

ANNUAL
REPORT
2022

SWS CAPITAL BERHAD

ANNUAL REPORT 2022



SWS Capital Berhad
[199901027346 (502246-P)]

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RATIONALE

The cover design of our annual report expresses the theme of progress from vision to achievement. SWSCAP operates through two primary business divisions, namely plastic wares and furniture division. 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 furniture, occasional furniture 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.

elianware®

your smarter choice!





e-lanware
SEAL LOCK
CONTAINER
BPA-FREE & BISC-REC
3.3 Ltr E-686

e-lanware
SEAL LOCK
CONTAINER
BPA-FREE & BISC-REC
5.5 Ltr E-687

e-lanware
SEAL LOCK
CONTAINER
BPA-FREE & BISC-REC
8.5 Ltr E-688

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-Independent
Non-Executive Chairman

TEOH HAN CHUAN

Managing Director

DR LOH YEE FEEI

Executive Director/
Chief Operating Officer

TEH LI KING

Executive Director

CHEN THIEN YIN

Independent Non-Executive Director

SHARON NG SAW EAN

Independent Non-Executive Director
(Appointed w.e.f. 12/08/2022)

KHOR HUN NEE

Independent Non-Executive Director
(Appointed w.e.f. 02/11/2022)

TAN KOK TIAM

Independent Non-Executive Director
(Retired w.e.f. 27/05/2022)

KHOO CHEE SIANG

Independent Non-Executive Director
(Resigned w.e.f. 02/11/2022)

AUDIT COMMITTEE

Chairperson

Khor Hun Nee
(Appointed w.e.f. 02/11/2022)

Member

Chen Thien Yin
Sharon Ng Saw Ean
(Appointed w.e.f. 12/08/2022)

Chairman

Khoo Chee Siang
(Resigned w.e.f. 02/11/2022)

Member

Tan Kok Tiam
(Cessation w.e.f. 27/05/2022)

NOMINATION AND REMUNERATION COMMITTEE

Chairman

(Merger w.e.f. 29/11/2022)

Chen Thien Yin
(Appointment w.e.f. 29/11/2022)

Member

Sharon Ng Saw Ean
(Appointment w.e.f. 29/11/2022)
Khor Hun Nee
(Appointment w.e.f. 29/11/2022)

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA 7045482 /
SSM PC NO. 202208000250)

Thien Lee Mee
(LS001062 /
SSM PC NO.201908002254)

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.

REGISTERED OFFICE

B-21-1, Level 21, Tower B,
Northpoint Mid Valley City,
No. 1, Medan Syed Putra Utara,
59200 Kuala Lumpur,
Wilayah Persekutuan, Malaysia.
Tel : +603-9770 2200
Fax : +603-9770 2239
Email : boardroom@boardroom.com.my

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

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

SOLICITORS

Wong-Chooi & Mohd. Nor
Advocates & Solicitors
Teh & Lee Advocates &
Solicitors
NSK & Partners
Alan Tan & Associates
Syarikat Lim Kiam Hoon
Advocates & Solicitors

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

SHARE REGISTRAR

**Aldpro Corporate Services
Sdn. Bhd.**
B-21-1, Level 21, Tower B,
Northpoint Mid Valley City,
No. 1, Medan Syed Putra Utara,
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel : +603-9770 2200
Fax : +603-9770 2239
Email : admin@aldpro.com.my

WEBSITE

www.swscap.com

CORPORATE STRUCTURE

SWS Capital Berhad

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





友利



友利家俱出口有限公司

U.D. PANELFORM SDN. BHD.





保强工业有限公司
POH KEONG INDUSTRIES SDN BHD











GLOBAL PRESENCE









AFRICA

-  Mauritius
-  South Africa

ASIA

-  Brunei Darussalam
-  Indonesia
-  Myanmar
-  Pakistan
-  Philippines
-  Singapore
-  Thailand
-  Vietnam

EUROPE

-  Denmark
-  Hamburg
-  Italy
-  Russia
-  Sweden
-  United Kingdom




GLOBAL PRESENCE (CONT'D)



MIDDLE EAST

-  Iraq
-  Kuwait
-  Qatar
-  Saudi Arabia
-  United Arab Emirates

NORTH AMERICA

-  Canada
-  Mexico
-  United States

OCEANIA

-  Australia
-  New Zealand
-  Fiji

CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

It is a privilege to write to you as the Chairman of the Board of Directors ("Board") of SWS Capital Berhad ("SWS").

On behalf of the Board, it is my pleasure to present you the Annual Report and Financial Statements of our Group for the financial year ended ("FYE") 31 December 2022.

OPERATING ENVIRONMENT

Many have described the year 2022 was a year of transition for Malaysia, when the Country entered the transition to the Coronavirus Disease 2019 ("COVID-19") endemic phase on 1 April 2022 after battling the virus outbreak for two years. The spill over effect from the transition to the endemic phase has resulted in more vigorous social activities and hence economic sectors progressively returned to normalcy.

