ANNUAL REPORT 2020

SWS Capital Berhad

[199901027346 (502246-P)]

CONTENTS

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.

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.


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
Non-Independent Non-Executive Chairman
(Redesignated w.e.f. 02.02.2021)

Teoh Han Chuan
Managing Director

Dr Loh Yee Feei
Executive Director/
Chief Operating Officer
(Redesignated w.e.f. 01.10.2020)

Teh Li King
Executive Director
(Appointed w.e.f. 12.01.2021)

Tan Kok Tiam
Independent Non-Executive Director

Chen Thien Yin
Independent Non-Executive Director
(Appointed w.e.f. 06.01.2021)

Khoo Chee Siang
Independent Non-Executive Director
(Appointed w.e.f. 06.01.2021)

AUDIT COMMITTEE

Khoo Chee Siang
Chairman
(Appointed w.e.f. 06.01.2021)

Tan Kok Tiam
Member

Chen Thien Yin
Member
(Appointed w.e.f. 06.01.2021)

NOMINATION COMMITTEE

Chen Thien Yin
Chairman
(Appointed w.e.f. 06.01.2021)

Tan Kok Tiam
Member

Khoo Chee Siang
Member
(Appointed w.e.f. 06.01.2021)

REMUNERATION COMMITTEE

Tan Kok Tiam
Chairman

Dr Loh Yee Feei
Member

Chen Thien Yin
Member
(Appointed w.e.f. 06.01.2021)

Khoo Chee Siang
Member
(Appointed w.e.f. 06.01.2021)

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA 7045482 /
SSM PC NO.201908002253)
(Appointed w.e.f. 01.04.2021)

Thien Lee Mee
(LS0009760 /
SSM PC NO.201908002254)
(Appointed w.e.f. 01.04.2021)

CORPORATE INFORMATION (CONT'D)

AUDITORS

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

PRINCIPAL BANKERS

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

SOLICITORS

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

SHARE REGISTRAR

Boardroom.com Sdn. Bhd.
Level 5, Block B, Dataran PHB,
Saujana Resort, Section U2,
40150 Shah Alam, Selangor.
Tel : +603-7890 0638
Fax : +603-7890 1032
Email : registrar@boardroom.com.my

REGISTERED OFFICE

Level 5, Block B, Dataran PHB,
Saujana Resort, Section U2,
40150 Shah Alam, Selangor.
Tel : +603-7890 0638
Fax : +603-7890 1032
Email : boardroom@boardroom.com.my

PRINCIPAL 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

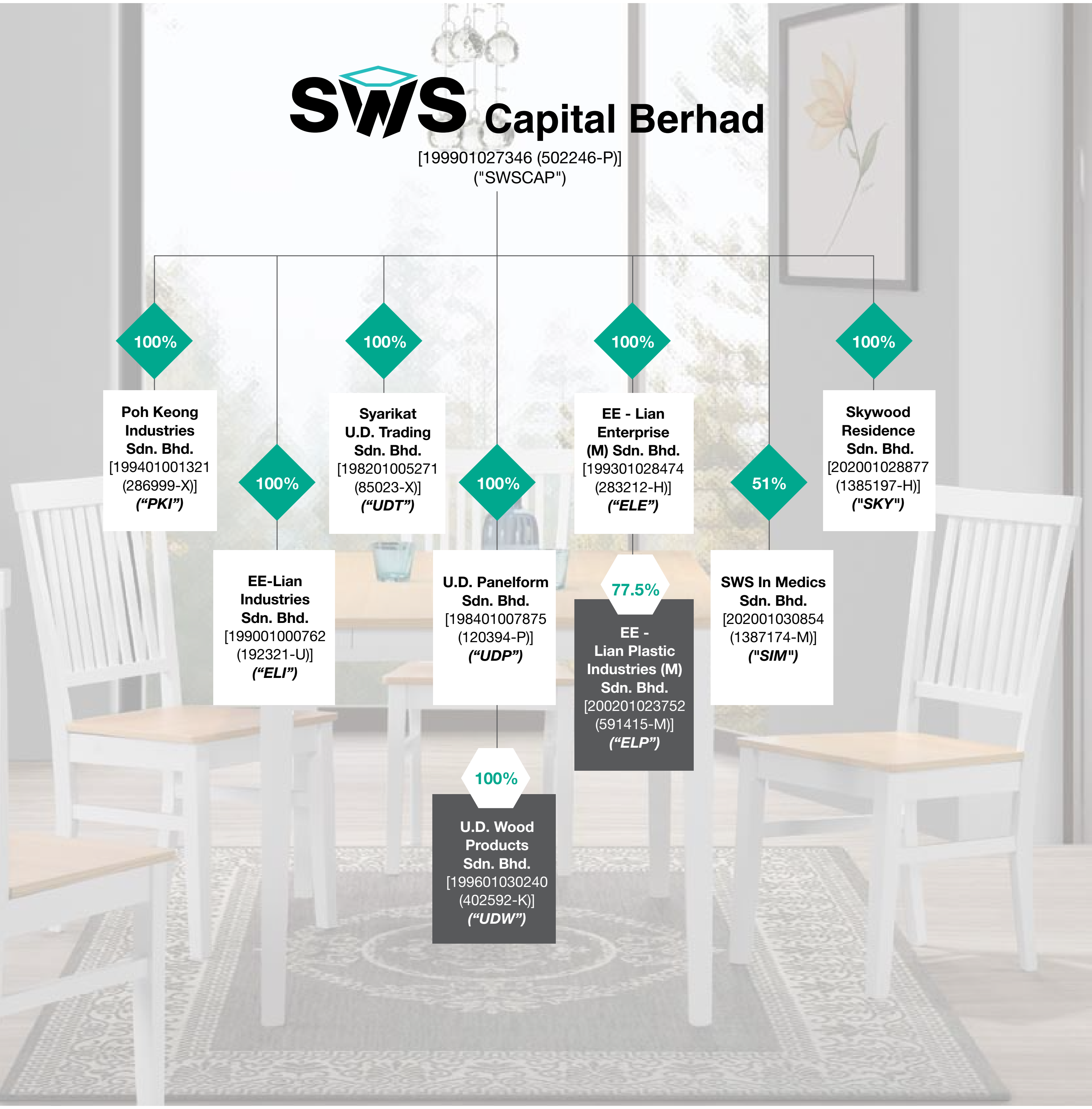
Main Market of the Bursa Malaysia Securities Berhad
Stock Name: SWSCAP
Stock Code: 7186

Stock Name: SWSCAP-WB
Stock Code: 7186 WB

WEBSITE

www.swscap.com

CORPORATE STRUCTURE




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

AFRICA

Mauritius
South Africa

ASIA

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

EUROPE

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

GLOBAL PRESENCE (CONT'D)

MIDDLE EAST

Iraq
Kuwait
Qatar
Saudi Arabia
United Arab Emirates

NORTH AMERICA

Canada
Mexico
United States

OCENIA

Australia
New Zealand
Papua New Guinea

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

Dear Valued Shareholders,

On behalf of the Board of Directors ("Board") of SWS Capital Berhad ("SWSCAP" or "Company"), I am pleased to present the Annual Report and Audited Financial Statements of the Company and the subsidiaries ("Group") for the financial year ended 31 December ("FYE") 2020.

INDUSTRY OUTLOOK

1. **Furniture division**

Malaysia has always been a net furniture exporter and is ranked amongst one of the top 15 largest furniture exporters worldwide. In 2019, Malaysia is the 11th largest furniture exporter in the world. Around 80 per cent of Malaysia's furniture production is exported and has a strong position in the global furniture industry. 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. The total export value for Malaysian furniture in 2019 stood at RM9.14 billion, 7% fall from RM9.83 billion in 2018. Under the National Timber Industry Policy, the furniture industry is targeted to contribute RM12 billion in exports by 2021.

Despite numerous economic downturns, the industry is still supported by a strong global demand. Malaysia's furniture industry generated impressive earnings momentum in the second half of the year, driven by a structural demand shift on the US-China trade tension, pent-up demand for furniture in line with the work-from-home trend, as well as margin expansion on price hikes and improved utilisation. Furniture production has huge growth potential to diversify its customer base and increase its product range. Based on the average exchange rate for 2020, the Malaysian ringgit depreciated by -1.3% against the US dollar since 2016 and declined by -1.5% from 2019 to 2020. Malaysia's weaker local currency makes its exports paid for in stronger US dollars relatively less expensive for international buyers.

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 organised 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. The government also plays an important role in nurturing the industry, providing Pioneer Status for tax exemption and Investment Tax Allowance, the pro-business environment makes doing business easier and faster.

Prices of Malaysian wood products continued to rise in part due to surging global commodity prices, higher fuel costs and bad weather. Worldwide lockdowns continued and seasonal constraints leading to more shortage. Supply remains scarce, with purchasers struggling to fulfill existing and new buying requirements in the aftermath of coronavirus-driven production curbs and labour shortages while demand increased as the stay-at-home lifestyle encouraged homeowners to expand or remodel their existing dwellings. Meantime, those who were reluctant to buy at new higher prices are now back on the market, driven by stimulus checks and strong recovery.

2. **Plastic wares division**

Malaysia is largest exporter of plastic products, among the ASEAN countries, with major exports destination being Europe, China, Singapore, Japan, and Thailand. Malaysia has more than 1500 plastic product manufacturing companies that export to different ASEAN countries.

INDUSTRY OUTLOOK (CONT'D)

2. Plastic wares division (Cont'd)

The main challenge faced by plastics companies during the Movement Control Order (MCO) period has been the shutdown of businesses in the non-essential sectors. Demand for big-ticket items such as cars, will resume only after consumer confidence returns, while demand for construction materials is expected to be adversely impacted by the overhang in the property market. Supplies to construction, automotive, household and consumer goods are negatively affected. Only those that directly or indirectly produce packaging materials for the food sector, or personal protective equipment (PPE), face shields, disposable medical aprons, plastic gloves, medical bottles, sprayers and hand sanitisers, are benefiting from the pandemic.

The plastics industry registered a total turnover of RM33.1 billion in 2019, representing an increase of 6.8% from RM30.98 billion in 2018. Exports grew by 2.9% from RM14.60 billion in 2018 to RM15.03 billion in 2019. With an anticipation of the slowing global and Malaysian economies, the plastics industry is expected to grow at about 2% in 2020.

There was increase in demand for plastic packaging due to a rise in orders of food delivery and packed food found at supermarkets and convenience stores, as well as containers for takeaways and packaging for online transactions. With more families eating in and home cooking becoming more common, demand for plastic packaging increased correspondingly due to the need to store excess food.

On a positive note, the current low oil price environment should bode well for plastics manufacturers, as resins — which constitute 30% to 70% of the total production cost of their finished products — are derived from crude oil and natural gas. With the drastic decline in crude oil and gas prices, the cost of plastic resins has dropped to 20% to 30% in the first quarter of 2020 but gradually recovered since third quarter of 2020.

Malaysian plastics market is consolidated in nature due to the limited presence of plastic resin manufacturers in the country. Most market players in the market import raw materials from other countries including China, Japan, and countries of South-East Asian countries.

OPERATING ENVIRONMENT

The Malaysian economy declined sharply by -8.3% in the first half of 2020. In March and April 2020, the Government launched several economic stimulus measures to cushion the economic impact of COVID-19, followed by a post COVID-19 stimulus package in June 2020. As these containment measures are eased and the domestic MCO is lifted, economic activity gradually improves in second half of 2020.

The GDP growth was the lowest growth since 2009, reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the Movement Control Order (MCO) in Malaysia.

Amidst the challenging global and domestic operating environment in 2020, the Malaysian economy contracted by 5.6%. The Malaysian economy is projected to expand by 6.0% to 7.5% in 2021, supported by both external and domestic factors. The factors driving the growths include improving external demand amid technology upcycle, less stringent containment measures and COVID-19 vaccine rollout, gradual improvement in labour market conditions, continued policy support for households and businesses.

The COVID-19 had changed the way businesses operate. It may take some time for the pandemic to be fully contained and businesses to resume to normal. During this transitional period, work-from-home practices and digitising the work processes would become a norm. The pace and magnitude of the recovery also dependent on the recovery of the global economy, which in a way is also dependent on how effective and how soon the pandemic is kept under control.

Industrial Revolution 4.0 continues to make an impact in the manufacturing scene. by participating in conferences, workshops and disseminating information on support available with the various private and Government agencies.

OPERATING ENVIRONMENT (CONT'D)

Although the US-China trade war has opened opportunities for local manufacturers, they are unable to fully seize these opportunities due to labour shortage issue since the government's decision over three 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 manufacturers should embrace automation and progress into the i4.0 era to reduce the reliance on foreign labour and improve competitiveness with automation. Embracing automation does not contribute to unemployment but instead, it will open another window of opportunity on talent development.

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. A sizable allocation of RM5.9 billion had been provided for Technical Education and Vocational Training (TVET) activities under the National Budget 2020. Industrial training through face-to-face and via e-learning platforms are make available with the fund allocation. Employers and employees are now more willing to embark on online training and have accepted that online training forms part of the new norm after the MCO period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATIONS

Market is changing rapidly with the ongoing expansion of the industry. Advancement in the technology has provided today's businesses with multifaceted advantages resulting in daily economic shifts. Thus, it is very important for a company to comprehend the patterns of the market movements to strategize better. An efficient strategy offers the companies with a head start in planning and an edge over the competitors.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL PERFORMANCE REVIEW

	2016	2017	2018	2019	2020
	1 September to 31 August (12 months)			01.09.2018 to 31.12.2019 (16 months)	01.01 2020 to 31.12 2020 (12 months)
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	149,098	144,864	130,666	178,296	139,564
Profit/(Loss) before tax	5,922	11,462	647	(10,649)	(628)
Profit/(Loss) after tax	5,907	9,070	(923)	(10,699)	(2,561)
Net Profit/(Loss) attributable to owners of the Parent	4,408	8,555	(1,038)	(9,824)	(2,459)
Equity attributable to owners of the Parent	80,881	99,838	98,800	90,171	102,997
Total assets	127,215	187,362	187,340	179,365	199,422
Deposit, bank and cash balance	23,772	13,595	10,231	8,047	27,191
Borrowings	26,824	54,900	54,771	59,932	57,757
Number of ordinary shares in issue ('000)	145,875	145,875	182,344	182,344	206,428
Net assets per share attributable to owners of the Parent (RM)	0.60	0.55	0.55	0.50	0.50
Earnings/(Loss) per share attributable to owers of the Parent (Sen)	3.13	4.69	(0.57)	(5.39)	(1.34)

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

	Financial year from 01.01.2020 to 31.12.2020			
	Furniture Division	Plastic Wares Division	Others	Total
	RM'000	RM'000	RM'000	RM'000
Revenue	63,398	76,166	-	139,564
Gross Profit	7,130	15,983	-	23,113
Profit/ (Loss) before tax	(1,593)	2,544	(1,579)	(628)
Profit/ (Loss) after tax	(1,792)	917	(1,686)	(2,561)

1. Revenue

The Group generated RM139.56 million sales revenue for the FYE 2020. The revenue contribution from the furniture and plastic wares division are RM63.40 million and RM76.16 million respectively.

2020 Malaysia MCO implemented by the federal government of Malaysia towards the covid-19 pandemic on 18 March 2020. As both furniture and plastic wares divisions do not fall within the approve industries, the Group's operations were shut down, resulting loss of operation days during Q1 and Q2 2020.

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)

For the first half of 2020, furniture division suffered slowdown in export market due to worldwide lockdown to prevent covid-19 pandemic. With the global economic downturn and high unemployment rates, consumer spending behaviour are expected to decline, affecting the overall growth of both divisions. Plastic wares division lost local and export sales due to MCO. The launching of new range of plastic housewares include Raya series was also affected. Environmental restrictions and unfavourable conditions arising due to the COVID-19 outbreak are bringing negative impact on the market demand.

Revenue from furniture division recovered from Q3 2020 with increase in foreign market demand. Local sales of plastic wares division improved since June 2020 due to market recovery and improved in consumer spending power. The increase in demand is in line with the takeaway trend and higher preference for ready-to-eat meals. The rising hygiene and consumer-safety concerns offer various opportunities for plastic ware division to focus on products branding and marketing.

2. Gross Profit

In FYE 2020, the Group recorded a total gross profit of RM23.11 million. Furniture division contributed RM7.13 million gross profit, with decreased in gross profit margin from 13.6% in FPE 2019 to 11.2% in FYE 2020. The margin for furniture division is more challenging due to the increased in labour charges and fixed operation overhead and decreased in sales orders.

Plastic wares division's gross profit margin increased from 14.4% in FPE 2019 to 21.0% in FYE 2020, contributed RM15.98 million gross profit. The improvement mainly due to decrease in raw material cost and increase in sales of premium and e-commerce products. The increased in gross profit margin also due to improvement in monitoring of production efficiency and quality.

Management proposed invested in upgrading of plant and machinery to improve the production output and reducing the wastage on raw material and products This was made possible by certain automation in operations, to ensure smooth operations under reduced manpower conditions.

3. Profit Before Tax

In FYE 2020, the Group recorded RM0.63 million loss before tax. Furniture division recorded RM1.59 million loss before tax. The improved sales performance and gross profit margin is still insufficient to generate profit before tax to cover the administrative and finance expenses. Plastic wares division recorded RM2.54 million profit before tax was due the improve utilisation of manufacturing overhead and direct labour cost due to the increased in sales.

REVIEW OF ITEMS OF STATEMENTS OF FINANCIAL POSITION

1. Capital Expenditure

The Group invested RM2.63 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 RM2.21 million is for addition of product mould and machinery for plastic wares division. Furniture division also invested about RM0.42 million upgrading and acquiring new equipment, machineries and other assets.

2. Inventories

	31.12.2020 RM'000	31.12.2019 RM'000
Furniture Division	22,393	19,480
Plastic Wares Division	22,351	23,376
	44,744	**42,856**

Inventories increased from RM42.86 million in FPE 2019 to RM44.74 million in FYE 2020 mainly due to increased in furniture division to support the improved sales orders. The increase also due to management decision to stock up at end of FYE 2020 before the increased in wood cost due to shortage in supply. Raw material price for plastic division increased by end of FYE 2020. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF ITEMS OF STATEMENTS OF FINANCIAL POSITION (CONT'D)

3. Trade receivables and payables

Trade receivables increased from RM26.06 million in FPE 2019 to RM30.06 million in FYE 2020 mainly due to the increased in sales revenue in second half of FYE 2020. The increased also due to slower settlement from local and overseas customers due to MCO. Cash flow and planning become more challenging. The Management and salesperson are monitoring the credit term and limit.

Trade payables increased from RM20.79 million in FPE 2019 to RM26.31 million in FYE 2020 mainly due to increase in purchase mainly of raw material. The management monitor the inventories level to ensure enough supplies and cash flow for operations.

4. Total Assets

As at FYE 2020, Group's total assets is RM199.42 million representing 11.19% increase as compared to the preceding year.

