188,064 (31.08.2018: RM5,222,987) are pledged as security for bank borrowings as disclosed in Note 16.

The effective interest rates and maturities of fixed deposits of the Group as at the end of the reporting period range from 3.10% to 3.63% (31.08.2018: 3.00% to 3.80%) per annum and 30 days to 12 months (31.08.2018: 30 days to 12 months) respectively.

13. ASSET HELD FOR SALE

	Group	
	31.12.2019 RM	31.08.2018 RM
Land and building held for sale	960,000	–

On 1 December 2019, the Group has entered into a sale and purchase agreement to sell a parcel of land and building for a consideration price of RM960,000. The said transaction was completed on 29 February 2020.

14. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	31.12.2019 Units	31.08.2018 Units	31.12.2019 RM	31.08.2018 RM
Ordinary shares issued and fully paid shares:				
At 1 September	182,343,782	145,875,038	91,171,891	72,937,519
Issuance of bonus shares	–	36,468,744	–	18,234,372
Utilisation of share premium account	–	–	71,026	–
At 31 December/ 31 August	182,343,782	182,343,782	91,242,917	91,171,891

14. SHARE CAPITAL (CONT'D)

During the prior 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.

Pursuant to Section 74 of the Companies Act, 2016 the Company utilised and merged its entire share premium of RM71,026 into the Company's share capital. Immediately upon the exercise, the issued and paid-up share capital of the Company amount to RM91,242,917 comprising 182,343,782 ordinary shares.

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 regards to the Company residual assets.

15. RESERVES

		Group		Company	
	Note	31.12.2019 RM	31.08.2018 RM	31.12.2019 RM	31.08.2018 RM
Non-distributable					
Share premium	a	–	71,026	–	71,026
Revaluation reserve	b	8,508,926	8,993,843	–	–
Warrant reserve	c	68,816,475	68,816,475	68,816,475	68,816,475
Other reserve	c	(68,816,475)	(68,816,475)	(68,816,475)	(68,816,475)
Equity-settled employees' based benefit	d	1,524,600	–	1,524,600	–
Accumulated losses		(11,105,157)	(1,436,745)	(20,012,711)	(18,150,330)
		(1,071,631)	7,628,124	(18,488,111)	(18,079,304)

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

(a) Share premium

	31.12.2019 RM	31.08.2018 RM
At 1 September	71,026	18,305,398
Issuance of bonus shares	–	(18,234,372)
Utilisation	(71,026)	–
At 31 December/31 August	–	71,026

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.

15. RESERVES (CONT'D)

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

(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.

Warrant B

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 are 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.

(c) Warrants reserve/Other reserve (Cont'd)

(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 December 2019, the total number of warrants that remain unexercised were 91,171,801 (31.08.2018: 91,171,801). The closing market price of warrant for the financial period was at RM0.125 each.

(d) Equity-settled employees' benefits reserve

The equity-settled employees' benefits reserve relates to share options granted by the Company to employees of the Group under the ESOS. Further information about share-based payments to employees is set out in Note 32.

16. LOANS AND BORROWINGS

	Note	Group 31.12.2019 RM	Group 31.08.2018 RM
Secured			
Term loans	(a)	15,024,508	15,155,083
Bank overdraft	(a)	6,646,202	5,816,486
Bankers' acceptance	(a)	35,174,964	32,123,487
Finance lease liabilities	(b)	3,086,421	1,675,999
		59,932,095	54,771,055
Non-current			
Term loans		11,858,295	12,994,663
Finance lease liabilities		2,045,639	869,704
		13,903,934	13,864,367
Current			
Term loans		3,166,213	2,160,420
Bank overdraft		6,646,202	5,816,486
Bankers' acceptance		35,174,964	32,123,487
Finance lease liabilities		1,040,782	806,295
		46,028,161	40,906,688
		59,932,095	54,771,055

(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.

(b) Finance lease liabilities

	Group 31.12.2019 RM	Group 31.08.2018 RM
Minimum lease payments:		
Within one year	1,197,704	882,109
Later than one year and not later than two years	822,592	685,904
Later than two years and not later than five years	1,473,935	231,274
	3,494,231	1,799,287
Less: Future finance charges	(407,810)	(123,288)
Present value of minimum lease payments	3,086,421	1,675,999

16. LOANS AND BORROWINGS (CONT'D)

	Group	
	31.12.2019	31.08.2018
	RM	RM
(b) Finance lease liabilities (Cont'd)		
Present value of minimum lease payments:		
Within one year	1,040,782	806,295
Later than one year and not later than two years	710,878	644,552
Later than two years and not later than five years	1,334,761	225,152
	3,086,421	1,675,999

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:

	31.12.2019	31.08.2018
	%	%
Term loans	4.77 to 7.51	4.77 to 7.15
Bank overdraft	7.60 to 8.60	7.60 to 8.70
Bankers' acceptance	3.51 to 5.62	3.51 to 5.62
Finance lease liabilities	2.47 to 7.16	2.47 to 7.16

17. DEFERRED TAX LIABILITIES

	Group	
	31.12.2019	31.08.2018
	RM	RM
At 1 September	4,297,423	4,085,579
Recognised in profit or loss (Note 23)	(692,079)	118,696
Relating to crystallisation of reserve deferred tax liability on revaluation	(22,802)	(20,697)
(Under)/Over provision in prior years	(263,275)	113,845
At 31 December/ 31 August	3,319,267	4,297,423

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

	Group	
	31.12.2019	31.08.2018
	RM	RM
Deferred tax assets	(869,842)	(475,186)
Deferred tax liabilities	4,189,109	4,772,609
	3,319,267	4,297,423

17. 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 2018	(2,000)	(473,186)	–	(475,186)
Recognised in profit or loss (Note 23)	2,000	(144,348)	–	(142,348)
Over provision in prior year	–	(25,359)	(226,949)	(252,308)
At 31 December 2019	–	(642,893)	(226,949)	(869,842)
At 1 September 2017	–	(291,024)	–	(291,024)
Recognised in profit or loss (Note 23)	(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)

	Others RM	Accelerated capital allowances RM	Revaluation of assets RM	Total RM
Group				
Deferred tax liabilities				
At 1 September 2018	(45,317)	3,673,126	1,144,800	4,772,609
Recognised in profit or loss (Note 23)	(14,972)	(535,058)	–	(550,030)
Relating to crystallisation of deferred tax liability on revaluation reserve	–	–	(22,504)	(22,504)
Over provision in prior year	–	(10,966)	–	(10,966)
At 31 December 2019	(60,289)	3,127,102	1,122,296	4,189,109
At 1 September 2017	(74,232)	3,285,338	1,165,497	4,376,603
Recognised in profit or loss (Note 23)	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

17. DEFERRED TAX LIABILITIES (CONT'D)

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

	Group	
	31.12.2019	**31.08.2018**
	RM	**RM**
Unutilised tax losses	21,513,148	17,668,854
Unutilised capital allowances	3,034,291	1,274,068
Unutilised reinvestment allowances	1,942,116	2,887,735
	26,489,555	21,830,657

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.

18. TRADE PAYABLES

	Group	
	31.12.2019	**31.08.2018**
	RM	**RM**
Trade payables	20,328,227	23,287,779
Companies in which certain Directors have substantial financial interest	461,705	303,992
	20,789,932	23,591,771

Credit terms of trade payables of the Group ranged from 30 to 90 days (31.08.2018: 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 (31.08.2018: 30 to 90 days).