Rebounding from the pandemic-induced economic shock, the Malaysian economy gathered momentum in 2022 as its growth rate surpassed expectations quarter after quarter. The first quarter of 2022 saw a growth rate of 5.0% year-on-year. The pace continued through 2022 where the second quarter registered a remarkable rate of 8.9%. Malaysia's economy delivered a strong growth rate of 14.2% and 7.0% in the third and fourth quarter, bringing 2022's full year Gross Domestic Product (GDP) to stronger-than-expected growth of 8.7% that surpassing the government's forecast of 6.5% to 7.0%. The high growth rate was mainly driven by the private consumption supported by better labour market prospects and business confidence that remains positive.

(Source : www.dosm.gov.my)

While there were clear signs that the Malaysian economy had recovered from the debilitating effects of the pandemic, various challenges persisted. The Russia-Ukraine conflict put a major obstacle in the way of Malaysia's recovery. Although the war did not directly affect Malaysia's growth, it did lead to significant hike in crude oil prices and supply chain disruptions. Rising inflationary pressures from prolonged supply chain disruptions, global food shortages, interest rate hikes to tame inflation and other factors further stymied global and domestic economic recovery.

In 2022, global economic growth moderated to 3.4% from initial forecasts of 6.0%. This is the weakest growth since 2001, except for the 2008 global financial crisis and the acute phase of the COVID-19 pandemic.

(Source : www.imf.org)

As recession and global slowdown are widely expected, 2023 looks to be another year with highly challenging and volatile operating environment. The World Bank, in its January 2023 Global Economic Prospects report, forecasted that the global economy growth would decelerate sharply to 1.7% in 2023, the third weakest pace of growth in nearly three decades. The setback to global prosperity will likely persist as a result of the continued disruptions from Russia's invasion of Ukraine, higher-than-expected inflation and abrupt rises in interest rates to contain it. The World Bank also sees growth in Malaysia's economy moderating. In the World Bank's latest Global Economic Prospects report, it said growth is projected at 4.0% in Malaysia.

CHAIRMAN'S STATEMENT (CONT'D)

OPERATING ENVIRONMENT (CONT'D)

Amid this backdrop, the Group reported a slight reduction in revenue from RM159.7 million in FYE 2021 to RM158.4 million in FYE 2022 by 0.8%. We continued to pursue business and operational strategies towards creating financial and non-financial values. The Group continued to focus on our strategy of value engineering to manage cost. Prudent management was imperative in ensuring cost optimisation. Despite the reduction in revenue, the Group recorded a profit before tax of RM4.6 million which remained the same as FYE 2021. This is the testament of the robustness and resiliency of our business model and the Management's continued focus on value creation.

As mentioned above, the Group anticipates that business conditions will likely remain challenging in 2023 with prevailing challenges in the operating environment. Nevertheless, we are cautiously optimistic on the Group's prospects in the foreseeable future as we endeavour to remain focused on delivering growth and long-term shareholders' value. With a fair balance of strength and resilience, prudence and sound enterprise risk management, we continue to navigate our way through the challenges to promote and grow the Group's business.

A more in-depth review of our financial and operational performance will be reported under "Management Discussion and Analysis" in this Annual Report.

DIVIDEND

The Group's ongoing initiatives to build a more resilient business operations will bear fruit in the longer term. Hence, it is instrumental for the Group to conserve fund for future expenditures as well as to maintain a strong buffer against any potential shocks, considering the increasing market challenges and economic slowdown. Henceforth, after due consideration, the Board has decided not to recommend the payment of any dividend for FYE 2022.

The Board also wishes to reiterate that the payment of dividends would be resumed at the earliest possible opportunity, once the Board deems the Group to be in a comfortable position to distribute dividends.

ACKNOWLEDGEMENT

As a representative of the Board of the Company, I would like to express our utmost gratitude and appreciation to our shareholders for their unwavering trust and confidence in our Group. Additionally, I would like to extend my sincere gratitude to all our employees for your commitment and dedication, which have been instrumental in our Group's resilience and success.

On behalf of the Board, I also would like to thank our business partners, advisors, and the relevant government and regulatory agencies for their invaluable support and advice throughout FYE 2022.

I also wish to record my gratitude and appreciation to our former Independent Directors, Mr. Tan Kok Tiam and Mr. Khoo Chee Siang for their dedication and commitment during their tenure with our Board. I would like to wish them all the best in their future endeavours.

At the same time, I warmly welcome Miss Sharon Ng Saw Ean and Miss Khor Hun Nee, who joined the Board recently. We are confident that their experience will contribute a more robust exchange of ideas which will be of significant benefit to the Board.

Last but not least, I wish to place on record my appreciation for the commitment, understanding and wise counsel which I have received from my fellow Directors to-date. We remain committed to create substantial value for our shareholders in the years to come and over the long term, and I look forward to report on our continued progress.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

SWS Capital Berhad ("SWS" or the "Group") operates through two primary business divisions that drives our business, namely plastic wares and furniture division.