5. Shareholders' Equity

Shareholders' equity remained at a positive level at RM103.00 million as at FYE 2020 as compared to RM90.17 million for the preceding year.

REVIEW OF ITEMS OF STATEMENTS OF CASH FLOW

1. Liquidity

	2020 (Days)	2019 (Days)	Changes (Days)
Trade receivables' turnover period (1)	79	71	8
Inventories' turnover period (2)	140	136	4
Trade payables' turnover period (2)	82	66	16
Cash conversion cycle	**137**	**141**	**(4)**

(1) This is derived using the formula: (Closing balance as at year-end / Total revenue) x no of days for the FYE 2020 (365 days) or FPE 2019 (487 days)

(2) This is derived using the formula: (Closing balance as at year-end / Cost of sales) x no of days for the FYE 2020 (365 days) or FPE 2019 (487 days)

During the year, the cash conversion cycle is 137 days compared with 141 days for the preceding year. As at FYE 2020, the Group reported positive cash flow from operating activities of RM9.52 million.

2. Cash and Cash Equivalents

	2020 RM'000	2019 RM'000
Cash and cash equivalents at end of financial year/period: Deposits, bank and cash balances	27,190	8,047
Less: Bank overdrafts	(6,633)	(6,646)
	20,557	1,401
Less: Fixed deposits pledged with licensed banks	(3,280)	(3,188)
	17,277	(1,787)

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

2. Cash and Cash Equivalents (Cont'd)

As at FYE 2020, the Group's cash and bank balances amounted to RM27.19 million compared to RM8.05 million in the preceding year.

3. Borrowing

The Group's gearing ratio still monitored at 0.30 times (FPE 2019: 0.57 times) 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISKS RELATING TO THE BUSINESS (CONT'D)

2. Labour market shortage (Cont'd)

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 needs 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.

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 many 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 to meet ever-changing consumer demand.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISKS RELATING TO THE BUSINESS (CONT'D)

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

Budget 2021 was tabled in Parliament by Finance Minister on 6th November 2020. The GDP is recovering with improvement in export market. However, the negative impact of the Covid-19 is on-going with the third wave outbreak in Malaysia, economic growth is seen slowing in year 2021.

Covid-19 has dominated daily lives and economic since 2019. In view of the worrying situation, Malaysian government reintroduces MCO 2.0 start from 13th January 2021. Adding to that, Prime Minister addressed the nation on the proclamation of a nationwide State of Emergency. 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 soon as the Group forged a resilient path to growth and success.

Plastic wares division is getting better performance from marketing strategy during the MCO, include the launching of new range of quality affordable products, investment for e-commerce department and marketing for corporate products. The Group anticipates that the conditions of the plastic wares sector will be challenging in both local and export market demands. Management is focusing on planning to stay competitive and exploring the opportunity to expand. When the world emerges from the Covid-19 pandemic, here have been dramatic shifts in consumer channels, rising hygiene and consumer-safety concerns, as well as disruption of end-markets, Plastic companies will need to raise their performance in multiple ways including balance sustainability goals with stringent hygiene requirements, step up their e-commerce games, and compete in a novel customer landscape while facing strong cost pressures.

Global economy is expected to rebound in 2021, driven by vaccine rollout which are expected to ease the Covid-19 pandemic. Furniture division is recovering from the negative impact from Covid-19 outbreak. Sales order from foreign customers improved after months of poor operations. Imports from China include hardware and raw material are back to normal purchase schedule. Furniture division received more sales orders for first half of year 2021. The Group will focus on the cost monitoring, manufacturing efficiency and utilisation of available resources to meet the increased market demand.

The management foresee the significant increase in raw material cost in 2021. Both divisions are monitoring the inventories level and production schedule to minimise the impact. The management also take note on the possibility of shortage of labour and increased in labour cost due to MCO. The Group is working on adoption and improvement in automated technology, thereby reducing reliance on labour-intensive manufacturing practices and increase the productivity.

Changes would be inevitable. After the pandemic, the Group may need to be restructured to cater for the new environment. Innovation and productivity improvements are critical for companies to remain competitive. A new era of human resources development will be required to adapt to the new changes.

The new norm requires changes that will mean moving out of respective comfort zones. The Group will continue to implement strategies to capture growth opportunities by increasing capacity and capabilities, introducing more value-added and sustainable products, and broadening its product portfolio and markets.

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 welcome Dr Loh Yee Feei, who was redesignated on 1 October 2020 as Executive Director/ Chief Operating Officer, Mr. Teh Li King, who was appointed as Executive Director on 12 January 2021, and Mr. Chen Thien Yin and Mr. Khoo Chee Siang, who were appointed as Independent Non-Executive Directors on 6 January 2021. I would also like to thank and express my deepest gratitude to Dato' Seri MR. Serm Juthamongkhon, who demised as Independent Non-Executive Deputy Chairman on 15 April 2021, Mr. Piong Yew Peng, who has resigned as Senior Independent Non-Executive Director on 6 January 2021, and Mr. Chua Heok Wee and Mr. Chew Seng Guan, who resigned as Independent Non-Executive Director on 6 January 2021.

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
Non-Independent Non-Executive Chairman

BOARD OF DIRECTORS' PROFILE

Non-Independent Non-Executive Chairman

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

Aged 65	Male	Malaysian

Appointed as the Executive Director on 30 November 2003 and resigned on 26 October 2010. He was subsequently appointed as the Deputy Executive Chairman on 23 December 2015, redesignated as Executive Chairman on 16 November 2016 and redesignated as Non-Independent Non-Executive Chairman on 2 February 2021. 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 39 years of working experience in the fields of auditing, accounting and corporate finance. On 8 May 2017, he was appointed as the Non-Independent Non-Executive Chairman of EKA Noodles Berhad which is listed in the main market of Bursa Malaysia Securities Berhad and retired on 21 August 2020 (not seeking for re-election). He was appointed as the Executive Director of Muar Ban Lee Group Berhad on 30 June 2009. 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.

Managing Director

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

TEOH HAN CHUAN *

Aged 60	Male	Malaysian

Appointed as the Deputy Managing Director on 3 July 2017 and redesignated as Managing Director on 16 November 2017. He is a co-founder and the Managing Director of Ee-Lian Enterprise (M) Sdn Bhd ("ELE"). 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 ELE in 1993 to be principally involved in the trading of household plastic ware products. He has over 28 years of experience in the household plastic wares industry. He does not hold directorship in any other public listed companies. He has no family relationship with any other Director or major shareholder of the Company.

BOARD OF DIRECTORS' PROFILE (CONT'D)

DR LOH YEE FEEI

Executive Director/ Chief Operating Officer

Director of:-
- Ee-Lian Enterprise (M) Sdn. Bhd.
- Ee-Lian Industries Sdn. Bhd.
- Ee-Lian Plastic Industries (M) Sdn. Bhd.
- Poh Keong Industries Sdn. Bhd.
- Syarikat U.D. Trading Sdn. Bhd.
- SWS In Medics Sdn. Bhd.
- U.D. Panelform Sdn. Bhd.
- U.D. Wood Products Sdn. Bhd.

Aged 58	Male	Malaysian

Appointed as Independent Non-Executive Director on 23 December 2015 and redesignated as Executive Director/Chief Operating Officer on 1 October 2020 and is presently a member of the 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 35 years of business and management experience in manufacturing - based industries. Prior to his appointment as Executive Director in SWS Capital Berhad, Dr Loh was 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 does not hold directorship in any other public listed companies. He has no family relationship with any other Director or major shareholder of the Company.

TEH LI KING *

Executive Director

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

Aged 42	Male	Malaysian

Appointed as the Executive Director on 12 January 2021. He is holding a Bachelor of Science in Business from New Hampshire College, USA and Master's in Business Administration from Charles Sturt University, Australia. He also has a Pre-Contract Examination for Insurance Agent Certification from The Malaysia Insurance Institute, Malaysia. He joined Hong Leong Bank as the Account Relationship Executive in 2000, managing and developing portfolio of business banking clients before joining the metal industry as the Marketing Manager of PP Steel Service Centre Sdn Bhd in 2003 and Sales Manager of Rex Metal Packaging Berhad in 2005. He moved on to serve as the Senior Business Development Manager of Sumimetal Industries (M) Sdn Bhd in 2006. In 2007, he joined the chemicals manufacturing industry as the Assistant General Manager of Hextar Chemicals Sdn Bhd and is currently the Group Chief Corporate Officer of Hextar Group of Companies. His role is to oversee and manage the overall corporate development and strategies, human capital management as well as legal and compliance matters of the Group of Companies and concurrently serving as Director of the several private companies. He is a senior executive with experience with industry experience the area of corporate management, business banking and manufacturing. He does not hold directorship in any other public listed companies. He has no family relationship with any other Director or major shareholder of the Company.

BOARD OF DIRECTORS' PROFILE (CONT'D)

Independent Non-Executive Director

TAN KOK TIAM

Aged 56	Male	Malaysian

Appointed as Independent Non-Executive Director on 23 December 2015 and is presently Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination 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 26 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 two stockbroking companies as Head of Corporate Finance until current. He does not hold directorship in any other public listed companies. He has no family relationship with any other Director or major shareholder of the Company.

Independent Non-Executive Director

CHEN THIEN YIN *

Aged 54	Male	Malaysian

Appointed as Independent Non-Executive Director on 6 January 2021 and is presently Chairman of the Nomination Committee, a member of the Audit Committee and the Remuneration Committee. He graduated Degree in Finance and Management Information Systems from Syracuse University, Syracuse, New York, USA. He has over 30 years' experience in the banking industry. He is a seasoned banking professional having covered Retail, Global Markets, Corporate and Investment banking in growth markets of Malaysia, Singapore and Vietnam. He has held senior positions in Standard Chartered, JP Morgan, Hong Leong Bank and was most recently CEO of Al Rajhi Bank Malaysia. He possesses well rounded experience in Strategic Planning, Risk Management (compliance, credit, market and operational) and Banking Operations in both Conventional and Islamic Banking institutions. He is accredited by ICLIF Leadership and Governance Centre under the Financial Institutions Directors Education Programme (FIDE) to serve on Boards of Financial Institutions. He does not hold directorship in any other public listed companies. He has no family relationship with any other Director or major shareholder of the Company.

BOARD OF DIRECTORS' PROFILE (CONT'D)

Independent Non-Executive Director

KHOO CHEE SIANG *

Aged 44	Male	Malaysian

Appointed as Independent Non-Executive Director on 6 January 2021 and is presently Chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee. He is a Chartered Accountant and qualified as a fellow member of Association of Chatered Certified Accountants (FCCA) and a member of Malaysian Institute of Accountants (MIA). He was the Executive Director of UHY Advisory (KL) Sdn Bhd, a boutique financial and corporate advisory firm from 2008 to 2016 and he subsequently joined SCG Group Berhad as an Executive Director to oversee the finance and account department and to lead the corporate finance exercise for 2017 and 2018. He started his career in auditing with an international medium accounting firm, Morison Anuarul Azizan Chew & Co and was subsequently promoted to Senior Consultant in Corporate Finance and Advisory Department. He later joined Finmart Alliance Sdn Bhd as an Associate Director in-charge of corporate finance and business advisory services. He has significant experience in corporate finance, initial public offerings, corporate debt restructuring as well as his external auditing experience covered various sectors. Currently, He is the Managing Director of Eco Asia Capital Advisory Sdn Bhd, a corporate finance advisory firms licensed by Securities Commission. 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 five (5) years other than traffic offences.

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

KEY SENIOR MANAGEMENT PROFILE

TAN SOON PING

Aged 50	Male	Malaysian

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 Ee-Lian Enterprise (M) Sdn Bhd ("ELE") and became a shareholder. He has no family relationship with any other Director or major shareholder of the Company.

HENG LIH JIUN

Aged 48	Male	Malaysian

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 ELE, 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 ELE 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.

KEY SENIOR MANAGEMENT PROFILE (CONT'D)

Chief Financial Officer

LEE CHAW HSIEN

Aged 39	Male	Malaysian

Appointed as the Chief Financial Officer on 31 January 2018. Mr Lee Chaw Hsien holds Bachelor's degree in Accounting and Finance (Honours) from Sheffield Hallam University, United Kingdom. He is a fellow member of the Association of Chartered Certified Accountants (FCCA) and a member of the Malaysian Institute of Accounts (MIA).He began his career as an Audit Assistant with KS Lau & Co., an audit firm in 2004 and become the Assistant Audit Manager in 2009. Subsequently in 2010, he joined KBH Capital Berhad, a marine logistics service provider, as Assistant Accountant. In 2012 he joined Kiarafield Sdn Bhd, a property developer, as the Accountant. In 2013, he joined Southern Steel Berhad, steel work manufacturer, as Assistant Manager. He led a team of accountants in compiling monthly reports, prepared monthly consolidations, forecasts and budgets. In 2014, he joined ELE as Finance Manager. He was tasked with preparing, examining, and analysing accounting records, financial statements, and other financial reports to assess accuracy, completeness, and conformance to reporting and procedural standards.

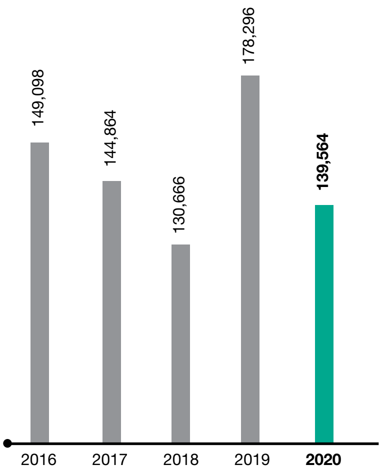
Other Directorships
No Key Senior Management holds any directorships in public companies and listed issuers.

Conflict of interest
No Key Senior Management has any conflict of interest with the Company.

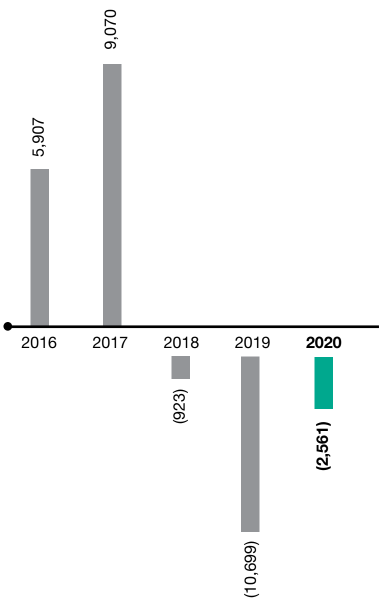
Conviction of offence
No Key Senior Management has been convicted of any offence within the past five (5) years other than traffic offences, if any.

FINANCIAL HIGHLIGHTS

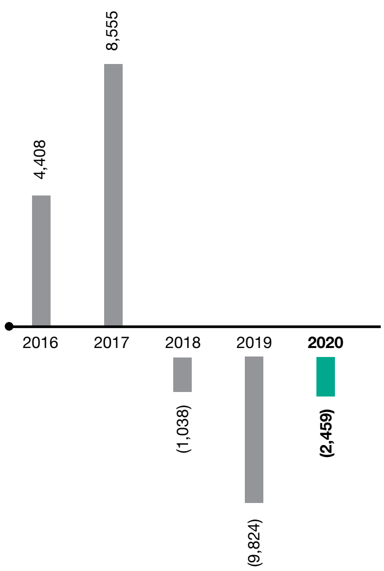
Revenue
(RM'000)



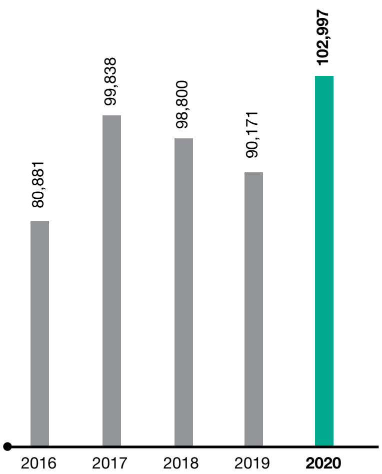
Profit/(Loss) After Tax
(RM'000)



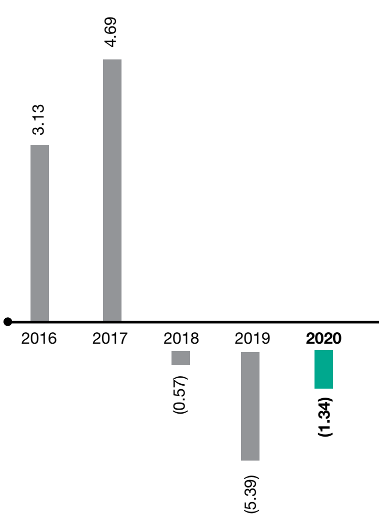
Net Profit/(Loss) Attributable to Equity Holders
(RM'000)



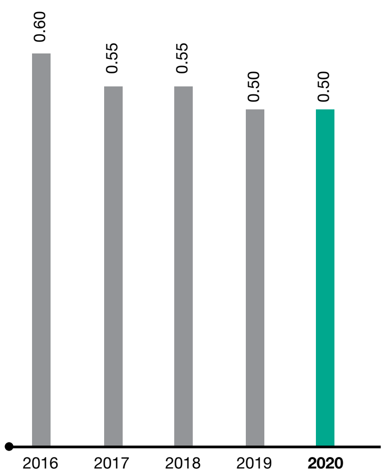
Shareholders' Fund
(RM'000)



Earnings/(Loss) Per Share
(Sen)



Net Assets per Share
(RM)



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of SWS Capital Berhad ("SWSCAP" or "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 year and up to the date of this report.

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

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board Responsibility

The Board recognises 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.

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

1.1 Board Responsibility (Cont'd)

Charter of Board (or "Charter") (Cont'd)

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 19 May 2021 can be viewed on the Company's website at www.swscap.com.

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 recognises 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 recognises 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.

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

1.2 Board Composition

As at the date of this statement, the Board consists of seven (7) members of whom three (3) are Executive Directors of whom one (1) is also the Managing Director ("MD"), three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Chairman. 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 42 to 65, the Board believes that this creates an environment where each generation brings different skills, experience and talents to the Board. The Board is also of the opinion that its current composition and size constitute an effective Board to the Group. Furthermore, the strong representation of high caliber Independent Non-Executive Directors provides the necessary balance.

The role of the Independent Non-Executive Directors is important in ensuring that the strategies proposed by the Management are fully discussed and deliberated, and the interests of the shareholders, employees, customers, suppliers and other stakeholders are taken into consideration. The Board is, however, open to board changes as and when appropriate. The profile of each Director is set out on pages 22 to 25 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 recognises 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;

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

1.2 Board Composition (Cont'd)

Nomination Committee (Cont'd)

- 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.