19. OTHER PAYABLES

	Group		Company	
	31.12.2019	**31.08.2018**	**31.12.2019**	**31.08.2018**
	RM	**RM**	**RM**	**RM**
Amount due to Directors	48,225	43,725	–	–
Other payables	2,052,415	2,252,995	500	24,865
Deposits received	761,838	880,881	–	–
Accruals	2,129,729	1,677,883	165,000	80,000
	4,992,207	4,855,484	165,500	104,865

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

20. REVENUE

	Group		Company	
	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Sales	178,295,631	130,666,305	–	–
Management fees	–	–	1,040,000	–
Dividend income	–	–	–	600,000
	178,295,631	130,666,305	1,040,000	600,000

21. FINANCE COSTS

	Group	
	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Interest expenses on:		
- Bank overdraft	665,606	543,885
- Bankers' acceptance	2,280,256	1,529,369
- Term loans	1,386,823	990,954
- Finance leases liabilities	198,827	121,342
	4,531,512	3,185,550

22. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Auditors' remuneration				
- statutory audits	196,000	146,000	40,000	30,000
- special audits	–	18,000	–	–
- non-audit services	13,713	5,000	5,000	5,000
Deposit written off	200,000	–	200,000	–
Depreciation of property, plant and equipment	9,052,596	6,507,651	–	–
Fair value gain on investment properties	(40,000)	(42,000)	–	–
Fair value (gain)/loss on derivatives	(40,525)	46,944	–	–
Foreign exchange loss/(gain)				
- realised	242,086	30,587	–	–
- unrealised	(76,936)	75,126	–	–
Gain on disposal of				
- investment properties	(50,000)	–	–	–
- property, plant and equipment	(1,295,753)	(1,271,331)	–	–

22. (LOSS)/PROFIT BEFORE TAX (CONT'D)

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

	Group		Company	
	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Allowance of doubtful debts:				
- impairment losses	103,992	379,560	–	–
- reversal	(128,251)	(10,000)	–	–
Interest income				
- fixed deposit with licensed financial institution	(161,692)	(93,919)	–	–
- interest received from banks	(59,715)	(169,662)	(45,452)	(69,903)
- interest received from subsidiary companies	–	–	(82,526)	(36,147)
Inventories:				
- written down	62,033	191,531	–	–
- written off	20,984	–	–	–
Prepayment written off	823,628	–	823,628	–
Rental income	(268,000)	(190,150)	–	–
Rental of expenses	358,165	81,665	–	–

23. TAXATION

	Group		Company	
	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Tax expenses recognised in profit or loss				
Current tax	738,311	1,225,000	97,000	–
Under provision in prior years	289,333	133,598	9,333	4,188
	1,027,644	1,358,598	106,333	4,188
Deferred tax				
Origination and reversal of temporary differences (Note 17)	(692,079)	118,696	–	–
Relating to crytallisation of deferred tax liability on revaluation reserve	(22,802)	(20,697)	–	–
(Over)/Under provision of deferred tax liabilities in prior years	(263,275)	113,845	–	–
	(978,156)	211,844	–	–
	49,488	1,570,442	106,333	4,188

Malaysian income tax is calculated at the statutory tax rate of 24% (31.08.2018: 24%) of the estimated assessable profits for the financial period/year.

23. TAXATION (CONT'D)

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

	Group		Company	
	01.09.2018 to 31.12.2019 RM	**01.09.2017 to 31.08.2018 RM**	**01.09.2018 to 31.12.2019 RM**	**01.09.2017 to 31.08.2018 RM**
(Loss)/Profit before tax	(10,649,462)	647,237	(1,756,048)	(220,276)
At Malaysian statutory tax rate of 24%	(2,555,871)	155,337	(421,452)	(52,866)
Income not subject to tax	75,527	(67,639)	–	(144,000)
Expenses not deductible for tax purposes	1,450,800	1,067,901	518,452	196,866
Tax incentives	(302,477)	(165,215)	–	–
Real property gain tax	33,169	–	–	–
Deferred tax assets not recognised	1,345,084	353,312	–	–
Relating to crystallisation of deferred tax liability on revaluation reserve	(22,802)	(20,697)	–	–
	23,430	1,322,999	97,000	–
Under provision of tax expenses in prior years	289,333	133,598	9,333	4,188
(Over)/Under provision of deferred tax in prior years	(263,275)	113,845	–	–
	49,488	1,570,442	106,333	4,188

The Group has estimated unutilised tax losses, unutilised capital allowances and unutilised reinvestment allowances of RM23,013,910 (31.08.2018: RM19,031,669), RM4,548,985 (31.08.2018: RM1,988,525) and RM2,887,735 (31.08.2018: RM2,887,735) respectively available for carried forward to set-off against future taxable profit. The said amounts are subject to approval by the tax authorities.

24. STAFF COSTS

	Group		Company	
	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Salaries, wages and other emoluments	30,838,651	20,532,274	528,000	317,000
Social contribution plans	230,612	130,144	–	–
Defined contribution plans	2,056,745	1,486,270	–	–
Share-based payment expenses	1,524,600	–	871,200	–
Other benefits	359,841	257,107	–	–
Estimated money value of benefit-in-kind	398,296	150,036	51,939	20,900
	35,408,745	22,555,831	1,451,139	337,900

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 period as disclosed in Note 28 to the financial statements.

25. LOSS PER SHARE

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

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

The following reflects the loss and share data used in the computation of basic and diluted loss per share during the period/year as follows:

	Group	
	01.09.2018 to 31.12.2019	01.09.2017 to 31.08.2018
Loss attributable to owners of the parent (RM)	(9,824,329)	(1,038,120)
Weighted average number of ordinary shares in issue	182,343,782	182,343,782
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	182,343,782	182,343,782
Basic loss per share (sen)	(5.4)	(0.6)
Diluted loss per share (sen)	(5.4)	(0.6)

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

The closing market price of Warrant B for the financial period was of RM0.218 each and is below the exercise price of RM0.90 per warrant.

26. 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 2018 RM	Financing cash flow (i) RM	Non-Cash changes RM	At 31 December 2019 RM
Group				
Bankers' acceptance (Note 16)	32,123,487	3,073,954	(22,477)	35,174,964
Term loans (Note 16)	15,155,083	(130,575)	–	15,024,508
Finance lease liabilities (Note 16)	1,675,999	(1,409,729)	2,820,151	3,086,421
	48,954,569	1,533,650	2,797,674	53,285,893

(i) The cash flows from loans and borrowings make up the net amount of proceeds from or repayments of borrowing in the statement of cash flows.

27. COMMITMENTS

Operating lease commitments - as lessee

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

	Group	
	31.12.2019 RM	31.08.2018 RM
Within one year	271,200	92,000
Later than one year but not later than two years	20,350	61,100
	291,550	153,100

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.

28. 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.

28. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in the Notes 8, 9, 10 and 18 the significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	01.09.2018 to 31.12.2019 RM	**01.09.2017 to 31.08.2018 RM**	**01.09.2018 to 31.12.2019 RM**	**01.09.2017 to 31.08.2018 RM**
(i) Transactions with subsidiary companies				
- Dividend income received	–	–	–	600,000
- Management fee income	–	–	1,040,000	–
- Interest income	–	–	82,526	36,147
(ii) Transactions with companies which Directors of the Company have substantial financial Interest:				
- Sales of goods	16,729,821	13,250,621	–	–
- Purchase of goods	2,083,130	1,364,147	–	–
- Rental income	80,000	54,000	–	–
- Rental expenses	–	32,000	–	–

(c) Compensation of key management personnel

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

	Group		Company	
	01.09.2018 to 31.12.2019 RM	**01.09.2017 to 31.08.2018 RM**	**01.09.2018 to 31.12.2019 RM**	**01.09.2017 to 31.08.2018 RM**
Executive Directors				
Existing Directors of the Company				
Salaries and other emoluments	2,036,500	1,429,480	–	–
Social contribution plan	3,918	3,555	–	–
Defined contribution plans	239,180	183,045	–	–
Other benefits	117,011	14,003	–	–
Share-based payment expenses	217,800	–	217,800	–
Estimated money value of benefits-in-kind	75,332	35,000	–	–
	2,689,741	1,665,083	217,800	–

28. 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	
	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Executive Directors (Cont'd)				
Existing Directors of the Subsidiary Companies				
Salaries and other emoluments	2,514,100	1,724,897	–	–
Social contribution plan	8,565	6,519	–	–
Defined contribution plans	404,456	287,908	–	–
Other benefits	62,000	121,312	–	–
Share-based payment expenses	609,840	–	–	–
Estimated money value of benefits in-kind	233,746	94,136	–	–
	3,832,707	2,234,772	–	–
Past Director of a Subsidiary Company *				
Salaries and other emoluments	–	36,216	–	–
Social contribution plan	–	291	–	–
Defined contribution plans	–	4,725	–	–
Other benefits	–	1,500	–	–
Estimated money value of benefits-in-kind	–	–	–	–
	–	42,732	–	–
Non-executive Directors				
Directors of the Company				
Fees	494,000	287,000	494,000	287,000
Share-based payment expenses	653,400	–	653,400	–
Estimated money value of benefits-in-kind	23,600	20,900	23,600	20,900
	1,171,000	307,900	1,171,000	307,900
Past Director of the Company *				
Fees	34,000	30,000	34,000	30,000
Estimated money value of benefits-in-kind	800	–	800	–
	34,800	30,000	34,800	30,000

28. 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	
	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM	01.09.2018 to 31.12.2019 RM	01.09.2017 to 31.08.2018 RM
Other Members of Key Management				
Salaries and other emoluments	221,550	125,600	–	–
Social contribution plan	2,307	923	–	–
Defined contribution plans	25,374	14,300	–	–
Share-based payment expenses	43,560	–	–	–
	292,791	140,823	–	–
Total Directors and key management remuneration	8,021,039	4,421,310	1,423,600	337,900

* This represents the remuneration paid to the Director during the financial period/year until his resignation.

29. 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 period.

29. 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					
31.12.2019					
Revenue					
External revenue	–	85,864,158	92,431,473	–	178,295,631
Management fees	1,040,000	–	–	(1,040,000)	–
Inter-segment revenue	–	8,426,161	34,871,772	(43,297,933)	–
Total revenue	1,040,000	94,290,319	127,303,245	(44,337,933)	178,295,631
Results					
Interest income	127,978	238,799	145,146	(290,516)	221,407
Finance costs	–	(1,205,772)	(3,616,256)	290,516	(4,531,512)
Depreciation of property, plant and equipment	–	(2,285,484)	(6,436,773)	(330,339)	(9,052,596)
Fair value gains on investment properties	–	65,000	–	(25,000)	40,000
Taxation	(106,333)	(374,837)	416,710	14,972	(49,488)
Other non-cash items	(1,023,628)	49,249	1,355,207	–	380,828
Segment loss	(1,862,381)	(1,848,335)	(6,699,300)	(288,934)	(10,698,950)
Segment assets	72,967,724	82,700,544	115,139,515	(91,442,736)	179,365,047
Segment liabilities	212,918	33,140,563	67,623,267	(11,892,168)	89,084,580

29. 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					
31.08.2018					
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

29. 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	
	01.09.2018 to 31.12.2019 RM	**01.09.2017 to 31.08.2018 RM**
Deposit written off	200,000	–
Inventories written down	62,033	420,853
Inventories written off	20,984	–
Fair value (gain)/loss on derivative	(40,525)	46,944
Gain on disposal of property, plant and equipment	(1,295,753)	(1,271,331)
Gain on disposal of investment property	(50,000)	–
Impairment losses on trade receivables	103,992	379,560
Prepayment written off	823,628	–
Reversal of impairment losses on receivables	(128,251)	(10,000)
Unrealised (gain)/loss on foreign exchanges	(76,936)	75,126
	(380,828)	(358,848)

(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 sssets	
	01.09.2018 to 31.12.2019 RM	**01.09.2017 to 31.08.2018 RM**	**01.09.2018 to 31.12.2019 RM**	**01.09.2017 to 31.08.2018 RM**
Group				
Asia Pacific	19,528,277	15,837,581	–	–
Australia	963,007	579,789	–	–
Europe	18,298,984	14,977,089	–	–
Malaysia	116,058,600	94,337,353	97,176,462	99,341,500
Middle East	945,792	1,254,325	–	–
Others	22,500,971	3,680,168	–	–
	178,295,631	130,666,305	97,176,462	99,341,500

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

29. SEGMENT INFORMATION (CONT'D)

(c) Major customer

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

30. 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:

	At amortised cost RM
Group	
31.12.2019	
Financial asset	
Trade receivables	26,059,780
Other receivables, net of prepayments	739,694
Deposit, bank and cash balances	8,047,181
	34,846,655
Financial liabilities	
Trade payables	20,789,932
Other payables	4,992,207
Loans and borrowings	59,932,095
	85,714,234

30. 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)

	Financial liability at fair value through profit or loss RM	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
Group				
31.08.2018				
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

	At amortised cost RM
Group	
31.12.2019	
Financial asset	
Other receivables, net of prepayments	29,123
Amount due from subsidiary companies	2,047,832
Deposit, bank and cash balances	772,356
	2,849,311
Financial liabilities	
Other payables	165,500

30. FINANCIAL INSTRUMENTS (CONT'D)

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

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
Company			
31.08.2018			
Financial assets			
Other receivables	29,123	–	29,123
Amounts due from subsidiary companies	1,008,425	–	1,008,425
Deposit, cash and bank balances	2,655,940	–	2,655,940
	3,693,488	–	3,693,488
Financial liability			
Other payables	–	104,865	104,865

(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, deposits with banks and financial institutions and financial guarantees given to banks. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

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

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

30. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Credit risk (Cont'd)

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial period represents the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks. The Group's and Company's maximum exposure in this respect is RM 2,610,000 (31.08.2018: RM270,000) and RM19,829,160 (31.08.2018: RM14,720,132) respectively. The Company's maximum exposure to credit risk represents the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary companies would default on repayment as at the end of the reporting period.

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

(ii) Liquidity risk

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

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

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

30. 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	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
31.12.2019						
Non-derivative financial liabilities						
Trade payables	20,789,932	–	–	–	20,789,932	20,789,932
Other payables	4,992,207	–	–	–	4,992,207	4,992,207
Loans and borrowings	47,119,928	4,903,471	8,209,852	3,075,909	63,309,160	59,932,095
Financial guarantee liabilities *	2,610,000	–	–	–	2,610,000	–
	75,512,067	4,903,471	8,209,852	3,075,909	91,701,299	85,714,234
31.08.2018						
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

30. 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			
31.12.2019			
Non-derivative financial liabilities			
Other payables	165,500	165,500	165,500
Financial guarantee liabilities *	19,829,160	19,829,160	–
	19,994,660	19,994,660	165,500
31.08.2018			
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

* 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 subsidiary companies and monitors on an ongoing basis the performance of the subsidiary companies. At end of the financial period, 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 RM19,829,160 as at 31 December 2019 (31.08.2018: RM14,720,132). 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 period, there was no indication that the subsidiary and related companies would default on repayment.

Financial guarantees 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.

30. 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 RM	**Others RM**	**Total RM**
Group			
31.12.2019			
Trade receivables	3,910,221	–	3,910,221
Other receivables	33,326	–	33,326
Deposits, bank and cash balances	399,519	17,050	416,569
Trade payables	(822,941)	–	(822,941)
Other payables	(509,771)	–	(509,771)
	3,010,354	17,050	3,027,404
31.08.2018			
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

30. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risk

(i) Foreign currency risk

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	01.09.2018 to 31.12.2019 Effect on (loss)/profit before tax RM	01.09.2017 to 31.08.2018 Effect on (loss)/profit before tax RM
USD	Strengthened 5%(2018: 5%)	150,518	206,847
	Weakened 5% (2018: 5%)	(150,518)	(206,847)
Others	Strengthened 5% (2018: 5%)	853	3,029
	Weakened 5% (2018: 5%)	(853)	(3,029)

(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.

30. 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:

	31.12.2019 RM	31.08.2018 RM
Group		
Fixed rate instruments		
Financial assets		
Fixed deposits with licensed banks	3,754,558	5,768,117
Financial liabilities		
Finance lease liabilities	(3,086,421)	(1,675,999)
	668,137	4,092,118
Floating rate instruments		
Financial liabilities		
Term loans	(15,024,508)	(15,155,083)
Bank overdraft	(6,646,202)	(5,816,486)
Bankers' acceptance	(35,174,964)	(32,123,487)
	(56,845,674)	(53,095,056)
Company		
Fixed rate instruments		
Financial asset		
Amount due from subsidiary companies	1,345,330	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.

30. 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 RM568,457 (31.08.2018: RM530,951) 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.

30. 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										
31.12.2019										
Financial liabilities										
Term loans	–	–	–	–	–	(14,643,383)	–	(14,643,383)	(14,643,383)	(15,024,508)
Financial lease liabilities	–	–	–	–	–	(3,062,409)	–	(3,062,409)	(3,062,409)	(3,086,421)
	–	–	–	–	–	(17,705,792)	–	(17,705,792)	(17,705,792)	(18,110,929)
31.08.2018										
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)

30. 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.

31. CAPITAL MANAGEMENT

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

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

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

	31.12.2019 RM	**31.08.2018 RM**
Total loans and borrowings (Note 16)	59,932,095	54,771,055
Less: Deposit, bank and cash balances (Note 12)	(8,047,181)	(10,230,832)
Net debt	51,884,914	44,540,223
Total equity	90,171,286	98,800,015
Gearing ratio (times)	0.57	0.45

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

32. SHARE-BASED PAYMENTS

At the Extraordinary General Meeting held on 26 March 2018, the Company's shareholders approved the establishment of an ESOS. The ESOS was implemented on 25 June 2019 and will be in force for a maximum period of 5 years from the effective date.

The maximum number of the Company's shares under ESOS should not exceed 15% of the issued and paid up share capital (excluding treasury shares) of the Company at any point in time during the duration of the scheme.

Salient features of the ESOS are as follows:

(a) Employees eligible to participate in the ESOS must have attained 18 years of age, is not an undischarged bankrupt or subject to any bankruptcy proceedings, has been confirmed in service and has not served a notice to resign nor received a notice of termination and is in the employment of any corporation within SWS Group.

(b) The actual entitlement of eligible employees shall essentially be based on the performance, contribution, employment grade, seniority and/or length of service.

(c) The price of which the grantee is entitled to subscribe for shares under ESOS is the volume weighted average market price for the 5 market days preceding the date of offer, subject to a discount of not more than 10% which the Company may at its discretion decide to give.

(d) The shares to be allotted upon the exercise of the option shall, upon issue and allotment, rank pari passu in all respects with the existing issued and paid up capital of the Company, except that such shares will not be entitled for any dividend, rights, transfer, allotment or distribution declared, made or paid to shareholders prior to the date of allotment and issuance of the new SWS shares.

Options granted pursuant to ESOS during the financial period, which are vested and exercisable over a period of 5 years, are as follows:

Option shares	Grant date	Number of options	Expiry date	Exercise price RM	Fair value per option at grant date RM
Grant I	25 June 2019	7,000,000	2 August 2023	0.49	0.218

<u>Fair value of share option granted during the financial period</u>

Fair value of the share options granted during the financial period was valued using the Black-Scholes Valuation model. Inputs into the valuation model are as follows:

	Grant I
Share price at grant date	RM0.540
Exercise price	RM0.490
Dividend yield	0%
Expected life	5 years
Risk-free interest rate	9.33%
Volatility	40.67%

33. SIGNIFICANT EVENTS

On 1 December 2019, the Group has entered into a sale and purchase agreement to sell a parcel and land and building for a consideration price of RM960,000. The said transaction was completed on 29 February 2020.

34. ADOPTION OF NEW AND AMENDED STANDARDS

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

(a) Effect of change in classification and measurement of financial assets on 1 September 2018

	At 1 September 2018 RM	Remeasurement RM	At amortised cost RM
Group			
2019			
Financial asset			
Trade receivables	34,734,615	(329,000)	34,405,615
Other receivables, net of prepayments	1,261,144	–	1,261,144
Deposit, bank and cash balances	10,230,832	–	10,230,832
	46,226,591	(329,000)	45,897,591

(b) Effect on impairment allowances on 1 September 2018

	Group RM
Impairment of financial assets	
Balances under MFRS139 as at 31 August 2018	539,406
Impairment loss on receivables	329,000
Balances under MFRS9 as at 1 September 2018	868,406

35. EVENTS AFTER THE REPORTING PERIOD

Termination of proposed acquisition, proposed rights issue of irredeemable convertible preference shares ("ICPS"), proposed private placement of ICPS and proposed amendments

On 28 January 2019, the Company had entered into a conditional share purchase agreement for the proposed acquisition of 5,250,000 ordinary shares of EE Jia Housewares (M) Sdn. Bhd. along with the proposed renounceable rights issue of up to 547,031,166 new irredeemable convertible preference shares ("ICPS"), proposed private placement of up to 143,000,000 new ICPS in SWS and proposed amendments to the constitution of SWS.

Subsequent to financial period end, on 27 April 2020, the agreement have been terminated and ceased to have effect. The initial expenditure incurred on the proposals have been written off as disclosed in Note 22.

35. EVENTS AFTER THE REPORTING PERIOD (CONT'D)

Effect of outbreak of coronavirus pandemic

The Directors of the Company have closely monitored the development of the outbreak of the coronavirus pandemic ("COVID-19") infection in Malaysia that may affect the business performance, financial performance and financial position of the Company mainly due to travel and movement restrictions and other precautionary measures imposed by relevant local authorities that affected the Company's business operations. As at the date of this report, the financial impact of the COVID-19 outbreak to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19. The extent of the impact depends on the on-going precautionary measures introduced by each country to address this pandemic and the duration of the pandemic. As such, the Directors of the Company will continue to closely monitor the situation and respond proactively to mitigate the impact on the Company's financial performance and financial position.

36. 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 5 June 2020.