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 21st Annual General Meeting of the Company are as follows:

Name	Designation
Teoh Han Chuan	Managing Director
Teh Li King	Executive Director
Chen Thien Yin	Independent Non-Executive Director
Khoo Chee Siang	Independent Non-Executive Director

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

1.2 Board Composition (Cont'd)

Recruitment or Appointment of Directors (Cont'd)

Teoh Han Chuan is due to retire pursuant to clause 21.5(a) of the Constitution of the Company whereas Teh Li King, Chen Thien Yin and Khoo Chee Siang are due to retire pursuant to clause 21.5(c) of the Constitution of the Company at the 21st 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 25 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.

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

The annual assessment for financial year ended 31 December 2020 ("FYE 2020") was conducted via Questionnaires in April 2021. 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, Independent and Non-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.

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

1.2 Board Composition (Cont'd)

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.

The existing three (3) 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 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 Non-Independent Non-Executive Chairman, Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai, 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 Executive Directors, he leads the discussion on the strategies and policies recommended by the Management.

The MD, Mr. Teoh Han Chuan, is responsible for the overall performance of the Group operations, organisation effectiveness and financial performance. As the 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 current Board composition, the Board is of the view that they are able to provide the necessary check and balance to the Board.

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 year under review.

Name	Board	AC	NC	RC
Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	4/4*	N/A	N/A	N/A
Teoh Han Chuan	4/4	N/A	N/A	N/A
Dr Loh Yee Feei	4/4	3/3	1/1*	1/1
Teh Li King (Appointed w.e.f. 12.01.2021)	N/A	N/A	N/A	N/A
Tan Kok Tiam	3/4	3/4	0/1	1/1*
Chen Thien Yin (Appointed w.e.f. 06.01.2021)	N/A	N/A	N/A	N/A
Khoo Chee Siang (Appointed w.e.f. 06.01.2021)	N/A	N/A	N/A	N/A
Dato' Seri MR. Serm Juthamongkhon (Demised w.e.f. 15.04.2021)	4/4	N/A	N/A	N/A
Piong Yew Peng (Resigned w.e.f. 06.01.2021)	3/4	3/4*	1/1	0/1
Chua Heok Wee (Resigned w.e.f. 06.01.2021)	4/4	4/4	1/1	1/1
Chew Seng Guan (Resigned w.e.f. 06.01.2021)	4/4	1/1	N/A	N/A

* Chairman of Board Committee
N/A - Not applicable

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) Public Listed Companies ("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 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 year under review and up to the date of this Statement are as follows:-

Name	Training Programmes	Date
Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	Content Marketing and Designing	13/04/2021 & 14/04/2021
Teoh Han Chuan	Content Marketing and Designing	13/04/2021 & 14/04/2021
Dr Loh Yee Feei	Content Marketing and Designing	13/04/2021 & 14/04/2021
Teh Li King	Directors and Senior Management Awareness Training on Corporate Liability	20/07/2020
Tan Kok Tiam	Macroeconomic Forces in Financial Market / Investing in Clean Energy Industry	27/03/2021
Chen Thien Yin	Mandatory Accreditation Programme for Directors of PLC	24/02/2021 ~ 26/02/2021
Khoo Chee Siang	Thematic Investing Consumption Megatrends Affecting the Global Economy	19/11/2020
	Covid-19 Impact on Revenue, Inventory and Related Costs in Respect of Dealings with Customers	23/12/2020
	Covid-19 Impact on Financial Instruments	24/12/2020
	Quality Assessment Review on Internal Audit Activities	21/12/2020 & 22/12/2020
	Enterprise Risk Management-Principles of ISO31000 and 2017 updates on ERM Framework	28/12/2020 & 29/12/2020
	Section 17A Malaysian Anti-Corruption Commission Act 2009	05/03/2021

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

1.2 Board Composition (Cont'd)

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

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

1.3 Remuneration Committee

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

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

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

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

In May 2021, the Board approved the Remuneration Committee's recommendation on remuneration of the Executive Directors and MD, fee of the Non-Executive Directors, and Directors' fees for FYE 2020 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.

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

1.3 Remuneration Committee (Cont'd)

The details of the remuneration of the Directors of the Company for the financial year from 01.01.2020 to 31.12.2020:

	EXECUTIVE DIRECTORS	NON EXECUTIVE DIRECTORS
Salaries and other emoluments	1,574,833	–
Fee	–	323,000
Social contribution plan	3,776	–
Defined contribution plan	187,463	–
Other benefits	–	–
Share-base payment expenses	431,420	490,250
Estimated money value of benefits-in-kind	96,177	7,000
	2,293,669	820,250

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

Range of Remuneration	Numbers of Directors
Executive Directors:	
RM50,000 to RM100,000	–
RM100,001 to RM150,000	–
RM150,001 to RM200,000	–
RM200,001 to RM250,000	1
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	–

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 year under review fell within the following successive bands of RM50,000 is as follows: (Cont'd)

Range of Remuneration	Numbers of Directors
RM750,001 to RM800,000	–
RM800,001 to RM850,000	–
RM850,001 to RM900,000	–
RM900,001 to RM950,000	–
RM950,001 to RM1,000,000	–
RM1,000,001 to RM1,050,000	1
RM1,050,001 to RM1,100,000	1

Non-Executive Directors	Numbers of Directors
Below RM50,000	–
RM50,001 to RM100,000	–
RM100,001 to RM150,000	1
RM150,001 to RM200,000	4

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.

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

1.3 Remuneration Committee (Cont'd)

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

Range of Remuneration	Numbers of Directors
RM50,000 to RM100,000	2
RM100,001 to RM150,000	–
RM150,001 to RM200,000	1
RM200,001 to RM250,000	3
RM250,001 to RM300,000	–
RM300,001 to RM350,000	–
RM350,001 to RM400,000	1
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	1
RM700,001 to RM750,000	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 year under review, are set out in the Audit Committee Report on pages 50 to 52 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").

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

2.1 Audit Committee (Cont'd)

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

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

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

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

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

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

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

In this regard, the Audit Committee had on 19 May 2021, assessed the independence of Messrs. UHY as External Auditors of the Company as well as reviewed the level of non-audit services rendered by UHY to the Company during the financial year under review. Having satisfied itself with the technical competency, performance of and fulfillment of criteria as set out in the Non-Audit Services' Policy by the External Auditors as well as audit independence of UHY, the Audit Committee unanimously recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the 21st 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.

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

2.1 Audit Committee (Cont'd)

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

The details of the related party transactions are set out under Note 29 to the annual audited financial statements on pages 138 to 140 of this Annual Report.

2.2 Risk Management and Internal Control Framework

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

Recognising 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 recognised professional body for internal auditors. The internal audit function is independent of the activities it audited and the scope of work it covered during the financial year under review is provided in the Audit Committee Report set out on pages 50 to 52 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.

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.

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)

Shareholder Participation at General Meeting (Cont'd)

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 20th Annual General Meeting ("Notice") will be briefed via an explanatory note provided during the registration process and/or by the Chairman of the 21st Annual General Meeting at the commencement of such meetings. The Clauses 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 21st Annual General Meeting.

Communication and Engagement with Shareholders and Prospective Investors

The Board recognises 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 20th Annual General Meeting. The proceedings of the 21st Annual General Meeting will include the Chairman's briefing on the Company's overall performance for FYE 2020 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 21st Annual General Meeting by the Minority Shareholder Watch Group, if any.

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

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

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)

(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. 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 year under review.

This Statement was approved by the Board on 19 May 2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") of SWS Capital Berhad ("SWSCAP" or "Company") is committed to maintain sound system of internal control and effective risk management to safeguard shareholders' investment and Group's assets. In compliance with Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Institute of Internal Auditors Malaysia (the "Guidelines"), the Board is pleased to provide the following statement, on the nature and scope on risk management and internal control of the Group for the financial year ended 31 December 2020 ("FYE 2020").

BOARD RESPONSIBILITY

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

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

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

RISK MANAGEMENT FRAMEWORK

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

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

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

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

On the other hand, a Management Risk Committee ("MRC"), chaired by the Executive Director of each subsidiary will also be established to promote the risk management framework 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.

RISK MANAGEMENT FRAMEWORK (CONT'D)

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 Board 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 year was RM10,070.00.

ASSURANCE PROVIDED BY THE MANAGING DIRECTOR

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

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

REVIEW OF STATEMENT

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

CONCLUSION

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

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

This Statement was approved by the Board on 19 May 2021.

AUDIT COMMITTEE REPORT

INTRODUCTION

The Audit Committee of SWS Capital Berhad ("SWSCAP" or "Company") comprises three (3) members, all of whom are Independent Non-Executive Directors. 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.

COMPOSITION AND ATTENDANCE

The Board of Directors ("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 financial year ended 31 December 2020 ("FYE 2020"), the Audit Committee and its members have been able to discharge their functions, duties and responsibilities in accordance with the ToR of the Audit Committee, thereby supporting the Board in ensuring appropriate Corporate Governance ("CG") standards within the Company and the subsidiaries ("Group").

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

MEETINGS

The Audit Committee held four (4) meetings in FYE 2020 without the presence of other Directors, members of Senior Management and employees, except when their attendance was requested by the Audit Committee. The Managing Director ("MD") was invited to all Audit Committee meetings to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group.

The lead audit engagement partner of the External Auditors responsible for the Group attended two (2) Audit Committee meetings in FYE 2020 to present the audit review memorandum and auditors' report on the annual audited financial statements for FYE 2020.

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.

AUDIT COMMITTEE REPORT
(CONT'D)

MEETINGS (CONT'D)

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

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

SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

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

- Reviewed and discuss the memorandum of matters and issues raised by the External Auditors and management's response to all pertinent issues and findings raised and noted by the External Auditors during their audit of the financial statements, together with recommendations in respect of their findings.
- Reviewed the audit planning memorandum prepared by the External Auditors covering audit objectives and approach, audit plan, key audit area and relevant technical pronouncements and accounting standards.
- Reviewed the interim unaudited and annual audited financial statements of the Group prior to recommending for approval by the Board.
- Reviewed and discussed the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report.
- Reviewed internal audit's resource requirements, scope, adequacy and function.
- Reviewed the internal audit's plan and programs, IA reports, recommendations and Management responses. Improvement actions in the areas of internal control, systems and efficiency enhancements suggested by the Internal Auditors were discussed together with the Management Team in a separate forum as well as review of implementation of these recommendations through follow-up audit reports.
- Briefed the Board on any major issues, acquisition and corporate exercise of the Company discussed at the Audit Committee meeting for further deliberation or decision as the case may be.
- Reviewed the related parties' transactions and conflict of interest situation that that arose within the Company or the Group including any transaction, procedure or code of conduct that may raise concern or question of management's integrity.
- Considered the nomination of External Auditors and Internal Auditors for recommendation to the Board for re-appointment.
- Reviewed its ToR periodically and recommendation to the Board on revision, if necessary.
- Reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Malaysian Code on Corporate Governance 2017.
- Reviewed and approved the whistle-blowing policy and the risk management policies and strategies and significant changes made thereto from time to time.
- Suggested on additional improvement opportunities in the areas of internal control systems and efficiency improvement.
- Assessed the resources and knowledge of the Management and employees involved in the internal control and risk management processes.
- Reviewed the unaudited financial results announcements before recommending them for Board's approval, focusing particularly on:
  - any change in accounting policies and practices
  - significant adjustments arising from the audit
  - the going concern assumption
  - compliance with applicable financial reporting standards and other legal requirements

INTERNAL AUDIT FUNCTION

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

The Company has engaged an independent professional risk management company as Internal Auditors to assist the Company to strengthen its internal audit processes during the financial year 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 46 to 49 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 2020, and of the results and cash flows of the Group and of the Company for the financial year then ended, in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 (the"Act") in Malaysia.

In preparing the financial statements the Directors have,

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

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

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

SUSTAINABILITY STATEMENT

INTRODUCTION

In this fast-paced 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 ("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 year, the Group embarked on initiatives to review the sustainability management approach, materiality assessment, performance measurement and disclosure in efforts to strengthen the approach towards a sustainable business. Stakeholders' communication and interest are properly assessed towards business sustainability and economic success.

SCOPE OF REPORTING

This report covers all operating subsidiaries of the Group, for furniture and plastic ware division. The reporting period is from 1 January 2020 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)

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
	Communication 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	Industrial 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.

OTHER DISCLOSURE REQUIREMENTS

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

UTILISATION OF PROCEEDS

On 19 August 2020, the SWS Capital Berhad ("SWSCAP" or "Company") proposed to undertake a private placement of up to 30,086,715 new ordinary shares in SWSCAP ("SWS Shares"), representing 10% of the Company's total number of issued Shares at that point in time ("Private Placement"). The Private Placement was undertaken in accordance with the approval obtained from the shareholders of the Company at the 20th Annual General Meeting of the Company convened on 22 July 2020, whereby pursuant to Section 75 of the Companies Act 2016, the Board of Directors ("Board") was authorised to allot and issue new SWS Shares, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Board may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of SWS Shares to be issued during the preceding twelve (12) months does not exceed 10% of the total number of the issued shares (excluding treasury shares, if any) of the Company.

Bursa Securities had vide its letter dated 26 August 2020, resolved to approve the listing and quotation of up to 30,086,715 Shares to be issued pursuant to the Private Placement.

The Private Placement was deemed completed on 25 February 2021 pursuant to the following:

(i) listing of 18,234,378 SWS Shares on the Main Market of Bursa Securities on 21 December 2020;

(ii) out of 30,086,715 new SWS Shares approved by Bursa Securities vide its letter dated 26 August 2020, only 18,234,378 new SWS Shares have been placed out; and

(iii) The Board has confirmed that there will be no subsequent tranches or additional SWS Shares to be placed out pursuant to the Private Placement.

The said proceeds have been utilised as follows:

Details	Intended timeframe for utilisation from the listing date	Actual proceeds raised RM'000	Amount utilised as at date of this report RM'000	Balance RM'000
Working capital	Within 12 months	5,370	4,000	1,370
Repayment of bank borrowings	Within 12 months	5,370	4,000	1,370
Estimated expenses for the private placement	Within 3 months	109	109	–
Total		**10,849**	**8,109**	**2,740**

Save for the Private Placement, there were no proceeds raised from other proposal during the financial year.

AUDIT AND NON-AUDIT FEES

The fees payable to the External Auditors in relation to the audit and non-audit services rendered to the Company and the subsidiaries ("Group") for the financial year ended 31 December 2020 ("FYE 2020") are as follows:

	The Company (RM)	The Group (RM)
Audit fees	38,000	155,000
Non-audit fees	–	11,246

MATERIAL CONTRACTS

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

RELATED PARTY DISCLOSURE

Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature for FYE 2020

The aggregate value of recurrent related party transactions conducted pursuant to the shareholders' mandate during FYE 2020 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")	8,388,971 737,840	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	541,061	Purchases of water bottles and tumblers	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan

OTHER DISCLOSURE REQUIREMENTS
(CONT'D)

RELATED PARTY DISCLOSURE (CONT'D)

Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature for FYE 2020 (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	12,104 258,976 45,000	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	2,497,535	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")	69,100 329,031	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	104,761	Sales of printing services	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan
ES	ELP	229	Sales of plastic wares and cleaning products	**Interested Director / Major Shareholder** Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION

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

COMMUNITY

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

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

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY
(CONT'D)

WORKPLACE

The Group's personnel are one of the key success factors of the corporate social responsibility which will build sustainable growth to the Group. The Group considers its employees as valuable assets and treats all staff with dignity, fairness and respect. CSR Implementation has been set as one of the annual working plan agendas that is brainstormed and implemented by every department continuously in order to make it as direct duty and responsibility of all personnel as well as building awareness of importance and advantages of the corporate social responsibility amongst personnel. Moreover, supports, developments or gap identification are also needed for improvement. Employees are given training to develop and upgrade their skills, knowledge and attitudes. During the year under review, trainings, festival feast, annual dinner and some sports activities have been carried out to build better rapport among employees.

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

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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 year.

FINANCIAL RESULTS

	Group RM	Company RM
Loss for the financial year	2,561,069	754,189
Attributable to:	2,458,638	754,189
Owners of the parent	102,431	–
Non-controlling interests	2,561,069	754,189

RESERVES AND PROVISIONS

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

DIVIDENDS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary shares capital of the Company was increased from 182,343,782 ordinary shares to 200,578,160 ordinary shares by way of issuance of 18,234,378 new ordinary shares, amounting to RM10,849,455 through Private Placement for working capital.

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from 200,578,160 ordinary shares to 206,428,160 ordinary shares by way of issuance of 5,850,000 new ordinary shares, amounting to RM4,140,630, for cash pursuant to the Employees' Share Option Scheme ("ESOS") of the Company at exercise price at RM0.49 per ordinary shares.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

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 9 December 2020, 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 33 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 16(c) to the financial statements.

As at 31 December 2020, the total number of detachable Warrant B that remain unexercised were 91,171,801.

DIRECTORS

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

Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	
Teoh Han Chuan	
Tan Kok Tiam	
Dr. Loh Yee Feei	
Chen Thien Yin	(Appointed on 6 January 2021)
Khoo Chee Siang	(Appointed on 6 January 2021)
Teh Li King	(Appointed on 12 January 2021)
Piong Yew Peng	(Resigned on 6 January 2021)
Dato Chua Heok Wee	(Resigned on 6 January 2021)
Chew Seng Guan	(Resigned on 6 January 2021)
Dato' Seri MR. Serm Juthamongkhon	(Demised on 15 April 2021)

DIRECTORS (CONT'D)

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

Tan Soon Ping	
Heng Lih Jiun	
Lim Boon Leong	
Tan Kean Aik	
Dato Heng Yak Hooi	(Appointed on 2 October 2020)
Khairilanuar Bin Abdul Rahman	(Appointed on 2 October 2020)
Heng Sew Hua	(Resigned on 31 October 2020)
Lee Yew Chye	(Resigned on 26 April 2021)
Ooi Chen Hoon	(Resigned on 26 April 2021)

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

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			
	At 01.01.2020	**Allocated/ Bought**	**Sold**	**At 31.12.2020**
Interests in the Company				
Direct interests				
Tan Sri Dato' Seri Dr Tan King Tai @ Tan Khoon Hai	17,397,025	4,339,700	(7,108,200)	14,628,525
Teoh Han Chuan	10,625,000	500,000	–	11,125,000
Dato Chua Heok Wee	1,181,856	500,000	–	1,681,856
Dato' Seri MR. Serm Juthamongkhon	12,692,625	2,645,300	(5,300,800)	10,037,125
Chew Seng Guan	8,012,225	500,000	(7,976,100)	536,125
Dr. Loh Yee Feei	–	1,020,000	–	1,020,000
Tan Kok Tiam	–	500,000	–	500,000
Piong Yew Peng	–	500,000	–	500,000
Indirect interests				
Tan Sri Dato' Seri Dr Tan King Tai @ Tan Khoon Hai #	31,855,325	4,652,800	(30,787,231)	5,720,894
Teoh Han Chuan #	1,941,250	–	(100,000)	1,841,250
Dato Chua Heok Wee *	2,703,125	–	(2,703,125)	–
Chew Seng Guan #	50,000	–	–	50,000

DIRECTORS' INTERESTS IN SHARES (CONT'D)

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

	Number of Warrant B			
	At 01.01.2020	**Bought**	**Sold**	**At 31.12.2020**
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)	–
Dato Chua Heok Wee	591,028	–	–	591,028
Dato' Seri MR. Serm Juthamongkhon	4,538,312	–	(4,523,900)	14,412
Chew Seng Guan	3,915,812	–	(3,897,750)	18,062
Indirect interests				
Tan Sri Dato' Seri Dr Tan King Tai @ Tan Khoon Hai #	16,080,338	–	(11,356,355)	4,723,873
Teoh Han Chuan #	470,625	–	(468,700)	1,925
Dato Chua Heok Wee *	1,351,562	–	(101,562)	1,250,000
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.