LIST OF
MATERIAL PROPERTIES
AS AT 31 DECEMBER 2019

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 / 9 years	20,976	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 / 9 years	9,481	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 / 22 years	6,215	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 / 13 years	5,470	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 / 4 years	5,054	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 / 16 years	4,813	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 / 16 years	4,483	22.06.17

Address / Location	Description	Land Area	Existing Use	Tenure/ Age of Building	Net Book Value RM'000	Date of Valuation
Lot No 2815, Gerean 96065 Mukim Parit Jawa, District of Muar, Muar, Johor.	Industrial land	24,888 square metres	Vacant	Freehold / 4 years	3,923	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 / 4 years	2,782	31.08.17
PTD 5960, HS(D) 35568, Mukim Parit Jawa, Daerah Muar, Johor	Industrial land	13,046 square metres	Vacant	Freehold / 2 year	2,578	30.08.18*
No 18, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor.	Double storey terrace warehouse with office	991 square metres	Rented	Freehold / 25 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 / 15 years	1,525	30.06.17

* Date of acquisition

ANALYSIS OF SHAREHOLDINGS
AS AT 2 JUNE 2020

ANALYSIS BY SIZE OF HOLDINGS AS AT 02/06/2020

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	52	4.025	1,962	0.001
100 - 1,000	76	5.882	31,010	0.017
1,001 - 10,000	688	53.251	2,631,551	1.443
10,001 - 100,000	360	27.864	11,287,129	6.190
100,001 - 9,117,188 (*)	113	8.746	131,164,224	71.932
9,117,189 AND ABOVE (**)	3	0.232	37,227,906	20.417
TOTAL :	**1,292**	**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 02/06/2020

NO	NAME	DIRECT INTEREST		INDIRECT INTEREST	
		HOLDINGS	%	HOLDINGS	%
1	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	21,266,525	11.663	28,455,325 (1)	15.605
2	DATO' SERI MR. SERM JUTHAMONGKHON	15,692,625	8.606	–	–
3	TEOH HAN CHUAN	10,625,000	5.827	1,841,250 (2)	1.010
4	PIONG YEW PENG	–	–	–	–
5	TAN KOK TIAM	–	–	–	–
6	CHUA HEOK WEE	1,181,856	0.648	2,703,125 (3)	1.482
7	DR LOH YEE FEEI	–	–	–	–
8	CHEW SENG GUAN	8,012,225	4.394	50,000 (4)	0.027

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

SUBSTANTIAL SHAREHOLDERS AS AT 02/06/2020

NO	NAME	DIRECT INTEREST		INDIRECT INTEREST	
		HOLDINGS	%	HOLDINGS	%
1	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	21,266,525	11.663	28,455,325 (1)	15.605
2	PUAN SRI DATIN CHAN MEI CHENG	12,210,281	6.696	37,511,569 (2)	20.572
3	DATO' SERI MR. SERM JUTHAMONGKHON	15,692,625	8.606	–	-
4	TEOH HAN CHUAN	10,625,000	5.827	1,841,250 (3)	1.010
5	NEO TIAM HOCK	5,179,056	2.840	5,476,896 (4)	3.004

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 02/06/2020

NO	NAME	HOLDINGS	%
1	DATO' SERI MR. SERM JUTHAMONGKHON	15,663,875	8.590
2	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR PUAN SRI DATIN CHAN MEI CHENG*	12,210,281	6.696
3	AMBANK (M) BERHAD *PLEDGED SECURITIES ACCOUNT FOR TEOH HAN CHUAN (SMART)*	9,325,000	5.114
4	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN KEAN AIK*	6,965,750	3.820
5	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR* *TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI (6000117)*	6,823,750	3.742
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN HUI LUN (6000201)*	6,221,481	3.412
7	NEO CHEE KIAT	5,447,762	2.988
8	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR* *TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI (M01)*	5,350,000	2.934
9	NEO TIAM HOCK	5,179,056	2.840
10	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEW SENG GUAN*	4,226,100	2.318
11	AMSEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD* *FOR TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI (SMART)*	3,914,025	2.147

NO	NAME	HOLDINGS	%
12	HENG SEW HUA	3,875,000	2.125
13	BO ENG CHEE	3,750,000	2.057
14	CHEW SENG GUAN	3,750,000	2.057
15	CHEW SENG KHAI	3,750,000	2.057
16	AMSEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR AWAN TRAVEL SDN. BHD. (SMART)*	3,528,400	1.935
17	TAN SOON PING	3,375,000	1.851
18	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI (471821)*	2,754,250	1.510
19	AMSEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR MBL REALTY SDN. BHD.(SMART)*	2,500,000	1.371
20	LEE YEW CHYE	2,324,900	1.275
21	PHNUAH FARN FARN	2,316,375	1.270
22	CHAN HONG JI	2,287,075	1.254
23	HENG LIH JIUN	2,137,500	1.172
24	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEW SENG KHAI*	1,973,125	1.082
25	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (474003)*	1,879,592	1.031
26	CHUA KANG MING	1,877,625	1.030
27	TEH KHEE SOK	1,875,000	1.028
28	YEAP BOEY LEAN	1,837,500	1.008
29	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI*	1,555,000	0.853
30	CHAN SIEW YEAN	1,500,000	0.823
Total		**130,173,422**	**71.390**

ANALYSIS OF
WARRANTHOLDINGS
AS AT 2 JUNE 2020

ANALYSIS BY SIZE OF HOLDINGS AS AT 02/06/2020

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF WARRANTS	%
1 - 99	91	7.564	3,770	0.004
100 - 1,000	252	20.948	154,623	0.170
1,001 - 10,000	555	46.135	1,921,166	2.107
10,001 - 100,000	211	17.539	7,858,146	8.619
100,001 - 4,558,589 (*)	93	7.731	75,921,596	83.273
4,558,590 AND ABOVE (**)	1	0.083	5,312,500	5.827
TOTAL :	**1,203**	**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 02/06/2020

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	16,080,338 (1)	17.637
2	DATO' SERI MR. SERM JUTHAMONGKHON	4,538,312	4.978	–	–
3	TEOH HAN CHUAN	5,312,500	5.827	470,625 (2)	0.516
4	PIONG YEW PENG	–	–	–	–
5	TAN KOK TIAM	–	–	–	–
6	CHUA HEOK WEE	591,028	0.648	1,351,562 (3)	1.482
7	DR LOH YEE FEEI	–	–	–	–
8	CHEW SENG GUAN	3,915,812	4.295	25,000 (4)	0.027

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

SUBSTANTIAL WARRANTHOLDERS AS AT 02/06/2020

NO	NAME	DIRECT INTEREST HOLDINGS	%	INDIRECT INTEREST HOLDINGS	%
1	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	8,698,512	9.541	16,080,338 (1)	17.637
2	PUAN SRI DATIN CHAN MEI CHENG	4,387,328	4.812	20,391,522 (2)	22.366
3	TEOH HAN CHUAN	5,312,500	5.827	470,625 (3)	0.516

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

LIST OF TOP 30 HOLDERS AS AT 02/06/2020

NO	NAME	HOLDINGS	%
1	AMBANK (M) BERHAD *PLEDGED SECURITIES ACCOUNT FOR TEOH HAN CHUAN (SMART)*	5,312,500	5.827
2	DATO' SERI MR. SERM JUTHAMONGKHON	4,523,937	4.962
3	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT* *FOR TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI (6000117)*	3,411,875	3.742
4	OH CHWEE HOE	3,373,700	3.700
5	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR PUAN SRI DATIN CHAN MEI CHENG*	3,207,500	3.518
6	TAN HUI TING	2,717,812	2.981
7	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN KEAN AIK*	2,382,875	2.614
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN HUI LUN (6000201)*	2,360,740	2.589
9	TAN KEAN AIK	2,243,928	2.461
10	THYE MOOI LEE	2,200,000	2.413
11	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEW SENG KHAI*	2,144,062	2.352
12	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT* *FOR TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI (M01)*	2,052,125	2.251
13	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHEW SENG GUAN	2,022,750	2.219
14	HENG SEW HUA	1,937,500	2.125
15	CHEW SENG GUAN	1,875,000	2.057

NO	NAME	HOLDINGS	%
16	CHEW SENG KHAI	1,875,000	2.057
17	TAN SOON PING	1,687,500	1.851
18	WONG TI MING	1,369,000	1.502
19	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	1,253,887	1.375
20	AMSEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR MBL REALTY SDN. BHD. (SMART)*	1,250,000	1.371
21	LIM BEE HWA	1,230,100	1.349
22	AMSEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR TAN SERI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI (SMART)*	1,203,125	1.320
23	PUAN SRI DATIN CHAN MEI CHENG	1,179,828	1.294
24	TAN HUI LUN	1,161,312	1.274
25	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR VINCENT PHUA CHEE EE*	1,022,600	1.122
26	BO ENG CHEE	1,000,000	1.097
27	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LIM HOCK LEONG*	995,000	1.091
28	TAN MENG CHOW	990,000	1.086
29	CHUA KANG MING	938,812	1.030
30	TEH KHEE SOK	937,500	1.028
Total		**59,859,968**	**65.658**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth (20th) 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 Wednesday, 22 July 2020 at 11:00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial period ended 31 December 2019 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 July 2020 up to the next Annual General Meeting. ***(Ordinary Resolution 1)***

3. To re-elect the following Directors who retire in accordance with Clause 21.5(a) of the Company's Constitution:-

   (a) Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai ***(Ordinary Resolution 2)***

   (b) Tan Kok Tiam ***(Ordinary Resolution 3)***

   (c) Dr Loh Yee Feei ***(Ordinary Resolution 4)***

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 5)***

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 6)***

   "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."

6. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")** ***(Ordinary Resolution 7)***

"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 23 June 2020, 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."

7. **Special Resolution** ***(Special Resolution 1)***
Proposed amendments to the Constitution of the Company

"THAT the proposed amendments to the Constitution of the Company ("Proposed Amendments") as set out in the Appendix 1 attached to the Annual Report 2019 be hereby approved AND THAT the Directors and/or the Secretary of the Company be hereby authorised to take all steps as are necessary and expedite in order to implement, finalise and give full effect to the Proposed Amendments."

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 Darul Takzim

Dated this 23 June 2020

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 15 July 2020 shall be regarded as members and be entitled to attend, participate, speak and vote at the Twentieth 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 Tun Dr Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Takzim not less than twenty-four (24) hours before the time appointed for holding this meeting or any adjournment thereof as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of Twentieth 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 December 2020

   Directors' fees approved for the financial period ended 31 December 2019 was RM602,000.

   The Directors' fees and allowance proposed for the financial year ending 31 December 2020 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 Deputy Chairman	20,000	6,000
Non-Executive Directors	20,000	3,000

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

9. **Item 5 of the Agenda - Ordinary Resolution no. 6**
   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 Twentieth 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 share 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 18 January 2019 which will expire at the conclusion of the Twentieth 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. 7**
Proposed Renewal of Shareholders' Mandate for RRPT

The proposed Ordinary Resolution 7, 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 23 June 2020.

11. **Item 7 of the Agenda - Special Resolution 1**
Proposed Amendments to the Constitution of the Company

The proposed Special Resolution 1, if passed, will authorise the Directors of the Company to delete the Clause 4.4 of the Constitution of the Company as set out in the Appendix 1 attached to the Annual Report 2019, following to the abortion of the following proposals which the mandate was obtained at the Extraordinary General Meeting held on 29 July 2019:

(i) Proposed acquisition of 5,250,000 ordinary shares in Ee Jia Housewares (M) Sdn. Bhd. ("Ee Jia"), representing the entire equity interest in Ee Jia for a purchase consideration of RM64,000,000;

(ii) Proposed Renounceable Rights Issue of up to 547,031,166 new Irredeemable Convertible Preference Shares ("ICPS") at an issue price of RM0.07 each in the Company ("Rights ICPS") on the basis of two (2) Rights ICPS for every one (1) existing share of the Company held at an entitlement date to be determined later;

(iii) Proposed Private Placement of up to 143,000,000 new ICPS in the Company ("Placement ICPS") at an issue price to be determined later, representing up to approximately 26.14% of the Rights ICPS to be issued pursuant to the Proposed Rights Issue of ICPS; and

(iv) Proposed amendments to the Constitution of the Company.

12. **Annual Report**

The Annual Report for the financial period ended 31 December 2019 is now available at the Company's corporate website, www.swscap.com. Printed copy of the Annual Report shall be provided to the shareholders upon request soonest possible from the date of receipt of the request.

Shareholders who wish to receive the printed Annual Report may request at https://tiih.online by select "Request for Annual Report" under the "Investor Services" to submit the request form electronically or contacting Tricor Investor & Issuing House Services Sdn. Bhd. [197101000970 (11324-H)] at 03-27839299 or email your request to is.enquiry@my.tricorglobal.com.

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 Twentieth AGM of the Company.

DETAILS OF THE PROPOSED AMENDMENTS TO THE CONSTITUTION OF SWS CAPITAL BERHAD

The proposed deletions to the Constitution of the Company ("Proposed Amendments") is as follows:

EXISTING CLAUSE	PROPOSED AMENDMENTS
To delete the existing Clause 4.4 – Irredeemable convertible preference shares in entirety	~~**Clause 4.4 – Irredeemable convertible preference shares**~~ ~~**Terms**~~ ~~**Details**~~ ~~**Issue size : (i) Up to 547,031,166 irredeemable convertible preference shares ("ICPS") ("Rights ICPS") to be issued pursuant to the proposed renounceable rights issue of the Rights ICPS at an issue price of RM0.07 each on the basis of two (2) Rights ICPS for every one (1) existing ordinary share of SWS Capital Berhad ("SWS") ("SWS Share") held at the entitlement date ("Proposed Rights Issue of ICPS"); and**~~ ~~**(ii) Up to 143,000,000 ICPS ("Placement ICPS") to be issued pursuant to the proposed private placement of the Placement ICPS at an issue price to be determined later ("Proposed Private Placement of ICPS")**~~ ~~**The Rights ICPS and Placement ICPS are collectively referred to as "ICPS"**~~ ~~**Issue price : (i) Issue price for the Rights ICPS is RM0.07; and**~~ ~~**(ii) The issue price of the Placement ICPS shall be fixed by the Board of Directors of SWS ("Board") at a later date(s) after the receipt of all relevant approvals for the Proposed Private Placement of ICPS. The issue price of the Placement ICPS will be determined by the Board prior to the price-fixing date(s). In any event, the issue price of the Placement ICPS shall not be lower than RM0.07 and it is the intention of the Board to issue the Placement ICPS at RM0.07 which is similar to the Rights ICPS' issue price.**~~

EXISTING CLAUSE	PROPOSED AMENDMENTS
To delete the existing Clause 4.4 – Irredeemable convertible preference shares in entirety (cont'd)	**~~Clause 4.4 – Irredeemable convertible preference shares (cont'd)~~** **~~Terms~~** **~~Details~~** **~~Dividend rate~~** : **~~A cumulative preference dividend rate of 21 sen per hundred (100) ICPS per annum (representing 3.0% per annum), if declared, shall be payable annually ("ICPS Dividend Date") in arrears and out of post-taxation profits. For the avoidance of doubt, the ICPS Dividend Date shall refer to a market day immediately before the ICPS anniversary date of the issue date and if such date is not a market day, then on immediate preceding market day.~~** **~~No dividend shall be paid on the SWS Shares unless the dividends on the ICPS have first been paid and shall be in priority over SWS Shares.~~** **~~The right to receive dividends, including dividends in arrears, shall cease (save for dividends declared and unpaid) once the ICPS are converted into SWS Shares (including where the ICPS are mandatorily converted in accordance with the terms of the ICPS).~~** **~~Maturity date~~** : **~~The market day immediately preceding the date which is the 10th anniversary from the date of issuance of the first ICPS. If such day falls on a day which is not a market day, then on the preceding market day.~~** **~~Tenure~~** : **~~10 years commencing from and inclusive of the date of issuance of the first ICPS. For each ICPS issued, the tenure will commence from the date of issuance of the relevant ICPS up to the Maturity Date.~~** **~~Board lot~~** : **~~For the purpose of trading on Bursa Securities, a board lot of ICPS shall be 100 units of ICPS, or such other number of units as may be prescribed by Bursa Securities.~~**