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

DIRECTORS' BENEFITS

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

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

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM3,000,000 (2019: RM3,000,000) and RM4,700 (2019: 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 year which secures the liabilities of any other person; or

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

(d) In the opinion of the Directors:

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

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

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

SUBSIDIARY COMPANIES

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

AUDITORS' REMUNERATION

The details of auditors' remuneration are set out in Note 24 to the financial statements.

SIGNIFICANT EVENTS

Details of the significant events are disclosed in Note 34 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 19 May 2021.

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 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 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 19 May 2021.

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 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 19 May 2021)

TEOH HAN CHUAN

Before me,

Zainul Abidin Bin Ahmad (W790)
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 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 75 to 157.

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 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters	How we addressed the key audit matters
1. Inventory Valuation The carrying amount of inventories of the Group as at 31 December 2020 is RM44,743,758. 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 RM262,849 and RM62,478, respectively during the financial year.	We have obtained an understanding on the Group's accounting policy in making the accounting estimates for inventories write-down which is in line with the business environment. We reviewed and verified the value of a sample of inventory item by comparing the unit cost used in the final inventory listing summary to the current price lists, recent sales invoices, or recent vendor invoices to ensure inventories are stated at the lower of cost and net realisable value. We analysed and reviewed the level of slow moving inventories and the associated provisions. We assessed the adequacy of the disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT
To the members of SWS CAPITAL BERHAD
(CONT'D)

Key Audit Matters (Cont'd)

Key Audit Matters	How we addressed the key audit matters
2. Impairment of trade receivables As at 31 December 2020, the carrying value of Group's trade receivables amounting to RM30,064,588 which represents 27% 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 RM26,000 for the financial year ended 31 December 2020.	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 pasts 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.

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, actions taken to eliminate threats or safeguard applied.

INDEPENDENT AUDITORS' REPORT
To the members of SWS CAPITAL BERHAD
(CONT'D)

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

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

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: 03262/04/2023 J
Chartered Accountant

PENANG
19 May 2021

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2020

		Group		Company	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	29,987,284	95,036,462	–	–
Investment properties	5	2,265,000	2,140,000	–	–
Investment in subsidiary companies	6	–	–	70,765,595	70,118,413
Right-of-use assets	7	57,277,145	–	–	–
		89,529,429	97,176,462	70,765,595	70,118,413
Current assets					
Inventories	8	44,743,758	42,855,979	–	–
Trade receivables	9	30,064,588	26,059,780	–	–
Other receivables	10	2,528,495	2,150,886	1,000	29,123
Amount due from subsidiary companies	11	–	–	2,069,710	2,047,832
Tax recoverable		1,440,103	2,114,759	–	–
Derivatives financial assets	12	1,472	–	–	–
Deposits, bank and cash balances	13	27,190,510	8,047,181	16,823,749	772,356
Asset held for sale	14	3,923,310	960,000	–	–
		109,892,236	82,188,585	18,894,459	2,849,311
Total assets		199,421,665	179,365,047	89,660,054	72,967,724

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2020
(CONT'D)

		Group		Company	
		31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**
	Note	**RM**	**RM**	**RM**	**RM**
EQUITY					
Share Capital	15	106,233,002	91,242,917	106,233,002	91,242,917
Reserves	16	(3,235,599)	(1,071,631)	(18,947,630)	(18,488,111)
Equity attributable to owners of the parent		102,997,403	90,171,286	87,285,372	72,754,806
Non-controlling interests		6,799	109,181	–	–
Total equity		103,004,202	90,280,467	87,285,372	72,754,806
LIABILITIES					
Non-current liabilities					
Loans and borrowings	17	8,481,149	13,903,934	–	–
Lease liabilities	18	1,393,913	–	–	–
Deferred tax liabilities	19	3,767,275	3,319,267	–	–
		13,642,337	17,223,201	–	–
Current liabilities					
Loans and borrowings	17	46,927,871	46,028,161	–	–
Lease liabilities	18	953,831	–	–	–
Trade payables	20	26,307,885	20,789,932	–	–
Other payables	21	8,577,662	4,992,207	2,372,178	165,500
Provision of taxation		7,877	51,079	2,504	47,418
		82,775,126	71,861,379	2,374,682	212,918
Total liabilities		96,417,463	89,084,580	2,374,682	212,918
Total equity and liabilities		199,421,665	179,365,047	89,660,054	72,967,724

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2020

		Group		Company	
	Note	01.01.2020 to 31.12.2020 RM	01.09.2018 to 31.12.2019 RM	01.01.2020 to 31.12.2020 RM	01.09.2018 to 31.12.2019 RM
Revenue	22	139,564,204	178,295,631	780,000	1,040,000
Cost of sales		(116,450,850)	(153,299,729)	–	–
Gross profit		23,113,354	24,995,902	780,000	1,040,000
Other income		708,885	2,399,073	73,340	127,978
Administrative expenses		(15,207,700)	(24,102,097)	(1,501,155)	(2,924,026)
Selling and distribution expenses		(5,698,844)	(8,905,195)	–	–
Other expenses		(717,372)	(505,633)	–	–
Profit/(Loss) from operations		2,198,323	(6,117,950)	(647,815)	(1,756,048)
Finance costs	23	(2,826,407)	(4,531,512)	–	–
Loss before tax	24	(628,084)	(10,649,462)	(647,815)	(1,756,048)
Taxation	25	(1,932,985)	(49,488)	(106,374)	(106,333)
Loss for the financial year/ period		(2,561,069)	(10,698,950)	(754,189)	(1,862,381)
Other comprehensive income		–	–	–	–
Total comprehensive loss for the financial year/period		(2,561,069)	(10,698,950)	(754,189)	(1,862,381)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the financial year ended 31 December 2020
(CONT'D)

	Note	Group 01.01.2020 to 31.12.2020 RM	Group 01.09.2018 to 31.12.2019 RM	Company 01.01.2020 to 31.12.2020 RM	Company 01.09.2018 to 31.12.2019 RM
Loss for the financial year/period attributable to:					
Owners of the parent		(2,458,638)	(9,824,329)	(754,189)	(1,862,381)
Non-controlling interests		(102,431)	(874,621)	–	–
		(2,561,069)	(10,698,950)	(754,189)	(1,862,381)
Total comprehensive loss attributable to:					
Owners of the parent		(2,458,638)	(9,824,329)	(754,189)	(1,862,381)
Non-controlling interests		(102,431)	(874,621)	–	–
		(2,561,069)	(10,698,950)	(754,189)	(1,862,381)
Loss per share					
- Basic loss per share (sen)	27	(1.3)	(5.4)		
- Diluted loss per share (sen)	27	(1.3)	(5.4)		

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2020

		Attributable to owners of the parent								
		Non-distributable								
Group	Note	Share capital 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
At 1 January 2020		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
Loss for the financial year, representing total comprehensive loss for the financial year		–	–	–	–	–	(2,458,638)	(2,458,638)	(102,431)	(2,561,069)
Transaction with owners:										
Issuance of ordinary share pursuant to exercise of ESOS	15	4,140,630	–	–	(1,274,130)	–	–	2,866,500	–	2,866,500
Issuance of ordinary share pursuant to private placement		10,849,455	–	–	–	–	–	10,849,455	–	10,849,455
Issuance of ESOS	15	–	–	–	1,568,800	–	–	1,568,800	–	1,568,800
Additional non-controlling interests arising on the incorporation of SWS In Medics Sdn Bhd		–	–	–	–	–	–	–	49	49
Realisation of revaluation surplus upon depreciation		–	–	–	–	(438,456)	438,456	–	–	–
At 31 December 2020		106,233,002	(68,816,475)	68,816,475	1,819,270	8,070,470	(13,125,339)	102,997,403	6,799	103,004,202

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2020
(CONT'D)

		Attributable to owners of the parent									
		Non-distributable									
Group	**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**
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)
Utilisation of share premium account	15	71,026	(71,026)	–	–	–	–	–	–		
Issuance of ESOS	16	–	–	–	–	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

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2020
(CONT'D)

Company	Note	Share capital RM	Share premium RM	Other reserve RM	Warrant reserve RM	Share-based payment reserve RM	Accumulated losses RM	Total equity RM
		← Non-distributable				→		
At 1 January 2020		91,242,917	–	(68,816,475)	68,816,475	1,524,600	(20,012,711)	72,754,806
Loss for the financial year, representing total comprehensive loss for the financial year		–	–	–	–	–	(754,189)	(754,189)
Transactions with owners:								
Issuance of ordinary share pursuant to exercise of ESOS		4,140,630	–	–	–	(1,274,130)	–	2,866,500
Issuance of ordinary share pursuant to private placement		10,849,455	–	–	–	–	–	10,849,455
Issuance of ESOS		–	–	–	–	1,568,800	–	1,568,800
At 31 December 2020		106,233,002	–	(68,816,475)	68,816,475	1,819,270	(20,766,900)	87,285,372
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:								
Utilisation of share premium account	15	71,026	(71,026)	–	–	–	–	–
Issuance of ESOS	16	–	–	–	–	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

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

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2020

		Group		Company	
	Note	01.01.2020 to 31.12.2020 RM	01.09.2018 to 31.12.2019 RM	01.01.2020 to 31.12.2020 RM	01.09.2018 to 31.12.2019 RM
Cash flows from operating activities					
Loss before tax		(628,084)	(10,649,462)	(647,815)	(1,756,048)
Adjustment for:					
Amortisation of right-of-use assets	7	1,939,050	–	–	–
Deposit written off		–	200,000	–	200,000
Depreciation of property, plant and equipment	4	4,862,316	9,052,596	–	–
Share-based payment expense		1,568,800	1,524,600	921,670	871,200
Fair value gain on investment properties		(125,000)	(40,000)	–	–
Fair value gain on derivatives		(1,472)	(40,525)	–	–
Finance costs		2,826,407	4,531,512	–	–
Finance income		(121,159)	(221,407)	(73,340)	(127,978)
Gain on disposal of:					
- Investment property		–	(50,000)	–	–
- Property, plant and equipment		(9,165)	(1,295,753)	–	–
Impairment loss on trade receivables		26,000	103,992	–	–
Inventories:					
- Written down		262,849	62,033	–	–
- Written off		62,478	20,984	–	–
Prepayment written off		–	823,628	–	823,628
Reversal of impairment loss on trade receivables		(63,458)	(128,251)	–	–
Unrealised gain on foreign exchange		(97,485)	(76,936)	–	–
Operating profit before working capital changes		10,502,077	3,817,011	200,515	10,802

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2020
(CONT'D)

	Note	Group		Company	
		01.01.2020 to 31.12.2020 RM	01.09.2018 to 31.12.2019 RM	01.01.2020 to 31.12.2020 RM	01.09.2018 to 31.12.2019 RM
Cash flows from operating activities (Cont'd)					
Operating profit before working capital changes (Cont'd)		10,502,077	3,817,011	200,515	10,802
Changes in working capital:					
Amount due from subsidiary companies		–	–	(21,879)	(1,039,407)
Inventories		(2,213,106)	(4,302,582)	–	–
Trade and other receivables		(4,309,382)	8,059,192	28,123	(1,023,628)
Trade and other payables		9,223,948	(2,660,554)	2,206,678	60,635
		2,701,460	1,096,056	2,212,922	(2,002,400)
Cash generated from/ (used in) operations		13,203,537	4,913,067	2,413,437	(1,991,598)
Interest paid		(2,826,407)	(4,531,512)	–	–
Tax paid		(853,523)	(2,165,137)	(151,288)	(53,131)
Tax refunded		–	604,143	–	33,167
Net cash (used in)/from operating activities		9,523,607	(1,179,439)	2,262,149	(2,011,562)

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2020
(CONT'D)

	Note	Group 01.01.2020 to 31.12.2020 RM	Group 01.09.2018 to 31.12.2019 RM	Company 01.01.2020 to 31.12.2020 RM	Company 01.09.2018 to 31.12.2019 RM
Cash flows from investing activities					
Acquisition of property, plant and equipment	4(e)	(2,633,174)	(5,189,053)	–	–
Acquisition of right-of-use assets	7(d)	(58,008)	–	–	–
Interest received		121,159	221,407	73,340	127,978
Withdrawal of pledged fixed deposit		(91,789)	2,034,923	–	–
Proceeds from disposal of investment property		–	250,000	–	–
Proceeds from disposal of asset held for sales		960,000	–	–	–
Proceeds from disposal of property, plant and equipment		14,400	1,297,399	–	–
Acquisition of SWS In Medics Sdn Bhd		–	–	(51)	–
Proceeds from non-controlling interest		49	–	–	–
Net cash (used in)/from investing activities		(1,687,363)	(1,385,324)	73,289	127,978
Cash flows from financing activities					
Drawdown of bankers acceptance	28	1,612,036	3,073,954	–	–
Drawdown of term loans	28	–	3,034,987	–	–
Repayment of finance lease liabilities		–	(1,409,729)	–	–
Repayment of lease liabilities	28	(1,090,534)	–	–	–
Repayment of term loans	28	(3,035,899)	(3,165,562)	–	–
Issuance of ordinary share pursuant to exercise of ESOS		2,866,500	–	2,866,500	–
Issuance of ordinary share pursuant to private placement		10,849,455	–	10,849,455	–
Net cash from financing activities		11,201,558	1,533,650	13,715,955	–

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2020
(CONT'D)

		Group		Company	
	Note	01.01.2020 to 31.12.2020 RM	01.09.2018 to 31.12.2019 RM	01.01.2020 to 31.12.2020 RM	01.09.2018 to 31.12.2019 RM
Net increase/(decrease) in cash and cash equivalents		19,037,802	(1,031,113)	16,051,393	(1,883,584)
Effect of exchange translation differences on cash and cash equivalents		26,529	52,669	–	–
Cash and cash equivalents at the beginning of the financial year/period		(1,787,085)	(808,641)	772,356	2,655,940
Cash and cash equivalents at the end of the financial year/period		17,277,246	(1,787,085)	16,823,749	772,356
Cash and cash equivalents at the end of the financial year/period comprises:					
Deposit, bank and cash balances	13	27,190,510	8,047,181	16,823,749	772,356
Less: Bank overdrafts	17	(6,633,411)	(6,646,202)	–	–
		20,557,099	1,400,979	16,823,749	772,356
Less: Fixed deposits pledged with licensed banks		(3,279,853)	(3,188,064)	–	–
		17,277,246	(1,787,085)	16,823,749	772,356

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

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 Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor.

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 year.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("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 year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 16	**Leases**
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

Annual Improvements to MFRSs 2015 - 2017 Cycle:

- Amendments to References to the Conceptual Framework in MFRS Standards

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

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

MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, IC Interpretation 4 Determine whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 Leases are no longer required. MFRS 16 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 ("ROU") 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 ROU 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.

The ROU asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

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

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2020 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2020 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group has also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- Applied a single discount rate to portfolio of leases with reasonably similar characteristics.
- The Group does not apply the standard to leases which lease terms end within 12 months from 1 January 2020.
- No adjustments are made on transition for leases for which the underlying assets are of low value.
- Excluded initial direct costs from measuring the ROU assets at the date of initial application.
- The Group uses hindsight in determining lease terms for contracts that contain options for extension or termination.

As a result, the leasehold land and building, motor vehicles and plant and machinery under properties, plant and equipment have been reclassified to ROU assets on 1 January 2020 for the Company.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 Leases (Cont'd)

Impact arising from the adoption of MFRS 16 on the financial statements:

Statement of Financial Position

	As at 31.12.2019 RM	MFRS 16 adjustments RM	As at 1.1.2020 RM
Property, plant and equipment	95,036,462	(58,891,491)	36,144,971
Right-of-use assets	–	58,891,491	58,891,491
Finance lease liabilities	3,086,421	(3,086,421)	–
Lease liabilities	–	3,086,421	3,086,421

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
Amendments to MFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 3	Reference of the Conceptual Framework	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

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

		Effective dates for financial periods beginning on or after
Annual Improvements to MFRSs Standards 2018 - 2020:		
• Amendments to MFRS 1 • Amendments to MFRS 9 • Amendments to MFRS 16 • Amendments to MFRS 141		1 January 2022
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 4	Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to MFRS 108	Definition of accounting policies	1 January 2023
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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

The initial application of the above-mentioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company.

(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 of 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.

2. BASIS OF PREPARATION (CONT'D)

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

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/depreciation of property, plant and equipment and amortisation of right-of-use ("ROU") asset

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets 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 and ROU assets would increase the recorded depreciation/amortisation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment and ROU assets are disclosed in Note 4 and Note 7 respectively.

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 2020 for investment properties. For investment properties, a valuation methodology based on sales comparison approach was used.

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 19.

Inventories valuation

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

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

Impairment of loans and receivables

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 9.

Share-based payments

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.

Income taxes

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

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2020, the Group has tax recoverable of RM1,440,103 and tax payable of RM7,877 (2019: tax recoverable of RM2,114,759 and tax payable of RM51,079) and the Company has tax payable of RM2,504 (2019: tax payable of RM47,418).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency transaction and balances (Cont'd)

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

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

(c) Property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement (Cont'd)

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

(ii) Subsequent costs

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

(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 annual depreciation rate as follows:

Freehold 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 year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases

Policy applicable from 1 January 2020

As lessee

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(n)(i) to the financial statements.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold land	Over the remaining lease period
Leasehold buildings	2%
Plant, machinery and equipment	10%
Motor vehicles	20%
Office equipment	10%

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (Cont'd)

Policy applicable from 1 January 2020 (Cont'd)

As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group applies MFRS 15 Revenue from Contracts with Customers to allocate the consideration in the contract based on the stand-alone selling price.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". 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.

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

Policy applicable before 1 January 2020

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

As lessee

(i) Finance lease

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (Cont'd)

Policy applicable before 1 January 2020 (Cont'd)

(ii) Operating lease

Leases, where the Group 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 statement 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 straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

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

<u>As lessor</u>

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

(e) Investment properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment properties (Cont'd)

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.

(g) Financial assets

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.

(a) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets (Cont'd)

(a) Financial assets at amortised cost (Cont'd)

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.

(b) 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.

(c) Financial assets at fair value through 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets (Cont'd)

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.

(h) Financial liabilities

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.

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 financial liabilities measured at amortised cost.