EXISTING CLAUSE	PROPOSED AMENDMENTS
To delete the existing Clause 4.4 – Irredeemable convertible preference shares in entirety (cont'd)	~~**Clause 4.4 – Irredeemable convertible preference shares (cont'd)**~~ ~~**Terms**~~ — ~~**Details**~~ ~~**Form and denomination**~~ : ~~**The ICPS will be issued in registered form and will be constituted by SWS' Constitution.**~~ ~~**Redemption**~~ : ~~**Not redeemable for cash.**~~ ~~**Conversion rights**~~ : ~~**(a) Each ICPS carries the entitlement to convert into new SWS Shares at the conversion ratio through the surrender of the ICPS.**~~ ~~**(b) No adjustment to the conversion price shall be made for any declared and unpaid dividends on the ICPS surrendered for conversion.**~~ ~~**(c) If the conversion results in a fractional entitlement of SWS Shares, such fractional entitlement shall be disregarded and no refund or credit, whether in the form of the ICPS, cash or otherwise, shall be given in respect of the disregarded fractional entitlement.**~~ ~~**Conversion period**~~ : ~~**The ICPS may be converted into new SWS Shares on any market day commencing on and including the issue date of the ICPS up to and including the Maturity Date. Any remaining ICPS that are not converted by the Maturity Date shall be automatically converted into new SWS Shares based on the conversion mode (a) below.**~~ ~~**Conversion ratio and conversion price**~~ : ~~**The conversion price is RM0.49 per new SWS Share.**~~ ~~**The ICPS may be converted into new SWS Shares in the following manner:**~~ ~~**(a) by surrendering for cancellation seven (7) ICPS to be converted into one (1) new SWS Share; or**~~

APPENDIX 1
(CONT'D)

EXISTING CLAUSE	PROPOSED AMENDMENTS
To delete the existing Clause 4.4 – Irredeemable convertible preference shares in entirety (cont'd)	~~Clause 4.4 – Irredeemable convertible preference shares (cont'd)~~ ~~Terms~~ ~~Details~~ ~~Conversion ratio and conversion price (cont'd)~~ ~~:~~ ~~(b) by surrendering for cancellation one (1) ICPS and paying RM0.42 in cash for one (1) SWS Share.~~ ~~Ranking of the ICPS and liquidation preference~~ ~~:~~ ~~The ICPS shall rank pari passu amongst themselves and shall rank in priority to any other class of shares in the capital of SWS. In the event of liquidation, dissolution, winding-up, reduction of capital or other repayment of capital:~~ ~~(a) The ICPS shall confer on the holders the right to receive in priority to the holders of SWS Shares, cash repayment in full of the amount of any cumulative preferential dividend that is payable and remaining in arrears. After the payment of any dividends to the holders of ICPS, the remaining assets shall be distributed first to the holders of ICPS in full of the amount which is equal to the issue price for each ICPS, provided that there shall be no further right to participate in any surplus capital or surplus profits of SWS.~~ ~~(b) In the event that SWS has insufficient assets to permit payment of the full issue price to the ICPS holders, the assets of SWS shall be distributed pro rata on an equal priority, to the ICPS holders in proportion to the amount that each ICPS holder would otherwise be entitled to receive.~~

EXISTING CLAUSE	PROPOSED AMENDMENTS
To delete the existing Clause 4.4 – Irredeemable convertible preference shares in entirety (cont'd)	~~**Clause 4.4 – Irredeemable convertible preference shares (cont'd)**~~ ~~**Terms**~~ ~~**Details**~~ ~~**Ranking of new SWS Shares to be issued pursuant to the conversion of the ICPS**~~ : ~~**All new SWS Shares to be issued pursuant to the conversion of the ICPS shall, upon allotment and issuance, rank pari passu in all respects with the then existing SWS Shares except that such new SWS Shares shall not be entitled to any dividends, rights, allotments and/or other distribution, the entitlement date of which is prior to the date of allotment and issuance of the new SWS Shares arising from the conversion of the ICPS.**~~ ~~**Adjustment to conversion price and conversion ratio**~~ : ~~**The conversion price and/or conversion ratio will be adjusted at the determination of SWS, in all or any of the following cases:**~~ ~~**(a) an alteration to the number of SWS Shares by reason of consolidation or subdivision;**~~ ~~**(b) a bonus issue of fully paid-up SWS Shares or any other capitalisation issue for accounting purposes;**~~ ~~**(c) a capital distribution to shareholders made by SWS whether on a reduction of capital or otherwise, but excluding any cancellation of capital which is loss or unrepresented by assets;**~~ ~~**(d) a rights issue of SWS Shares; or**~~ ~~**(e) any other circumstances that the Board deems necessary, provided that any adjustment to the conversion price will be rounded down to the nearest one sen (RM0.01). No adjustment to the conversion price and/or conversion ratio will be made unless the computation has been certified by an approved adviser or the external auditors of SWS.**~~

EXISTING CLAUSE	PROPOSED AMENDMENTS
To delete the existing Clause 4.4 – Irredeemable convertible preference shares in entirety (cont'd)	~~**Clause 4.4 – Irredeemable convertible preference shares (cont'd)**~~ ~~**Terms**~~ ~~**Details**~~ ~~**Rights of the ICPS holders**~~ : ~~**The ICPS holders are not entitled to any voting right or participation in any rights, allotments and/or other distribution in SWS except in the following circumstances:**~~ ~~**(a) when the dividend or part of the dividend on the ICPS is in arrears for more than 6 months;**~~ ~~**(b) on a proposal to reduce SWS' share capital;**~~ ~~**(c) on a proposal for the disposal of the whole of SWS' property, business and undertaking;**~~ ~~**(d) on a proposal that affects their rights and privileges attached to the ICPS;**~~ ~~**(e) on a proposal to wind-up SWS; or**~~ ~~**(f) during the winding-up of SWS.**~~ ~~**In any case above, the ICPS holders shall be entitled to vote together with the holders of SWS Shares with one (1) vote for every seven (7) ICPS held when a poll is called.**~~ ~~**Listing**~~ : ~~**The ICPS will be listed and traded on the Main Market of Bursa Malaysia Securities Berhad.**~~ ~~**Transfer**~~ : ~~**The ICPS shall be transferrable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.**~~ ~~**Rights to receive notices, reports and accounts and attend meetings**~~ : ~~**ICPS holders shall have the right to receive notices, reports and accounts and attend meetings (but to only vote in respect of matters allowed under the terms herein), being the same as those which ordinary shareholder are entitled.**~~

EXISTING CLAUSE	PROPOSED AMENDMENTS
To delete the existing Clause 4.4 – Irredeemable convertible preference shares in entirety (cont'd)	~~**Clause 4.4 – Irredeemable convertible preference shares (cont'd)**~~ ~~**Terms**~~ ~~**Details**~~ ~~**Modification of rights**~~ : ~~**SWS may from time to time with the consent or sanction of 75% of holders of the ICPS present at a meeting, make modifications to the terms of which in the opinion of SWS are not materially prejudicial to the interest of the holders of the ICPS or are to correct a manifest error or to comply with mandatory provisions of the laws of Malaysia and the relevant regulations.**~~ ~~**Governing Law**~~ : ~~**The laws of Malaysia.**~~

ADMINISTRATIVE
GUIDE
FOR THE SHAREHOLDERS OF SWS CAPITAL BERHAD

Date	:	**Wednesday, 22 July 2020**
Time	:	**11.00 a.m.**
Meeting Venue	:	**3rd Floor, Plot 243A (Lot Lama 7064), Jalan Perindustrian Bukit Minyak 3, Bukit Minyak Industrial Park, 14100 Seberang Perai Tengah, Penang**

Dear Valued Shareholders,

RE: TWENTIETH ANNUAL GENERAL MEETING ("20TH AGM") OF SWS CAPITAL BERHAD [199901027346 (502246-P)] ("THE COMPANY")

COVID-19 Outbreak Safety Measures

1. In view of the COVID-19 outbreak, your safety remains our utmost priority. This Administrative Guide is necessary to introduce safety measures and control for the well-being of our shareholders as well as to enable the Company to comply with the Government and/or relevant authorities' directives and guidelines on public gatherings or events which may be issued from time to time.

Public Health Precaution and Preventive Measures

2. In light of the COVID-19 outbreak, we appreciate if all shareholders, proxies and invited guests could take all the necessary precaution and preventive measures as issued by the Ministry of Health when attending the 20th AGM.

3. If you have travelled overseas, especially to the affected countries in the past 14 days from the date of the 20th AGM or have been in contact with a COVID-19 affected person or if you are unwell with sore throat, flu, fever, cough, aches and pains, nasal congestion, runny nose, diarrhoea or shortness of breath, please quarantine yourself at home. Under such circumstances, your attendance in person at the 20th AGM will be denied. You are hereby strongly advised and encouraged to submit your Proxy Form prior to the 20th AGM.

Pre-Registration to attend the 20th AGM

4. Further to the "Guidance and FAQs on the Conduct of General Meetings for Listed Issuers" issued by the Securities Commission Malaysia as revised on 11 June 2020, please find the additional guidance below on the requirements and method of participating in the 20th AGM:

   (a) Shareholders are required to register ahead of the 20th AGM to allow the Company to make the necessary arrangements in relation to the meeting i.e. infrastructure, logistics and meeting venue(s) to accommodate the meeting participants.

   (b) Please do read and follow the following procedures to pre-register your physical attendance at the 20th AGM via the TIIH Online website at https://tiih.online :

      - Login in to TIIH Online website with your user name (i.e. e-mail address) and password under the "e-Services". If you have not registered as a user of TIIH Online, please refer to the tutorial guide posted on the homepage for assistance to sign up.
      - Select the corporate event: "(REGISTRATION) SWS CAPITAL BERHAD 20TH AGM".
      - Read and agree to the Terms & Conditions and confirm the Declaration.
      - Select "REGISTER FOR PHYSICAL ATTENDANCE AT MEETING VENUE"
      - Review your registration and proceed to register.

- System will send an e-mail to notify that your registration for "PHYSICAL ATTENDANCE AT MEETING VENUE" is received and will be verified.
- After verification of your registration against the 20th AGM's Record of Depositors, the system will send you an e-mail after 15 July 2020 to approve or reject your registration to attend physically at the Meeting Venue.

(c) Please note that only a depositor whose name appears on the Record of Depositor as at 15 July 2020 shall be entitled to attend or appoint proxies to attend and/or vote on his/her behalf at the 20th AGM.

Before the 20th AGM

5. At the entrance of 3rd Floor, Plot 243A (Lot Lama 7064), Jalan Perindustrian Bukit Minyak 3, Bukit Minyak Industrial Park, 14100 Seberang Perai Tengah, Penang and before a shareholder, proxy or an invited guest can proceed to the registration counter, he/she will have to go through a compulsory body temperature screening and will be required to provide his/her health declaration, specifically to facilitate the Company in preventing any potential spread of COVID-19.

   Procedures to be observed:

   - You will NOT be allowed to enter 3rd Floor, Plot 243A (Lot Lama 7064), Jalan Perindustrian Bukit Minyak 3, Bukit Minyak Industrial Park, 14100 Seberang Perai Tengah, Penang if your body temperature is above 37.5°C or if you experience any symptoms of being unwell.

   - You will be required to provide health declaration prior to entering 3rd Floor, Plot 243A (Lot Lama 7064), Jalan Perindustrian Bukit Minyak 3, Bukit Minyak Industrial Park, 14100 Seberang Perai Tengah, Penang.

6. Wearing a face mask in advance and throughout the 20th AGM proceedings is highly encouraged. Please be informed that the Company will not be providing face masks.

7. We strongly advise you to frequently wash your hands and use the hand sanitiser before and after the 20th AGM. Hand sanitiser will be provided by the Company.

Proxy

8. As a precautionary measure and due to safety reason, the shareholders are unable to present at the 20th AGM on 22 July 2020 and hence he/she can appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form. Please submit your Proxy Form to the Company's Registered Office at No. 7 (1st Floor) Jalan Pesta 1/1 Taman Tun Dr. Ismail 1 Jalan Bakri 84000 Muar Johor not later than Tuesday, 21 July 2020 at 11.00 a.m..

Door Gift and Refreshment

9. To ensure social and physical distancing as well as a measure to reduce the number of crowd or attendees at the 20th AGM in accordance with the guidelines issued by the Ministry of Health in relation to the COVID-19 outbreak, there will be no distribution of door gifts and there will be no refreshment provided to shareholders, proxies and invited guests who attend the 20th AGM.

Enquiry

10. If you have any enquiry prior to the 20th AGM, please contact the following officers during office hours from 9.00 a.m. to 5.00 p.m. (Monday to Friday):

SWS Capital Berhad	Telephone Number Fax Number Email address	: 04 - 5023 511 : 04 - 5023 588 : chlee@elianware.com
Tricor Investor & Issuing House Services Sdn. Bhd	Telephone Number Fax Number Email address	: 03 - 2783 9277 : 03 - 2783 9222 : Sakila@my.tricorglobal.com

Thank you.

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

Muar, Johor Darul Takzim
23 June 2020

SWS Capital Berhad
(Company No.: 199901027346 (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 Twentieth 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 Wednesday, 22 July 2020 at 11:00 a.m. and at any adjournment thereof

No.	Ordinary Resolution	For	Against
1	Approval of Directors' fees and monthly allowances as per Table A for the period commencing from 1 July 2020 up to the next Annual General Meeting		
2	Re-election of Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai as Director		
3	Re-election of Tan Kok Tiam as Director		
4	Re-election of Dr Loh Yee Feei as Director		
5	Re-appointment of Messrs UHY as Auditors		
6	Authority for Directors to issue shares pursuant to Section 75 of the Companies Act 2016		
7	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
No.	**Special Resolution**	**For**	**Against**
1	Proposed Amendments to the Constitution of the Company		

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	

Dated this __________ day of ____________________, 2020

____
Signature of Shareholder(s) or Common Seal

NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 15 July 2020 shall be regarded as members and be entitled to attend, participate, speak and vote at the Twentieth Annual General Meeting.

2. A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.

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

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

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

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

1st Fold Here

AFFIX
STAMP

SWS Capital Berhad
(Company No.: 199901027346 (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

2nd Fold Here

Fold This Flap For Sealing

www.swscap.com

SWS Capital Berhad
[199901027346 (502246-P)]

PTD 6001, Jalan Perindustrian 5,
Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor

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