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

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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial guarantee contracts

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.

(ii) Financial assets

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

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.

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee benefits (Cont'd)

(iii) Share-based payments

Equity-settled share-based payments to eligible 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 33.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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									
31.12.2020									
Cost/Valuation									
At 1 January 2020	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
Effect of adoption MFRS 16	–	–	(22,550,000)	(35,570,343)	–	(3,094,260)	(2,626,067)	–	(63,840,670)
At 1 January 2020, restated	10,194,067	3,152,000	–	–	2,517,940	56,141,460	3,498,314	7,112,560	82,616,341
Additions	–	–	–	–	215,465	2,257,382	–	160,327	2,633,174
Disposal	–	–	–	–	–	–	(151,453)	(8,848)	(160,301)
Written off	–	–	–	–	–	–	(157,398)	–	(157,398)
Transfer to asset held for sales (Note 14)	(3,923,310)	–	–	–	–	–	–	–	(3,923,310)
At 31 December 2020	6,270,757	3,152,000	–	–	2,733,405	58,398,842	3,189,463	7,264,039	81,008,506

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									
31.12.2020									
Accumulated depreciation									
At 1 January 2020	–	147,266	974,746	1,703,513	1,986,683	36,669,783	5,078,916	4,859,642	51,420,549
Transfer	–	–	–	17,579	(17,579)	–	–	–	–
Effect of adoption MFRS 16	–	–	(974,746)	(1,721,092)	–	(471,168)	(1,782,173)	–	(4,949,179)
At 1 January 2020, restated	–	147,266	–	–	1,969,104	36,198,615	3,296,743	4,859,642	46,471,370
Charge for the financial year	–	59,400	–	–	180,258	3,961,740	119,641	541,277	4,862,316
Disposal	–	–	–	–	–	–	(151,453)	(3,613)	(155,066)
Written off	–	–	–	–	–	–	(157,398)	–	(157,398)
At 31 December 2020	–	206,666	–	–	2,149,362	40,160,355	3,107,533	5,397,306	51,021,222
Carrying amount									
At 31 December 2020	6,270,757	2,945,334	–	–	584,043	18,238,487	81,930	1,866,733	29,987,284

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									
31.12.2019									
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

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

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

	Company	
	31.12.2020 RM	31.12.2019 RM
Signboard		
Cost		
At 1 January/1 September/31 December	10,797	10,797
Accumulated depreciation		
At 1 January/1 September/31 December	10,797	10,797
Carrying amount		
At 31 December	–	–

(a) Assets pledged as securities to financial institutions

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

	Group	
	31.12.2020 RM	31.12.2019 RM
Freehold buildings	2,945,334	3,004,734
Freehold land	6,270,757	10,194,067
Leasehold buildings	–	31,792,682
Leasehold land	–	23,649,402
	9,216,091	68,640,885

(b) Assets held under finance leases

At financial period 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
Motor vehicles	1,408,839
Plant and machinery	2,095,919
	3,504,758

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 17.

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 was 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 land 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 was 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 was no transfer between Level 2 and Level 3 during the financial year.

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

	Group	
	31.12.2020	**31.12.2019**
	RM	**RM**
Freehold land and buildings	11,100,124	11,164,797
Leasehold buildings	–	10,068,692
Leasehold land	–	22,266,760
	11,100,124	43,500,249

(d) Leasehold land and buildings

In the prior financial period, the remaining lease terms of the leasehold land and buildings were ranging from 49 years to 75 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 year are as follows:

	Group	
	01.09.2020 to 31.12.2020 RM	**01.09.2018 to 31.12.2019 RM**
Aggregate costs	2,633,174	8,009,204
Less: Finance lease financing	–	(2,820,151)
Cash payment	2,633,174	5,189,053

(f) In prior financial period, the strata title of a leasehold land with carrying amount RM2,782,164 (2019: RM2,782,164) acquired in financial year 2017 has been issued by relevant authorities.

5. INVESTMENT PROPERTIES

	Group	
	31.12.2020 RM	**31.12.2019 RM**
At 1 January/1 September	2,140,000	3,260,000
Change in fair value recognised in profit or loss	125,000	40,000
Disposal	–	(200,000)
Transfer to asset held for sale (Note 14)	–	(960,000)
At 31 December	2,265,000	2,140,000
Included in the above are:		
At fair value		
Freehold land	1,665,000	1,640,000
Buildings	600,000	500,000
	2,265,000	2,140,000

(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 RM2,265,000 (2019: RM2,140,000). 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. There was no transfer between different level within fair value during the financial year.

The increase in the fair value of RM125,000 (2019: RM40,000) has been recognised in the profit or loss during the financial year.

(c) Income and expenses recognised in profit or loss

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

	Group	
	01.09.2020 to 31.12.2020 RM	**01.09.2018 to 31.12.2019 RM**
Rental income	90,400	188,000
Direct operating expenses:		
- Income generating investment properties	(24,409)	(18,712)
- Non-income generating investment properties	(1,886)	(583)

(d) Investment properties pledged as securities to financial institutions

Investment properties of the Group amounting to RM1,800,000 (2019: RM1,800,000) has been pledged to secure banking facilities granted to the Group as disclosed in Note 17.

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	31.12.2020 RM	**31.12.2019 RM**
In Malaysia		
Unquoted shares, at cost	92,509,299	91,855,847
Less: Accumulated impairment losses	(22,390,834)	(22,390,834)
	70,118,465	69,465,013
Cost of investment in relation to share option granted to employees of subsidiary companies	647,130	653,400
	70,765,595	70,118,413

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

	Group	
	31.12.2020	**31.12.2019**
	RM	**RM**
At the beginning of the year/period and at the end of the year/period	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 (%) 31.12.2020**	**Effective interest (%) 31.12.2019**	**Principal activities**
Syarikat U.D . Trading Sdn. Bhd. ("UDT")	Malaysia	100 .00	100 .00	Dealing of fu rniture 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. ("PKI")	Malaysia	100.00	100.00	Furniture and parts manufacturing
Ee-Lian Industries Sdn. Bhd. ("ELI")	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
SWS In Medics Sdn. Bhd. ("SWSIM")	Malaysia	51.00	–	Export of medical and dental instrument and supplies, wholesale of pharmaceutical and medical goods
Skywood Residence Sdn. Bhd. ("SR")	Malaysia	100.00	–	Investment holding

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows: (Cont'd)

Name of Company	Country of incorporation	Effective interest (%) 31.12.2020	Effective interest (%) 31.12.2019	Principal activities
Held through UDP				
U.D. Wood Products Sdn. Bhd. ("UDW")	Malaysia	100.00	100.00	Veneer lamination
Held through ELE				
Ee-Lian Plastic Industries (M) Sdn. Bhd. ("ELP")	Malaysia	77.50	77.50	Manufacturer and trader of plastic wares, utensils and goods

(a) Acquisition of a subsidiary company

On 21 September 2020, the Company acquired 1 ordinary share in SR for a cash consideration of RM1, representing 100% equity interest in SR. The acquisition was deemed to be completed by 21 September 2020 and as a result, SR becomes a wholly owned subsidiary of the Company.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

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

	SR RM
Cash and cash equivalents	1
Total identifiable assets and liabilities	1

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

	SR RM
Purchase consideration settled in cash	(1)
Cash and cash equivalents acquired	1
Net cash inflows on acquisition of subsidiary	–

<u>Impact of the acquisition on the Statements of Profit or Loss and Other Comprehensive Income</u>

The effect of acquisition of subsidiary company did not have any material effect on the financial results and position of the Group.

(b) Incorporation of a subsidiary company

In the current reporting year, the Company incorporated a partly-owned subsidiary, SWSIM by subscribing to RM51 ordinary shares representing 51% of the issued and paid-up share capital of SWSIM for a cash consideration of RM51. SWSIM is intended to carry out the principal activities of export of medical and dental instrument and supplies, wholesale of pharmaceutical and medical goods.

7. RIGHT-OF-USE ASSETS

	Leasehold land RM	Leasehold building RM	Plant, machinery and equipment RM	Motor vehicles RM	Office equipment RM	Premises RM	Total RM
Group							
31.12.2020							
Cost							
At 1 January 2020	–	–	–	–	–	–	–
Effect of adoption of MFRS 16 (Note 2)	22,550,000	35,496,692	3,167,911	2,626,067	–	–	63,840,670
At 1 January 2020, restated	22,550,000	35,496,692	3,167,911	2,626,067	–	–	63,840,670
Additions	–	–	–	103,536	224,480	81,849	409,865
Adjustment #	–	(85,161)	–	–	–	–	(85,161)
At 31 December 2020	22,550,000	35,411,531	3,167,911	2,729,603	224,480	81,849	64,165,374
Accumulated Amortisation							
At 1 January 2020	–	–	–	–	–	–	–
Effect of adoption of MFRS 16 (Note 2)	974,746	1,721,092	471,168	1,782,173	–	–	4,949,179
At 1 January 2020, restated	974,746	1,721,092	471,168	1,782,173	–	–	4,949,179
Charge for the financial year	414,768	720,111	309,427	452,922	18,707	23,115	1,939,050
At 31 December 2020	1,389,514	2,441,203	780,595	2,235,095	18,707	23,115	6,888,229
Carrying Amount							
At 31 December 2020	21,160,486	32,970,328	2,387,316	494,508	205,773	58,734	57,277,145

The adjustment is related to the reversal of cost to other payables.

7. RIGHT-OF-USE ASSETS (CONT'D)

(a) Assets pledged as securities to financial institutions

The net carrying amount of right-of-use assets of the Group are pledged to licensed bank for bank facilities as disclosed in Note 17 are:

	Group 31.12.2020 RM
Leasehold buildings	32,970,328
Leasehold land	21,160,486
	54,130,814

(b) 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 was 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 land 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 was 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 was no transfer between Level 2 and Level 3 during the financial year.

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

	Group 31.12.2020 RM
Leasehold buildings	9,927,929
Leasehold land	21,727,555
	31,655,484

7. RIGHT-OF-USE ASSETS (CONT'D)

(c) Leasehold land and buildings

In the current financial year, the remaining lease terms of the leasehold land and buildings are ranging from 48 years to 74 years.

(d) Purchase of right-of-use assets

The aggregate additional cost for the right-of-use assets of the Group during the financial year are as follows:

	Group 01.01.2020 to 31.12.2020 RM
Aggregate costs	409,865
Less: Lease liabilities financing (Note 18)	(351,857)
Cash payment	58,008

8. INVENTORIES

	Group	
	31.12.2020 RM	**31.12.2019 RM**
Raw materials	17,971,817	16,904,889
Work-in-progress	11,497,475	10,757,708
Finished goods	15,274,466	14,615,448
Goods-in-transit	–	577,934
	44,743,758	42,855,979
Recognised in profit or loss:		
Inventories recognised as cost of sales	116,053,523	153,216,712
Inventories written off	62,478	20,984
Inventories written down	262,849	62,033

9. TRADE RECEIVABLES

	Group	
	31.12.2020 RM	**31.12.2019 RM**
Trade receivables	27,797,065	24,830,457
Companies in which certain Directors have substantial financial interest	2,719,611	1,718,869
	30,516,676	26,549,326
Less: Accumulated impairment losses	(452,088)	(489,546)
	30,064,588	26,059,780

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2019: 30 to 120 days). 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 (2019: 30 to 120 days).

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

	Group	
	31.12.2020 RM	**31.12.2019 RM**
At 1 January/1 September, as previously reported	489,546	539,406
Effect of adoption of MFRS 9	–	329,000
At 1 January/September, as restated	489,546	868,406
Impairment losses recognised	26,000	103,992
Impairment losses reversed	(63,458)	(128,251)
Written off against trade receivables	–	(354,601)
At 31 December	452,088	489,546

Impairment losses reversed during the financial year amounting to RM63,458 (2019: RM128,251) pertains to previously impaired receivables recovered during the financial year.

Allowance for impairment loss written off against trade receivables during the financial year amounting to RMNil (2019: RM354,601) are still subjected to enforcement activity.

9. TRADE RECEIVABLES (CONT'D)

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

	Gross amount RM	Group Loss allowance RM	Net amount RM
31 December 2020			
Neither past due nor impaired	17,272,548	(50,000)	17,222,548
Past due not impaired:			
Less than 30 days	4,991,249	(48,000)	4,943,249
31 to 60 days	4,039,466	(48,000)	3,991,466
More than 61 days	4,101,325	(194,000)	3,907,325
Total past due but not impaired	13,132,040	(290,000)	12,842,040
	30,404,588	(340,000)	30,064,588
Individually impaired	112,088	(112,088)	–
	30,516,676	(452,088)	30,064,588
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

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

As at 31 December 2020, trade receivables of RM12,842,040 (2019: RM15,513,631) 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.

9. TRADE RECEIVABLES (CONT'D)

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 RM112,088 (2019: RM156,546), related to customers that are in financial difficulties and have defaulted on payments. These balances are expected to be recovered through the debts recovery process.

10. OTHER RECEIVABLES

	Group		Company	
	31.12.2020 RM	**31.12.2019 RM**	**31.12.2020 RM**	**31.12.2019 RM**
Other receivables	91,679	317,013	–	28,123
Companies in which certain Directors have substantial financial interest	–	24,047	–	–
	91,679	341,060	–	28,123
Deposits	594,131	398,634	1,000	1,000
Prepayments	1,842,685	1,411,192	–	–
	2,528,495	2,150,886	1,000	29,123

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

11. AMOUNT DUE FROM SUBSIDIARY COMPANIES

		Group	
	Note	**31.12.2020 RM**	**31.12.2019 RM**
Amount due from subsidiary companies			
Trade	(a)	727,500	702,502
Non-trade	(b)	1,342,210	1,345,330
		2,069,710	2,047,832

(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 rates range from 4.99% to 5.04% (2019: 4.96%) per annum and repayable on demand.

12. DERIVATIVE FINANCIAL ASSETS

	31.12.2020		31.12.2019	
	Contract/ Notional amount USD	Financial assets RM	Contract/ Notional amount USD	Financial assets RM
Group				
Non-hedging derivative				
Current				
- Forward exchange contracts	76,472	1,472	–	–

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 year, the Group recognised a gain of RM1,472 (2019: gain of RM40,525) arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

13. DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	31.12.2020 RM	31.12.2019 RM	31.12.2020 RM	31.12.2019 RM
Cash and bank balances	23,323,720	4,292,623	16,823,749	772,356
Fixed deposits with licensed banks	3,866,790	3,754,558	–	–
	27,190,510	8,047,181	16,823,749	772,356

Fixed deposits with licensed banks of the Group amounting to RM3,279,853 (2019: RM3,188,064) are pledged as security for bank borrowings as disclosed in Note 17.

The effective interest rates and maturities of fixed deposits of the Group as at the end of the reporting period range from 3.10% to 3.63% (2019: 3.10% to 3.63%) per annum and 30 days to 12 months (2019: 30 days to 12 months) respectively.

14. ASSET HELD FOR SALE

	Group	
	31.12.2020 RM	**31.12.2019 RM**
Land and building held for sale	3,923,310	960,000

On 14 September 2020, the Group has entered into a sale and purchase agreement to sell a parcel of land for a consideration price of RM7,233,000. The said transaction was completed on 10 February 2021.

In previous financial period, 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.

15. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	31.12.2020 Units	**31.12.2019 Units**	**31.12.2020 RM**	**31.12.2019 RM**
Ordinary shares issued and fully paid shares:				
At 1 January/1 September	182,343,782	182,343,782	91,242,917	91,171,891
Issuance of ordinary shares pursuant to exercise of ESOS	5,850,000	–	4,140,630	–
Issuance of ordinary shares pursuant to private placement	18,234,378	–	10,849,455	–
Utilisation of share premium account	–	–	–	71,026
At 31 December	206,428,160	182,343,782	106,233,002	91,242,917

During the financial year, the issued and paid-up ordinary shares capital of the Company was increased from 182,343,782 ordinary shares to 200,578,160 ordinary shares by way of issuance of 18,234,378 new ordinary shares, amounting to RM10,849,455 through Private Placement for working capital.

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from 200,578,160 ordinary shares to 206,428,160 ordinary shares by way of issuance of 5,850,000 new ordinary shares, amounting to RM4,140,630, for cash pursuant to the ESOS of the Company at exercise price at RM0.49 per ordinary shares.

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.

16. RESERVES

		Group		Company	
	Note	31.12.2020 RM	31.12.2019 RM	31.12.2020 RM	31.12.2019 RM
Non-distributable					
Share premium	a	–	–	–	–
Revaluation reserve	b	8,070,470	8,508,926	–	–
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)
Share-based payment reserve benefit	d	1,819,270	1,524,600	1,819,270	1,524,600
Accumulated losses		(13,125,339)	(11,105,157)	(20,766,900)	(20,012,711)
		(3,235,599)	(1,071,631)	(18,947,630)	(18,488,111)

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

(a) Share premium

	31.12.2020 RM	31.12.2019 RM
At 1 January/1 September	–	71,026
Utilisation	–	(71,026)
At 31 December	–	–

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

Section 618(2) of the Companies Act, 2016 states that upon the commencement of Section 74, the share premium account shall become part of share capital. However, the share premium account is maintained pursuant to the transitional provisions set out in Section 618(3) of the Companies Act, 2016 in Malaysia and shall become part of share capital within twenty-four months (31 January 2017 to 30 January 2019) upon commencement of Section 74.

(b) Revaluation reserve

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

16. RESERVES (CONT'D)

(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 are 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.

(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 2020, the total number of warrants that remain unexercised were 91,171,801 (31.12.2019: 91,171,801). The closing market price of warrant for the financial period was at RM0.125 each.

(d) Share-based payment 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 33.

17. LOANS AND BORROWINGS

		Group	
		31.12.2020	**31.12.2019**
	Note	**RM**	**RM**
Secured			
Term loans	(a)	11,988,609	15,024,508
Bank overdraft	(a)	6,633,411	6,646,202
Bankers' acceptance	(a)	36,787,000	35,174,964
Finance lease liabilities	(b)	–	3,086,421
		55,409,020	59,932,095
Non-current			
Term loans		8,481,149	11,858,295
Finance lease liabilities		–	2,045,639
		8,481,149	13,903,934
Current			
Term loans		3,507,460	3,166,213
Bank overdraft		6,633,411	6,646,202
Bankers' acceptance		36,787,000	35,174,964
Finance lease liabilities		–	1,040,782
		46,927,871	46,028,161
		55,409,020	59,932,095

(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 Note 4 , Note 5 and Note 7;

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

(iii) Facilities agreement;

(iv) Corporate guarantee by the Company; and

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

17. LOANS AND BORROWINGS (CONT'D)

(b) Finance lease liabilities

	Group 31.12.2019 RM
Minimum lease payments:	
Within one year	1,197,704
Later than one year and not later than two years	822,592
Later than two years and not later than five years	1,473,935
	3,494,231
Less: Future finance charges	(407,810)
Present value of minimum lease payments	3,086,421
Present value of minimum lease payments:	
Within one year	1,040,782
Later than one year and not later than two years	710,878
Later than two years and not later than five years	1,334,761
	3,086,421

In prior financial period, 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:

	31.12.2020 %	31.12.2019 %
Term loans	3.25 to 6.51	4.77 to 7.51
Bank overdraft	6.45 to 7.20	7.60 to 8.60
Bankers' acceptance	3.25 to 3.99	3.51 to 5.62
Finance lease liabilities	Nil	2.47 to 7.16

18. LEASE LIABILITIES

	Group RM
Cost	
At 1 January	–
Effect of adoption of MFRS 16 (Note 2)	3,086,421
At 1 January 2020, restated	3,086,421
Additions	351,857
Accretion of interest (Note 23)	165,724
Payments	(1,256,258)
At 31 December	2,347,744
Presented as:	
Current portion	953,831
Non-current portion	1,393,913
	2,347,744
The maturity analysis of right-of-use lease liabilities as of the end of financial year:	
Repayable within one year	954,148
Repayable within one to two years	826,858
Repayable within two to five years	770,565
Repayable in five years and more	74,655
	2,626,226
Less: Future finance charges	(278,482)
Present value of right-of-use lease liabilities	2,347,744

The Group leases various land, buildings, motor vehicles, plant and machineries and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different term and conditions.

19. DEFERRED TAX LIABILITIES

	Group 31.12.2020 RM	Group 31.12.2019 RM
At 1 January/1 September	3,319,267	4,297,423
Recognised in profit or loss (Note 25)	(59,991)	(692,079)
Relating to crystallisation of reserve deferred tax liability on revaluation	(20,353)	(22,802)
Under/(Over) provision in prior years	528,352	(263,275)
At 31 December	3,767,275	3,319,267

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

	Group 31.12.2020 RM	Group 31.12.2019 RM
Deferred tax assets	(775,460)	(869,842)
Deferred tax liabilities	4,542,735	4,189,109
	3,767,275	3,319,267

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 January 2020	–	(642,893)	(226,949)	(869,842)
Recognised in profit or loss (Note 25)	–	(137,647)	246,532	108,885
Under/(Over) provision in prior year	–	23,118	(37,621)	(14,503)
At 31 December 2020	–	(757,422)	(18,038)	(775,460)
At 1 September 2018	(2,000)	(473,186)	–	(475,186)
Recognised in profit or loss (Note 25)	2,000	(144,348)	–	(142,348)
Over provision in prior years	–	(25,359)	(226,949)	(252,308)
At 31 December 2019	–	(642,893)	(226,949)	(869,842)

19. DEFERRED TAX LIABILITIES (CONT'D)

	Others RM	Accelerated capital allowances RM	Revaluation of assets RM	Total RM
Group				
Deferred tax liabilities				
At 1 January 2020	(60,289)	3,127,102	1,122,296	4,189,109
Recognised in profit or loss (Note 25)	(141,576)	(27,300)	–	(168,876)
Relating to crystallisation of deferred tax liability on revaluation reserve	–	–	(20,353)	(20,353)
Under provision in prior year	–	542,855	–	542,855
At 31 December 2020	(201,865)	3,642,657	1,101,943	4,542,735
At 1 September 2018	(45,317)	3,673,126	1,144,800	4,772,609
Recognised in profit or loss (Note 25)	(14,972)	(535,058)	–	(550,030)
Relating to crystallisation of deferred tax liability on revaluation reserve	–	–	(22,504)	(22,504)
Over provision in prior years	–	(10,966)	–	(10,966)
At 31 December 2019	(60,289)	3,127,102	1,122,296	4,189,109

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

	Group	
	31.12.2020 RM	**31.12.2019 RM**
Unutilised tax losses	19,486,389	21,513,148
Unutilised capital allowances	4,752,063	3,034,291
Unutilised reinvestment allowances	2,887,735	1,942,116
	27,126,187	26,489,555

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.

20. TRADE PAYABLES

	Group	
	31.12.2020	**31.12.2019**
	RM	**RM**
Trade payables	25,474,388	20,328,227
Companies in which certain Directors have substantial financial interest	833,497	461,705
	26,307,885	20,789,932

Credit terms of trade payables of the Group ranged from 30 to 90 days (2019: 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 (2019: 30 to 90 days).

21. OTHER PAYABLES

	Group		Company	
	31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**
	RM	**RM**	**RM**	**RM**
Amount due to Directors	48,725	48,225	–	–
Other payables	1,913,287	2,052,415	5,178	500
Deposits received	3,817,734	761,838	2,244,000	–
Accruals	2,797,916	2,129,729	123,000	165,000
	8,577,662	4,992,207	2,372,178	165,500

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

22. REVENUE

	Group		Company	
	01.01.2020 to 31.12.2020	**01.09.2018 to 31.12.2019**	**01.01.2020 to 31.12.2020**	**01.09.2018 to 31.12.2019**
	RM	**RM**	**RM**	**RM**
Sales	139,564,204	178,295,631	–	–
Management fees	–	–	780,000	1,040,000
	139,564,204	178,295,631	780,000	1,040,000

22. REVENUE (CONT'D)

	Group		Company	
	01.01.2020 to 31.12.2020 RM	**01.09.2018 to 31.12.2019 RM**	**01.01.2020 to 31.12.2020 RM**	**01.09.2018 to 31.12.2019 RM**
Timing of revenue recognition:				
At a point in time	139,564,204	178,295,631	780,000	1,040,000

23. FINANCE COSTS

	Group	
	01.01.2020 to 31.12.2020 RM	**01.09.2018 to 31.12.2019 RM**
Interest expenses on:		
- Bank overdraft	476,782	665,606
- Bankers' acceptance	1,311,293	2,280,256
- Term loans	872,608	1,386,823
- Finance leases liabilities	–	198,827
- Lease liabilities	165,724	–
	2,826,407	4,531,512

24. LOSS BEFORE TAX

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

	Group		Company	
	01.01.2020 to 31.12.2020 RM	**01.09.2018 to 31.12.2019 RM**	**01.01.2020 to 31.12.2020 RM**	**01.09.2018 to 31.12.2019 RM**
Auditors' remuneration				
- statutory audits	155,000	196,000	38,000	40,000
- non-audit services	11,246	13,713	–	5,000
Amortisation of ROU assets	1,939,050	–	–	–
Deposit written off	–	200,000	–	200,000
Depreciation of property, plant and equipment	4,862,316	9,052,596	–	–
Fair value gain on investment properties	(125,000)	(40,000)	–	–
Fair value gain on derivatives	(1,472)	(40,525)	–	–
Foreign exchange loss/(gain)				
- realised	347,890	242,086	–	–
- unrealised	(97,485)	(76,936)	–	–
Gain on disposal of				
- investment properties	–	(50,000)	–	–
- property, plant and equipment	(9,165)	(1,295,753)	–	–

24. LOSS BEFORE TAX (CONT'D)

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

	Group		Company	
	01.01.2020 to 31.12.2020 RM	**01.09.2018 to 31.12.2019 RM**	**01.01.2020 to 31.12.2020 RM**	**01.09.2018 to 31.12.2019 RM**
Allowance of doubtful debts:				
- impairment losses	26,000	103,992	–	–
- reversal	(63,458)	(128,251)	–	–
Interest income				
- fixed deposit with licensed financial institution	(106,310)	(161,692)	–	–
- interest received from banks	(14,849)	(59,715)	(10,787)	(45,452)
- interest received from subsidiary companies	–	–	(62,553)	(82,526)
Inventories:				
- written down	262,849	62,033	–	–
- written off	62,478	20,984	–	–
Prepayment written off	–	823,628	–	823,628
Rental income	(135,400)	(268,000)	–	–
Rental expenses	91,911	358,165	–	–

25. TAXATION

	Group		Company	
	01.01.2020 to 31.12.2020 RM	**01.09.2018 to 31.12.2019 RM**	**01.01.2020 to 31.12.2020 RM**	**01.09.2018 to 31.12.2019 RM**
Tax expenses recognised in profit or loss				
Current tax	1,412,140	738,311	80,000	97,000
Under provision in prior years	72,837	289,333	26,374	9,333
	1,484,977	1,027,644	106,374	106,333
Deferred tax				
Origination and reversal of temporary differences (Note 19)	(59,991)	(692,079)	-	-
Relating to crytallisation of deferred tax liability on revaluation reserve	(20,353)	(22,802)	-	-
Under/(Over) provision of deferred tax liabilities in prior years	528,352	(263,275)	-	-
	448,008	(978,156)	-	-
	1,932,985	49,488	106,374	106,333

Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable profits for the financial year/period.

25. TAXATION (CONT'D)

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

	Group		Company	
	01.01.2020 to 31.12.2020 RM	**01.09.2018 to 31.12.2019 RM**	**01.01.2020 to 31.12.2020 RM**	**01.09.2018 to 31.12.2019 RM**
Loss before tax	(628,084)	(10,649,462)	(647,815)	(1,756,048)
At Malaysian statutory tax rate of 24%	(150,740)	(2,555,871)	(155,476)	(421,452)
Income not subject to tax	(122,337)	75,527	–	–
Expenses not deductible for tax purposes	1,022,869	1,450,800	235,476	518,452
Tax incentives	–	(302,477)	–	–
Real property gain tax	–	33,169	–	–
Deferred tax assets not recognised	610,355	1,345,084	–	–
Utillisation of previously unrecognised unabsorbed capital allowances, tax losses and reinvestment allowances	(7,998)	–	–	–
Relating to crystallisation of deferred tax liability on revaluation reserve	(20,353)	(22,802)	–	–
	1,331,796	23,430	80,000	97,000
Under provision of tax expenses in prior years	72,837	289,333	26,374	9,333
Under/(Over) provision of deferred tax in prior years	528,352	(263,275)	–	–
	1,932,985	49,488	106,374	106,333

The Group has estimated unutilised tax losses, unutilised capital allowances and unutilised reinvestment allowances of RM24,548,541 (2019: RM21,422,002), RM528,121 (2019: RM1,144,841) and RM1,785,361 (2019: RM1,785,361) respectively available for carried forward to set-off against future taxable profit. The said amounts are subject to approval by the tax authorities.

With effect from year of assessment 2019, the unused tax losses are allowed to be carried forward up to a maximum seven consecutive years of assessment under the current tax legislation. The other temporary differences do not expire under current tax legislation.

Pursuant to Section 44(5F) of the Income Tax Act 1967, the unutilised tax losses can only be carried forward until the following years of assessment.

	Group	
	31.12.2020 RM	**31.12.2019 RM**
Unutilised tax losses to be carried forward until::		
- Year of assessment 2025	18,654,557	18,654,557
- Year of assessment 2026	2,767,445	2,767,445
- Year of assessment 2027	3,126,539	-
	24,548,541	21,422,002

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient future taxable profits to be used to offset.

26. STAFF COSTS

	Group		Company	
	01.01.2020 to 31.12.2020 RM	**01.09.2018 to 31.12.2019 RM**	**01.01.2020 to 31.12.2020 RM**	**01.09.2018 to 31.12.2019 RM**
Salaries, wages and other emoluments	22,987,736	30,838,651	323,000	528,000
Social contribution plans	202,313	230,612	–	–
Defined contribution plans	1,499,339	2,056,745	–	–
Share-based payment expenses	1,568,800	1,524,600	921,670	871,200
Other benefits	144,617	359,841	–	–
Estimated money value of benefit-in-kind	13,886	398,296	13,886	51,939
	26,416,691	35,408,745	1,258,556	1,451,139

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 29 to the financial statements.

27. LOSS PER SHARE

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

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

(a) Basic loss per share

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

	Group	
	01.01.2020 to 31.12.2020	**01.09.2018 to 31.12.2019**
Loss attributable to owners of the parent (RM)	(2,458,638)	(9,824,329)
Weighted average number of ordinary shares in issues		
Issued ordinary shares at 1 January/1 September	170,885,020	182,343,782
Effect of private placement	7,672,389	–
Effect of exercise of ESOS	5,076,102	–
Weighted average number of ordinary shares as at 31 December	183,633,511	182,343,782
Basic loss per share (sen)	(1.3)	(5.4)

27. LOSS PER SHARE (CONT'D)

(b) Diluted loss per share

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

	Group 01.01.2020 to 31.12.2020 RM
Loss attributable to owners of the parent (RM)	(2,458,638)
Weighted average number of ordinary shares used in calculation of basic earnings per share	183,633,511
Effect of dilution of ESOS	1,652,732
Weighted average number of ordinary shares at 31 December (diluted)	185,286,243
Diluted loss per share (in cent)	(1.3)

In previous financial period, 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 exceeds the exercise price of the warrants.

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

28. 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 January 2020 RM	**Financing cash flow (i) RM**	**Non-Cash changes RM**	**At 31 December 2020 RM**
Group				
Bankers' acceptance (Note 17)	35,174,964	1,612,036	-	36,787,000
Term loans (Note 17)	15,024,508	(3,035,899)	-	11,988,609
Lease liabilities (Note 18)	3,086,421	(1,090,534)	351,857	2,347,744
	53,285,893	(2,514,397)	351,857	51,123,353

(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.

29. RELATED PARTY DISCLOSURES

(a) Identifying related parties

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

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

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in the Notes 9, 10, 11 and 20 the significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	01.01.2020 to 31.12.2020 RM	**01.09.2018 to 31.12.2019 RM**	**01.01.2020 to 31.12.2020 RM**	**01.09.2018 to 31.12.2019 RM**
(i) Transactions with subsidiary companies				
- Management fee income	–	–	780,000	1,040,000
- Interest income	–	–	62,553	82,526
(ii) Transactions with companies which Directors of the Company have substantial financial Interest:				
- Sales of goods	11,072,471	16,729,821	–	–
- Purchase of goods	1,867,137	2,083,130	–	–
- Rental income	45,000	80,000	–	–

29. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

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

	Group		Company	
	01.01.2020 to 31.12.2020 RM	**01.09.2018 to 31.12.2019 RM**	**01.01.2020 to 31.12.2020 RM**	**01.09.2018 to 31.12.2019 RM**
Executive Directors				
Existing Directors of the Company				
Salaries and other emoluments	1,574,833	2,036,500	–	–
Social contribution plan	3,776	3,918	–	–
Defined contribution plans	187,463	239,180	–	–
Other benefits	–	117,011	–	–
Share-based payment expenses	431,420	217,800	–	217,800
Estimated money value of benefits-in-kind	96,177	75,332	–	–
	2,293,669	2,689,741	–	217,800
Existing Directors of the Subsidiary Companies				
Salaries and other emoluments	1,520,200	2,514,100	–	–
Social contribution plan	7,216	8,565	–	–
Defined contribution plans	245,146	404,456	–	–
Other benefits	–	62,000	–	–
Share-based payment expenses	549,080	609,840	–	–
Estimated money value of benefits in-kind	194,692	233,746	–	–
	2,516,334	3,832,707	–	–
Non-executive Directors				
Directors of the Company				
Fees	323,000	494,000	323,000	494,000
Share-based payment expenses	490,250	653,400	490,250	653,400
Estimated money value of benefits-in-kind	7,000	23,600	7,000	23,600
	820,250	1,171,000	820,250	1,171,000
Past Director of the Company *				
Fees	–	34,000	–	34,000
Estimated money value of benefits-in-kind	–	800	–	800
	–	34,800	–	34,800

29. RELATED PARTY DISCLOSURES (CONT'D)

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

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

	Group		Company	
	01.01.2020 to 31.12.2020 RM	**01.09.2018 to 31.12.2019 RM**	**01.01.2020 to 31.12.2020 RM**	**01.09.2018 to 31.12.2019 RM**
Other Members of Key Management				
Salaries and other emoluments	167,202	221,550	–	–
Social contribution plan	923	2,307	–	–
Defined contribution plans	20,538	25,374	–	–
Share-based payment expenses	58,830	43,560	–	–
	247,493	292,791	–	–
Total Directors and key management remuneration	5,877,746	8,021,039	820,250	1,423,600

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

30. SEGMENT INFORMATION

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

Investment holding	Investment holding and provision of management services.
Manufacturing of furniture	Business of design, manufacture and sales of 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.

30. 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					
31.12.2020					
Revenue					
External revenue	–	63,397,774	76,166,430	–	139,564,204
Management fees	780,000	–	–	(780,000)	–
Inter-segment revenue	–	6,792,520	21,733,713	(28,526,233)	–
Total revenue	780,000	70,190,294	97,900,143	(29,306,233)	139,564,204
Results					
Interest income	73,340	228,673	92,532	(273,386)	121,159
Amortisation of right-of-use assets	–	(841,538)	(1,097,512)	–	(1,939,050)
Finance costs	–	(878,601)	(2,221,192)	273,386	(2,826,407)
Depreciation of property, plant and equipment	–	(1,173,761)	(3,688,555)	–	(4,862,316)
Taxation	(106,374)	(214,585)	(1,754,707)	142,681	(1,932,985)
Other non-cash items	–	166,747	13,000	–	179,747
Segment loss	(754,190)	(1,810,053)	809,038	(805,864)	(2,561,069)
Segment assets	89,660,054	86,117,114	121,188,730	(97,544,233)	199,421,665
Segment liabilities	2,374,682	38,092,644	72,490,753	(16,540,616)	96,417,463

30. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

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

	Investment holding RM	Manufacturing of furniture RM	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

30. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

Adjustments and eliminations

Inter-segment revenues and balances are eliminated on consolidation.

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

	Group	
	01.01.2020 to 31.12.2020	01.09.2018 to 31.12.2019
Deposit written off	–	200,000
Inventories written down	262,849	62,033
Inventories written off	62,478	20,984
Fair value gain on derivative	(1,472)	(40,525)
Gain on disposal of property, plant and equipment	(9,165)	(1,295,753)
Gain on disposal of investment property	–	(50,000)
Impairment losses on trade receivables	26,000	103,992
Prepayment written off	–	823,628
Reversal of impairment losses on receivables	(63,458)	(128,251)
Unrealised gain on foreign exchanges	(97,485)	(76,936)
	179,747	(380,828)

(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	
Group	01.01.2020 to 31.12.2020 RM	01.09.2018 to 31.12.2019 RM	01.01.2020 to 31.12.2020 RM	01.09.2018 to 31.12.2019 RM
Asia Pacific	10,146,490	19,528,277	–	–
Australia	656,335	963,007	–	–
Europe	10,204,271	18,298,984	–	–
Malaysia	90,570,843	116,058,600	90,086,458	97,176,462
Middle East	247,168	945,792	–	–
Others	27,739,097	22,500,971	–	–
	139,564,204	178,295,631	90,086,458	97,176,462

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

30. 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.

31. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

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

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

Group	At amortised cost RM
31.12.2020	
Financial asset	
Trade receivables	30,064,588
Other receivables, net of prepayments	685,810
Deposit, bank and cash balances	27,190,510
	57,940,908
Financial liabilities	
Trade payables	26,307,885
Other payables	8,577,662
Loans and borrowings	55,409,020
Lease liabilities	2,347,744
	92,642,311
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

31. FINANCIAL INSTRUMENTS (CONT'D)

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

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

	At amortised cost
Company	**RM**
31.12.2020	
Financial assets	
Other receivables, net of prepayments	1,000
Amount due from subsidiary companies	2,069,710
Deposit, bank and cash balances	16,823,749
	18,894,459
Financial liability	
Other payables	2,372,178
31.12.2019	
Financial assets	
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 liability	
Other payables	165,500

(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.

31. FINANCIAL INSTRUMENTS (CONT'D)

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

(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.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks. The Group's and the Company's maximum exposure in this respect is RM2,610,000 (2019: RM2,610,000) and RM13,567,589 (2019: RM19,829,160) 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.

31. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Liquidity risk (Cont'd)

Group	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years	Total contractual cash flows RM	Total carrying amount RM
31.12.2020						
Non-derivative financial liabilities						
Trade payables	26,307,885	–	–	–	26,307,885	26,307,885
Other payables	8,577,662	–	–	–	8,577,662	8,577,662
Loans and borrowings	50,050,054	3,561,325	4,103,316	1,836,329	59,551,024	55,409,020
Lease liabilities	954,148	826,858	770,565	74,655	2,626,226	2,347,744
Financial guarantee liabilities *	2,610,000	–	–	–	2,610,000	–
	88,499,749	4,388,183	4,873,881	1,910,984	99,672,797	92,642,311
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. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Liquidity risk (Cont'd)

Company	**On demand or within 1 year RM**	**Total contractual cash flows RM**	**Total carrying amount RM**
31.12.2020			
Non-derivative financial liabilities			
Other payables	2,372,178	2,372,178	2,372,178
Financial guarantee liabilities *	13,567,589	13,567,589	–
	15,939,767	15,939,767	2,372,178
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

* 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 year/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 RM13,567,589 as at 31 December 2020 (2019: RM19,829,160). The earliest period any of the financial guarantees can be called upon by the financial institutions is within the next 12 months. At end of the financial year/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.

31. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risk

(i) Foreign currency risk

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

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

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

	Denominated in		
	USD	**Others**	**Total**
Group	**RM**	**RM**	**RM**
31.12.2020			
Trade receivables	3,794,888	265	3,795,153
Deposits, bank and cash balances	738,010	–	738,010
Trade payables	(2,006,372)	(86,442)	(2,092,814)
Other payables	(28,571)	–	(28,571)
	2,497,955	(86,177)	2,411,778
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. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

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

Group	**Change in currency rate**	**01.01.2020 to 31.12.2020 Effect on loss before tax RM**	**01.09.2018 to 31.12.2019 Effect on loss before tax RM**
USD	Strengthened 5% (2019: 5%)	124,898	150,518
	Weakened 5% (2019: 5%)	(124,898)	(150,518)
Others	Strengthened 5% (2019: 5%)	(4,309)	853
	Weakened 5% (2019: 5%)	4,309	(853)

(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.

31. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

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:

	31.12.2020 RM	31.12.2019 RM
Group		
Fixed rate instruments		
Financial assets		
Fixed deposits with licensed banks	3,866,790	3,754,558
Financial liabilities		
Finance lease liabilities	–	(3,086,421)
Lease liabilities	(2,347,744)	–
	1,519,046	668,137
Floating rate instruments		
Financial liabilities		
Term loans	(11,988,609)	(15,024,508)
Bank overdraft	(6,633,411)	(6,646,202)
Bankers' acceptance	(36,787,000)	(35,174,964)
	(55,409,020)	(56,845,674)
Company		
Fixed rate instruments		
Financial asset		
Amount due from subsidiary companies	1,342,210	1,345,330

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.

31. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

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 loss before tax by RM554,090 (2019: RM568,457) 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.

31. FINANCIAL INSTRUMENTS (CONT'D)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instrument 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										
31.12.2020										
Financial liabilities										
Term loans	–	–	–	–	–	(8,032,927)	–	(8,032,927)	(8,032,927)	(11,988,609)
Lease liabilities	–	–	–	–	–	(1,427,214)	–	(1,427,214)	(1,427,214)	(2,347,744)
	–	–	–	–	–	(9,460,141)	–	(9,460,141)	(9,460,141)	(14,336,353)
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. 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.

32. CAPITAL MANAGEMENT

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

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

32. CAPITAL MANAGEMENT (CONT'D)

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

	31.12.2020 RM	**31.12.2019 RM**
Total loans and borrowings (Note 17)	55,409,020	59,932,095
Lease liabilities (Note 18)	2,347,744	–
Less: Deposit, bank and cash balances (Note 13)Q	(27,190,510)	(8,047,181)
Net debt	30,566,254	51,884,914
Total equity	102,884,643	90,171,286
Gearing ratio (times)	0.30	0.57

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

33. 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.

33. SHARE-BASED PAYMENTS (CONT'D)

Salient features of the ESOS are as follows: (Cont'd)

(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
Grant II	9 December 2020	8,000,000	2 August 2023	0.68	0.196

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

Fair value of the share options granted during the prior 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%

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

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

	Grant II
Share price at grant date	RM0.658
Exercise price	RM0.680
Dividend yield	0%
Expected life	5 years
Risk-free interest rate	1.72%
Volatility	44.27%

34. SIGNIFICANT EVENTS

On 14 September 2020, the Group has entered into a sale and purchase agreement to sell a parcel of land for a consideration price of RM7,233,000. The said transaction was completed on 10 February 2021.

35. EVENTS AFTER THE REPORTING PERIOD

(a) (a)On 5 January 2021, the Board of Directors of SWS wishes to announce that the Company has offered the following options to its eligible directors and employees under its ESOS. A total of 3,300,000 ESOS were exercised at RM0.68 per shares.

(b) On 14 January 2021, the Board of Directors of SWS wishes to announce that the Company has offered the following options to its eligible directors and employees under its ESOS. A total of 750,000 and 1,100,000 ESOS were exercised at RM0.49 and RM0.68 per shares respectively.

(c) Outbreak of coronavirus pandemic

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak also resulted in travel and movement restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Company operates.

The Group has on 1 May 2020 submitted to MITI for its application to continue operation during the MCO period and on 3 May 2020 obtained operating notification and agreement of standard compliance with operating procedures during the MCO. This has allowed the Group other segment to conditionally operate at varying capacities.

The latest imposition of the CMCO in October 2020 and 14-day MCO effective 13 January 2021 has not had any adverse impact on the Group's operations as the Group is permitted to continue with normal operations without any major form of restrictions or interruptions in daily activities, implementation of the required SOPs and conditions remain in place. At the reporting date, the Group is financially strong with a net current asset and positive shareholders' fund amounted to RM27,117,110 and RM103,004,202 respectively. Besides that, the Group's holding cash and cash equivalents of RM27,190,510 as at 31 December 2020, and has no issue in its ability to continue as going concern in the foreseeable future.

The Group performed an assessment on the overall impact of the situation on the Group's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there is no material adverse effect on the financial statements for the financial year ended 31 December 2020. As the situation is still evolving and the uncertainty of the outcome of the current events, the Group will continuously monitor the impact of COVID-19 on its operations and its financial performance. The Group will also be taking appropriate and timely measures in minimising the impact of the pandemic on the Group's operations and financial performance.

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 19 May 2021.

LIST OF MATERIAL PROPERTIES

as at 31 December 2020

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 / 10 years	20,536	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 / 10 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 / 23 years	6,101	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 / 14 years	5,418	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 / 5 years	4,948	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 / 17 years	4,703	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 / 17 years	4,401	22.06.17

LIST OF MATERIAL PROPERTIES
as at 31 December 2020
(CONT'D)

Address / Location	Description	Land Area	Existing Use	Tenure/ Age of Building	Net Book Value RM'000	Date of Valuation
Plot 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 / 5 years	2,731	31.08.17
PTD 5960, HS (D) 35568, Mukim Parit Jawa, Daerah Muar, Johor	Industrial land	13,046 square metres	Vacant	Freehold / 3 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 / 26 years	1,900	29.05.17
Lot 8792, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Bukit Bakri, 84200 Muar, Johor.	Industrial land with single-storey detached factory	2,321 square metres	Warehouse	99 years Leasehold expiring in 29-12-2094 / 16 years	1,575	30.06.17

* Date of acquisition

ANALYSIS OF SHAREHOLDINGS
as at 26 April 2021

SHARE CAPITAL

Total Number of Issued Shares	:	211,578,160 ordinary shares
Class of Shares	:	Ordinary Share
Voting Rights	:	One vote per Ordinary Share
Number of Shareholders as at 26 April 2021	:	1,867

DISTRIBUTION OF SHAREHOLDINGS BASED ON THE RECORD OF DEPOSITORS AS AT 26 APRIL 2021

Size of Holding	No. of Holders	%	No. of Shares	%
1 – 99	69	3.70	2,592	0.00
100 - 1,000	116	6.21	56,199	0.03
1,001 - 10,000	956	51.20	4,259,051	2.01
10,001 - 100,000	569	30.48	19,550,942	9.24
100,001 – less than 5% of issued shares	156	8.36	164,668,276	77.83
5% and above of issued shares	1	0.05	23,041,100	10.89
Total	**1,867**	**100.00**	**211,578,160**	**100.00**

DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings based on the Register of Directors' Shareholdings of the Company are as follows: -

		No. of Shares held		No. of Shares held	
No.	Name	Direct	%	Indirect	%
1	Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	15,628,525	7.39	6,120,894[(1)]	2.89[(1)]
2	Teoh Han Chuan	11,125,000	5.26	1,536,250[(2)]	0.73[(2)]
3	Dr Loh Yee Feei	1,005,000	0.48	–	–
4	Teh Li King	–	–	–	–
5	Tan Kok Tiam	500,000	0.24	–	–
6	Chen Thien Yin	–	–	–	–
7	Khoo Chee Siang	–	–	–	–

Remark:-

[(1)] *Deemed interest by virtue of shares held through his spouse, son and daughter.*
[(2] *Deemed interest by virtue of shares held through his spouse and son.*

ANALYSIS OF SHAREHOLDINGS
as at 26 April 2021
(CONT'D)

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders (holding 5% or more of the issued capital) based on the Register of Substantial Shareholders of the Company and their shareholdings are as follows: -

		No. of Shares held		No. of Shares held	
No.	Name	Direct	%	Indirect	%
1	Dato' Ong Choo Meng	30,836,100	14.57	–	–
2	Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	15,628,525	7.39	6,120,894[1]	2.89[1]
3	Puan Sri Datin Chan Mei Cheng	2,210,281	1.05	19,539,138[2]	9.32[2]
4	Teoh Han Chuan	11,125,000	5.26	1,536,250[3]	0.73[3]

Remark:-

[1] *Deemed interest by virtue of shares held through his spouse, son and daughter.*
[2] *Deemed Interest by virtue of shares held through her husband, son and daughter.*
[3] *Deemed interest by virtue of shares held through his spouse and son.*

30 LARGEST SECURITIES ACCOUNTS HOLDERS
(Based on Record of Depository as at 26 April 2021)

No.	Shareholders	No. of Shares	%
1	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Ong Choo Meng (MGN-OCM0001M)	23,041,100	10.8901
2	Dato' Seri MR. Serm Juthamongkhon	10,508,375	4.9667
3	Ambank (M) Berhad Pledged Securities Account for Teoh Han Chuan (Smart)	9,825,000	4.6437
4	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chiau Beng Teik	8,890,100	4.2018
5	Lim Aik Hoe	7,962,800	3.7635
6	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Ong Choo Meng	7,795,000	3.6842
7	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai (6000117)	6,823,750	3.2252
8	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ooi Chen Seng	6,320,000	2.9871
9	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Keh Chuan Seng (MP0474)	5,153,878	2.4359

ANALYSIS OF SHAREHOLDINGS
as at 26 April 2021
(CONT'D)

30 LARGEST SECURITIES ACCOUNTS HOLDERS (CONT'D)
(Based on Record of Depository as at 26 April 2021)

No.	Shareholders	No. of Shares	%
10	Neo Tiam Hock	4,029,656	1.9046
11	Bo Eng Chee	3,710,000	1.7535
12	Heng Sew Hua	3,200,000	1.5124
13	Tan Soon Ping	3,175,000	1.5006
14	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai (M01)	3,104,250	1.4672
15	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad For Awan Travel Sdn. Bhd. (Smart)	2,737,100	1.2937
16	Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	2,731,500	1.2910
17	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kian Hin	2,703,200	1.2776
18	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Cheak Joo	2,673,100	1.2634
19	Heng Lih Jiun	2,521,500	1.1918
20	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Puan Sri Datin Chan Mei Cheng	2,210,281	1.0447
21	Chua Heok Wee	2,181,856	1.0312
22	Teh Khee Sok	1,875,000	0.8862
23	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	1,555,000	0.7350
24	Yeap Boey Lean	1,532,500	0.7243
25	Ooi Siew Suan	1,500,000	0.7090
26	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad For Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai (Smart)	1,414,025	0.6683
27	Lau Teck Poh	1,407,500	0.6652
28	Hew Chun Shun	1,370,000	0.6475
29	Liaw Chong Lin	1,355,000	0.6404
30	Chung Eng Lam	1,355,000	0.6404

ANALYSIS OF WARRANTS B (SWSCAP-WB) HOLDINGS
as at 26 April 2021

Class of Shares	:	Warrants B (SWSCAP-WB)
Total Number of SWSCAP-WB	:	91,171,801
Number of Warrants Holders	:	1,462

DISTRIBUTION OF WARRANTS B HOLDINGS AS AT 26 APRIL 2021

Size of Holding warrants	No. of Holders	%	No. of Warrants B	%
1 – 99	137	9.37	5,507	0.01
100 - 1,000	262	17.92	159,299	0.17
1,001 - 10,000	571	39.06	2,305,694	2.53
10,001 - 100,000	360	24.62	14,476,594	15.88
100,001 - Less than 5% of Issued Warrants	132	9.03	74,224,707	81.41
5% and above of Issued Warrants	0	0.00	0	0.00
Total	**1,462**	**100.00**	**91,171,801**	**100.00**

DIRECTORS' INTERESTS IN WARRANTS B AS AT 26 APRIL 2021

		No. of Warrants B held		No. of Warrants B held	
No.	Name	Direct	%	Indirect	%
1	Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	8,698,512	9.54	4,723,983[(1)]	5.18[(1)]
2	Teoh Han Chuan	–	–	1,925[(2)]	0.00[(2)]
3	Dr Loh Yee Feei	–	–	–	–
4	Teh Li King	–	–	–	–
5	Tan Kok Tiam	–	–	–	–
6	Chen Thien Yin	–	–	–	–
7	Khoo Chee Siang	–	–	–	–

Remark:

[(1)] *Deemed interest by virtue of warrants held through his spouse, son and daughter.*
[(2)] *Deemed interest by virtue of warrants held through his spouse and son.*

ANALYSIS OF WARRANTS B (SWSCAP-WB) HOLDINGS
as at 26 April 2021
(CONT'D)

WARRANTS B HOLDERS HOLDING 5% OR ABOVE AS AT 26 APRIL 2021

No.	Name	No. of Warrants B held		No. of Warrants B held	
		Direct	%	Indirect	%
1	Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	8,698,512	9.54	4,723,983[(1)]	5.18[(1)]
2	Puan Sri Datin Chan Mei Cheng	1,179,828	1.29	12,242,667[(2)]	13.43[(2)]
3	Chew Seng Khai	5,519,062	6.05	–	–

Remark:-

[(1)] *Deemed interest by virtue of warrants held through his spouse, son and daughter.*
[(2)] *Deemed Interest by virtue of warrants held through her husband, son and daughter.*

30 LARGEST WARRANTS B HOLDERS
(Based on Record of Depository As At 26 April 2021)

No.	Warrants B Holders	No. of Warrants B Held	%
1	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Seik Yee Kok	3,865,000	4.2392
2	Maybank Nominees (Tempatan) Sdn Bhd Cheong Chee Chung	3,800,000	4.1680
3	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chew Seng Khai	3,644,062	3.9969
4	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai (6000117)	3,411,875	3.7422
5	Tan Hui Ting	2,717,812	2.9810
6	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	2.2508
7	Chew Seng Khai	1,875,000	2.0566
8	Tee Chin Kuen	1,800,000	1.9743
9	Heng Chew Hoon	1,550,200	1.7003
10	Thinagaran A/L Govindasamy	1,405,800	1.5419
11	Chua Lye Ping	1,350,000	1.4807
12	Tan Kim Siw	1,313,062	1.4402
13	Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	1,253,887	1.3753

ANALYSIS OF WARRANTS B (SWSCAP-WB) HOLDINGS
as at 26 April 2021
(CONT'D)

30 LARGEST WARRANTS B HOLDERS (CONT'D)
(Based on Record of Depository As At 26 April 2021)

No.	Warrants B Holders	No. of Warrants B Held	%
14	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad For Mbl Realty Sdn. Bhd. (Smart)	1,250,000	1.3710
15	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Gan Boon Guat (028)	1,220,500	1.3387
16	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad For Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai (Smart)	1,203,125	1.3196
17	Koon Ching Chai @ Jimmy	1,200,000	1.3162
18	Puan Sri Datin Chan Mei Cheng	1,179,828	1.2941
19	Yeong Lai Fun	1,136,800	1.2469
20	Lau Teck Poh	1,098,200	1.2045
21	Tan Meng Chow	1,000,000	1.0968
22	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ong Guat Chu (E-Tai)	1,000,000	1.0968
23	Chew Chong Chin	1,000,000	1.0968
24	Han Wang Soon	1,000,000	1.0968
25	Ocean Expert Sdn. Bhd.	800,000	0.8775
26	Loo Fooi Wah	800,000	0.8775
27	RHB Capital Nominees (Tempatan) Sdn Bhd Law Kok Lim	800,000	0.8775
28	Tan Meng Hong	799,925	0.8774
29	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	777,500	0.8528
30	Lim Siew Eng	710,050	0.7788

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-first (21st) Annual General Meeting ("AGM") of SWS Capital Berhad ("SWSCAP" or the "Company") will be held on a fully virtual basis and entirely via remote participation and voting from the Broadcast Venue at 1st Floor, Plot 243A (Lot Lama 7064), Jalan Perindustrian Bukit Minyak 3, Bukit Minyak Industrial Park, 14100 Seberang Perai Tengah, Penang on Friday, 25 June 2021 at 11.00 a.m. or at any adjournment thereof, for the purpose of transacting the following businesses:

AGENDA

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon.	***Please refer to Explanatory Note 1***
2.	To approve the payment of Directors' fees and monthly allowances as per Table A for the period commencing from the conclusion of the 21st AGM of the Company until the conclusion of the next AGM of the Company.	*Ordinary Resolution 1*
3.	To re-elect Mr Teoh Han Chuan who retires by rotation in accordance with Clause 21.5(a) of the Company's Constitution and being eligible, has offered himself for re-election.	*Ordinary Resolution 2*
4.	To re-elect the following Directors who retire pursuant to Clause 21.5(c) of the Company's Constitution and being eligible, have offered themselves for re-election:-	
	i. Teh Li King	*Ordinary Resolution 3*
	ii. Chen Thien Yin	*Ordinary Resolution 4*
	iii. Khoo Chee Siang	*Ordinary Resolution 5*
5.	To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	*Ordinary Resolution 6*

As Special Business:
To consider and, if thought fit, to pass the following resolutions:

6. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** *Ordinary Resolution 7*

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 ("the Act"), Additional Temporary Relief Measures to Listed Corporations for COVID-19, issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 April 2020 and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 20% of the issued share capital of the Company for the time being ("20% General Mandate") and that the Directors be and are hereby also empowered to obtain approval from the Bursa Securities for the listing and quotation of the additional shares so issued.

AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until 31 December 2021, as empowered by Bursa Securities pursuant to its letter dated 16 April 2020 to grant additional temporary relief measures to listed corporations, notwithstanding Section 76(3) of the Act, duly varied and adopted by the Directors of the Company pursuant to Section 76(4) of the Act."

7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")** *Ordinary Resolution 8*

"THAT subject to the provisions of the MMLR of Bursa Securities, approval be and is hereby given for the Proposed Renewal of Shareholders' Mandate of the Company and/or its subsidiaries ("SWSCAP Group") to enter into and to give effect to the category of the recurrent related party transactions of a revenue or trading nature from time to time with the related parties as specified in the Circular to Shareholders dated 28 May 2021 provided that such transactions are:-

(a) Undertake in the ordinary course of business at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public;
(b) Necessary for the day-to day operations; and
(c) Not to the detriment of the minority shareholders of the Company.

THAT such approval shall continue to be in force until:-

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

whichever is earlier;

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate."

8. **PROPOSED ALLOCATION OF EMPLOYEES' SHARE OPTION SCHEME ("ESOS") OPTIONS TO MR TEH LI KING** *Ordinary Resolution 9*

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

9. **PROPOSED ALLOCATION OF ESOS OPTIONS TO MR CHEN THIEN YIN** *Ordinary Resolution 10*

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

10. **PROPOSED ALLOCATION OF ESOS OPTIONS TO MR KHOO CHEE SIANG** *Ordinary Resolution 11*

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

11. To transact any other business of which due notices shall have been given in accordance with the Act.

BY ORDER OF THE BOARD,

Tan Tong Lang (MAICSA 7045482/ SSM PC No. 201908002253)
Thien Lee Mee (LS0009760 / SSM PC No. 201908002254)
Company Secretaries

Selangor
Date: 28 May 2021

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

Notes:

1. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation.

2. The proxy form must be duly completed and deposited at the office of the Share Registrar of the Company, at Level 5, Block B, Dataran PHB, Saujana Resorts, Section U2, 40150 Shah Alam, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting.

3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.

4. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy.

5. The instrument appoint a proxy shall be in writing under hand of the Member or his/her attorney duly authorised in writing. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

6. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

7. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors ("ROD") as at 17 June 2021 and only a member whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.

8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS:

1. Audited Financial Statements for the Financial Year Ended 31 December 2020

This Agenda item is meant for discussion only as Section 340(1) (a) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

2. Ordinary Resolution 1: Payment of Directors' Fees and Monthly Allowances

The proposed Ordinary Resolution 1 is to facilitate the payment of Directors' Fees and Monthly Allowances payable to Directors.

The total estimated monthly allowances payable is calculated based on the estimated number of scheduled Board's and Board Committees' meetings for the period from the conclusion of the 21st AGM until the next AGM of the Company.

2. **Ordinary Resolution 1: Payment of Directors' Fees and Monthly Allowances (Cont'd)**

The Proposed Directors' fees and monthly allowance 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 Chairman	20,000	6,000
Non-Executive Directors	20,000	3,000

This resolution is to facilitate payment of Directors' fees and monthly allowances 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.

3. **Ordinary Resolution 7: Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Act**

The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to allot and issue ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Proposed 20% General Mandate") up to 31 December 2021. With effect from 1 January 2022, the Proposed 20% General Mandate will be reinstated to a 10% limit ("Proposed 10% General Mandate") according to Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The authority for the Proposed General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

The renewal of the general mandate will provide flexibility to the Company for any possible fund raising activities without the need to convene a separate general meeting to specifically approve such issuance of shares and thereby reducing administrative time and costs associated with the convening of such meeting. However, at this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

As at the date of this Notice, 18,234,378 new ordinary shares in the Company were issued by way of private placement at the Twentieth ("20th") AGM held on 22 July 2020. The total proceeds raised from the said private placement exercise was approximately RM10,849,455. The details and status of the utilisation of proceeds raised as disclosed on page 58 of the Additional Compliance Information in the Annual Report 2020.

4. **Ordinary Resolution 8 - Proposed Renewal of Shareholders' Mandate**

The proposed Ordinary Resolution 8, if passed, will proved a renewal mandate for SWSCAP Group to enter into recurrent related party transactions of a revenue or trading nature with related parties in the ordinary course of business based on commercial terms which are not more favourable to the related parties than those generally available to the public and which are necessary for the Group's day-to-day operations. This mandate shall lapse at the conclusion of the next AGM unless authority for the renewal is obtained from the shareholders of the Company at general meeting.

For further information on this resolution, please refer to the Circular to Shareholders dated 28 May 2021.

5. **Ordinary Resolution 9- Proposed Allocation of ESOS Options to Mr Teh Li King**

The proposed Ordinary Resolution 9 is made pursuant to the ESOS which had been approved by the shareholders of the Company at the Extraordinary General Meeting ("EGM") held on 26 March 2018. The ESOS is in force for a period of five (5) years from the effective date of implementation of the ESOS. The Board now wishes to seek the approval of shareholders to allocate ESOS Options up to 1,650,000 as described in the Ordinary Resolution 9 to Mr Teh Li King, the Executive Director of the Company.

The proposed Ordinary Resolution 9 is to approve the Proposed Allocation of ESOS Options to Mr Teh Li King, subject always to such terms and conditions and/or any adjustments and/or variations which may be made in accordance with the provisions of the ESOS By-Laws. The Proposed Allocation is part of the incentive scheme which the SWSCAP Group has implemented for all its employees. Mr Teh Li King, is eligible to participate in the ESOS, and is therefore deemed interested to the extent of his Proposed Allocation under the ESOS. Accordingly, he has declared his interest in the Proposed Allocation and has abstained and will continue to abstain from deliberating and voting on any subject matter pertaining to her entitlement under the ESOS at the Board meeting(s) and will continue to abstain from voting in respect of his direct and/or indirect shareholdings in the Company, if any, on the resolution pertaining to the Proposed Allocation to be tabled at this AGM.

Mr Teh Li King shall also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolution approving the Proposed Allocation to be tabled at this AGM. Save as disclosed above, none of the other Directors, major shareholders and/or persons connected to him has any interest, whether direct or indirect, in the Proposed Allocation of ESOS Options to him.

6. **Ordinary Resolution 10 – Proposed Allocation of ESOS Options to Mr Chen Thien Yin**

The proposed Ordinary Resolution 10 is made pursuant to the ESOS which had been approved by the shareholders of the Company at the EGM held on 26 March 2018. The ESOS is in force for a period of five (5) years from the effective date of implementation of the ESOS. The Board now wishes to seek the approval of shareholders to allocate ESOS Options up to 1,650,000 as described in the Ordinary Resolution 10 to Mr Chen Thien Yin, the Independent Non-Executive Director of the Company.

The proposed Ordinary Resolution 10 is to approve the Proposed Allocation of ESOS Options to Mr Chen Thien Yin, subject always to such terms and conditions and/or any adjustments and/or variations which may be made in accordance with the provisions of the ESOS By-Laws. The Proposed Allocation is part of the incentive scheme which the SWSCAP Group has implemented for all its employees. Mr Chen Thien Yin is eligible to participate in the ESOS, and is therefore deemed interested to the extent of his Proposed Allocation under the ESOS. Accordingly, he has declared his interest in the Proposed Allocation and has abstained and will continue to abstain from deliberating and voting on any subject matter pertaining to her entitlement under the ESOS at the Board meeting(s) and will continue to abstain from voting in respect of his direct and/or indirect shareholdings in the Company, if any, on the resolution pertaining to the Proposed Allocation to be tabled at this AGM.

Mr Chen Thien Yin shall also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolution approving the Proposed Allocation to be tabled at this AGM. Save as disclosed above, none of the other Directors, major shareholders and/or persons connected to him has any interest, whether direct or indirect, in the Proposed Allocation of ESOS Options to him.

7. Ordinary Resolution 11 - Proposed Allocation of ESOS Options to Mr Khoo Chee Siang

The proposed Ordinary Resolution 11 is made pursuant to the ESOS which had been approved by the shareholders of the Company at the EGM held on 26 March 2018. The ESOS is in force for a period of five (5) years from the effective date of implementation of the ESOS. The Board now wishes to seek the approval of shareholders to allocate ESOS Options up to 1,650,000 as described in the Ordinary Resolution 11 to Mr Khoo Chee Siang, the Independent Non-Executive Director of the Company.

The proposed Ordinary Resolution 9 is to approve the Proposed Allocation of ESOS Options to Mr Khoo Chee Siang, subject always to such terms and conditions and/or any adjustments and/or variations which may be made in accordance with the provisions of the ESOS By-Laws. The Proposed Allocation is part of the incentive scheme which the SWSCAP Group has implemented for all its employees. Mr Khoo Chee Siang, is eligible to participate in the ESOS, and is therefore deemed interested to the extent of his Proposed Allocation under the ESOS. Accordingly, he has declared his interest in the Proposed Allocation and has abstained and will continue to abstain from deliberating and voting on any subject matter pertaining to her entitlement under the ESOS at the Board meeting(s) and will continue to abstain from voting in respect of his direct and/or indirect shareholdings in the Company, if any, on the resolution pertaining to the Proposed Allocation to be tabled at this AGM.

Mr Khoo Chee Siang shall also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolution approving the Proposed Allocation to be tabled at this AGM. Save as disclosed above, none of the other Directors, major shareholders and/or persons connected to him has any interest, whether direct or indirect, in the Proposed Allocation of ESOS Options to him.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. No notice of nomination has been received to date from any member nominating any individual for election as a Director at the AGM of the Company. There is therefore no individual is standing for election as a Director, save for the above Directors who are standing for re-election at the forthcoming 21st AGM of the Company.

2. The detailed information relating to general mandate for issue of securities pursuant to Paragraph 6.03(3) of the Listing Requirements of Bursa Securities are set out under Explanatory Notes on Special Business for Ordinary Resolution 7 of the Notice of the 21st AGM of the Company.

ADMINISTRATIVE GUIDE FOR THE SHAREHOLDERS

TWENTY-FIRST (21ST) ANNUAL GENERAL MEETING

Date	:	Friday, 25 June 2021
Time	:	11.00 a.m. or at any adjournment thereof
Broadcast Venue	:	1st Floor, Plot 243A (Lot Lama 7064), Jalan Perindustrian Bukit Minyak 3, Bukit Minyak Perindustrian Park, 14100 Seberang Perai Tengah, Penang
Virtual Meeting accessible at	:	https://agm.digerati.com.my/sws-online

MODE OF MEETING

In view of the COVID-19 outbreak and as part of the safety measures, the 21st Annual General Meeting ("AGM") of SWS Capital Berhad will be held on a fully virtual meeting through live streaming and online remote voting using the Remote Participation and Voting Platform ("RPV Platform"). This is in line with the Guidance Note on the Conduct of General Meetings for Listed Issuers ("Guidance Note") issued by the Securities Commission Malaysia ("SC") on 18 April 2020 and as revised or amended from time to time.

In compliance with Section 327(2) of the Companies Act 2016, the Chairman shall be present at the main venue of the meeting in Malaysia and in line with the SC's Guidance Note, the Broadcast Venue will be strictly limited to essential individuals for organising and conducting the virtual AGM.

For the purpose of determining a member who shall be entitled to attend the AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 17 June 2021. Only a depositor whose name appears on the Record of Depositors as at 17 June 2021 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf. We strongly encourage our shareholders and holders of proxy for those shareholders to participate in the virtual AGM and vote remotely at this AGM.

In line with the Malaysian Code on Corporate Governance Practice 12.3, this virtual AGM will facilitate greater shareholder's participation (including posting questions to the Board of Directors and/or Management of the Company) and vote at the AGM without being physically present at the venue. For shareholders who are unable to participate in this virtual AGM, you may appoint proxy(ies) or the Chairman of the Meeting as your proxy to attend and vote on your behalf at the AGM.

Kindly note that the quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection of the participants (shareholders and proxies). Hence, you are to ensure that internet connectivity throughout the duration of the meeting is maintained while using RPV provided by Digerati Technologies Sdn Bhd ("**DIGERATI**") via its portal website at https://agm.digerati.com.my/sws-online.

ADMINISTRATIVE GUIDE FOR THE SHAREHOLDERS
(CONT'D)

PROCEDURES FOR RPV

Members/proxies/corporate representatives who wish to participate the 21st AGM remotely using RPV must follow the following procedures:-

Step	Action	Procedure
A	To register as an user using the Registrar website: https://agm.digerati.com.my/sws-online	• Complete the registration form. • Upload your identity documents. • Submit your registration form. • You will receive an email for verification purpose. You need to complete the process to complete the registration. (Please check your spam mailbox if you do not receive the email) • You will receive an email upon successful or rejected registration. • You may skip this step if you are already a registered user.
B	To request for RPV	• Login your registered account through the Registrar website. • Select "SWSCAP 21st AGM". • Read and agree to Terms & Conditions then confirm the Declaration. • Complete and submit the request form. • You may appoint proxy(s) in the request form. • You may pose your question, if any, to the Chairman/Board in the request form. • You will receive an email as the receipt of request form. • Registrar will verify your request against the ROD after closing time. Closing time for request submission will be 48 hours prior to the meeting. No request will be entertained after closing time. • You and your proxy(s) will receive a notification email upon approval or rejection of RPV. • In the case of approval, below links will be attached in the email. 1. Broadcast link 2. E-Poll Form link

ADMINISTRATIVE GUIDE FOR THE SHAREHOLDERS (CONT'D)

PROCEDURES FOR RPV (CONT'D)

Step	Action	Procedure
C	On the day of AGM	• Login to the company website. • Access to Broadcast and E-Poll Form using the website or through email links • If you have any question for the Chairman/ Board, you may use the Q&A section to text your question. If time permits, the Chairman/ Board will try to respond to those relevant questions relating to the businesses which are submitted by remote participants. • Submit your voting within a specific period of time once the Chairman announces that the voting is open. • Voting will be closed upon the expiry of the voting period. • Broadcast will be terminated upon the announcement of the poll result by the Chairman.

'* No door gifts/vouchers
There will be no distribution of door gifts/vouchers this year to members/proxies/corporate representatives who participate in the 21st AGM.

'* No recording or photography
Please note that no recording or photography of the 21st AGM proceedings is allowed.

Enquiry

If you have any enquiry or require any assistance before or during the 21st AGM, please contact the following officers during office hours (Monday to Friday).

For registration, logging in and system related:

Digerati technologies Sdn Bhd

Name : Danon Kung
Telephone : +6016-628 8103
Email : danon.kung@digerati.com.my

For Proxy and other matters:

Boardroom.com Sdn. Bhd.
Level 5, Block B, Dataran PHB, Saujana Resort, Section U2,
40150 Shah Alam, Selangor.

Tel : +603-7890 0638
Fax : +603-7890 1032
Email : sws_helpdesk@digerati.com.my

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SWS Capital Berhad

(Registration No. 199901027346 (502246-P))
(Incorporated in Malaysia)

PROXY FORM

I/We, ... (NRIC/Company No.) ....
(Full Name in Block Letters)

of ....
(Full Address)

Email Address: .... Tel No. .... being a member of **SWS Capital Berhad** [(Registration No. 199901027346 (502246-P)] hereby appoint:

Name of Proxy (Full Name)	NRIC No./Passport No.	% of Shareholding to be represented (refer to Note 4 set out below)
Address	Email Address	Contact No.

and/or failing him/her

Name of Proxy (Full Name)	NRIC No./Passport No.	% of Shareholding to be represented (refer to Note 4 set out below)
Address	Email Address	Contact No.

Or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Twenty-first (21st) Annual General Meeting of the Company to be held on a fully virtual basis and entirely via remote participation and voting from the Broadcast Venue at 1st Floor, Plot 243A (Lot Lama 7064), Jalan Perindustrian Bukit Minyak 3, Bukit Minyak Perindustrian Park, 14100 Seberang Perai Tengah, Penang on Friday, 25 June 2021 at 11.00 a.m. or at any adjournment thereof, on the following resolutions in the manner indicated below:-

My/Our proxy is to vote as indicated below:-

No.	Agenda	Resolutions	For	Against
1.	To approve the payment of Directors' fees and monthly allowances as per Table A for the period commencing from the conclusion of the 21st AGM of the Company until the conclusion of the next AGM of the Company.	Ordinary Resolution 1		
2.	To re-elect Teoh Han Chuan as Director of the Company.	Ordinary Resolution 2		
3.	To re-elect Teh Li King as Director of the Company.	Ordinary Resolution 3		
4.	To re-elect Chen Thien Yin as Director of the Company.	Ordinary Resolution 4		
5.	To re-elect Khoo Chee Siang as Director of the Company.	Ordinary Resolution 5		
6.	To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Ordinary Resolution 6		
As Special Business:				
8.	Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016.	Ordinary Resolution 7		
9.	Proposed Renewal of Shareholders' Mandate	Ordinary Resolution 8		
10.	Proposed Allocation of Employees' Share Option Scheme ("ESOS") Options to Mr Teh Li King	Ordinary Resolution 9		
11.	Proposed Allocation of ESOS Options to Mr Chen Thien Yin	Ordinary Resolution 10		
12.	Proposed Allocation of ESOS Options to Mr Khoo Chee Siang	Ordinary Resolution 11		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolutions as he/she may think fit.)

Signed this __________ day of ______________________, 2021.

____
Signature
(If shareholder is a corporation, this form should be executed under seal)

No. of Shares held	
CDS Account No.	

Notes:

1. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation.
2. The proxy form must be duly completed and deposited at the office of the Share Registrar of the Company, at Level 5, Block B, Dataran PHB, Saujana Resorts, Section U2, 40150 Shah Alam, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy.
5. The instrument appoint a proxy shall be in writing under hand of the Member or his/her attorney duly authorised in writing. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
6. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
7. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors ("ROD") as at 17 June 2021 and only a member whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

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AFFIX
STAMP

The Share Registrar of

SWS Capital Berhad
(Registration No. 199901027346 (502246-P))
Level 5, Block B, Dataran PHB
Saujana Resort, Section U2
40150 Shah Alam, Selangor

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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