The Group began its journey as a furniture division, specialising in the production of wood-based furniture and manufacturing of furniture plywood, paper and veneer laminations. In 2017, as part of its strategic expansion plans, the Group diversified into the manufacturing and trading of plastic wares.

We are committed to maintain higher quality standards while remaining cost-effective. The Group recognises that in order to compete effectively in global markets, it needs to focus on "product differentiation" rather than solely relying on "price differentiation" based on low cost.

Plastic Wares Division

The Group's plastic wares division is situated in Simpang Ampat, Penang. This division primarily engages in providing plastic ware solutions. It specialises in the design, development, manufacturing and distribution of a broad range of plastic products, including storage, preparation, containment, serving and cleaning items, for various applications in homes, offices, and industries.

In addition, this division also involves in providing ancillary services such as manufacturing and trading of other household products, including plastic furniture and industrial products.

The plastic wares division mainly caters to the local market. However, it also exports to more than thirty (30) countries worldwide, with a significant focus on ASEAN countries. Export sales accounted for approximately 10% of the division's revenue.

This division remained as the largest contributor to the Group's total revenue, which accounted for 62.5% of SWS's financial year ended 31 December ("FYE") 2022's revenue.

Furniture Division

The Group's furniture division is located in Muar, Johor. This division specialises in the production of wood-based furniture, primarily dining sets and bedroom sets. In addition, this division also involves in the manufacturing of furniture plywood, paper and veneer laminations. It also engages in the trading of hardware, furniture parts, equipment, construction materials, packing materials, metal stamping and tooling.

Our furniture division has a wide global presence and exports to more than twenty (20) countries across the world, primarily focusing on Northern Europe and the United States ("US").

This division contributed the balance of 37.5% of the Group's total revenue in FYE 2022.

In overall, the plastics and furniture manufacturing industries are both dynamic and constantly evolving, requiring businesses to stay innovative. The Group has implemented a well-managed strategy to address these challenges and closely monitors its action plans to ensure the delivery of favourable results.

Continuous development of new products and processing technologies are crucial for improving production efficiency, enhancing product performance and quality. Staying abreast of the dynamic market demands and staying informed about the latest technological advancements are also essential to remain competitive in the market.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Furniture Division (Cont'd)

The sales and marketing department closely observes and explores potential markets, while the procurement function and inventory control team have been strengthened to facilitate detailed planning and monitoring of stock levels and raw material costs.

As we strive for business growth, we acknowledge the potential impact of our businesses on the environment. The Group is committed to promote sustainable practices and encourage the adoption of better waste collection and management practices. A more in-depth review of our sustainability practices will be reported under "Sustainability Report" in this Annual Report.

YEAR-ON-YEAR FINANCIAL REVIEW

2022 was a year of transition and a new chapter for Malaysia when the Country entered into the transition to the Coronavirus Disease 2019 ("COVID-19") endemic phase on 1 April 2022 after battling the virus outbreak for two years. The spill over effect from the transition to the endemic phase has resulted in more vigorous social activities and hence economic sectors progressively returned to normalcy.

Rebounding from the pandemic-induced economic shock, the Malaysian economy gathered momentum in 2022 as its growth rate surpassed expectations quarter after quarter. The first quarter of 2022 saw a growth rate of 5.0% year-on-year. The pace continued through 2022 where the second quarter registered a remarkable rate of 8.9%. Malaysia's economy delivered a strong growth rate of 14.2% and 7.0% in the third and fourth quarter, bringing 2022's full year gross domestic product ("GDP") to stronger-than-expected growth of 8.7% that surpassed the government's forecast of 6.5% to 7.0%. The high growth rate is mainly driven by private consumption supported by better labour market prospects and business confidence that remains positive.

(Source : www.dosm.gov.my)

While there were clear signs that the Malaysian economy had recovered from the debilitating effects of the pandemic, various challenges persisted. The Russia-Ukraine conflict put a major obstacle in the way of Malaysia's recovery. Although the war did not directly affect Malaysia's growth, it did lead to significant hike in crude oil prices and supply chain disruptions. Rising inflationary pressures from prolonged supply chain disruptions, global food shortages and other factors further stymied global and domestic economic recovery.

In 2022, global economic growth moderated to 3.4% from initial forecast of 6.0%. This is the weakest growth since 2001, except for the 2008 global financial crisis and the acute phase of the COVID-19 pandemic. Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the global economic growth.

(Source : www.imf.org)

Our financial performance	Audited FYE 2022 RM'000	Audited FYE 2021 RM'000	Variance	
			RM'000	%
Revenue	158,403	159,744	(1,341)	(0.8)
Gross profit ("GP")	27,861	22,737	5,124	22.5
Profit before tax ("PBT")	4,574	4,555	19	0.4
Profit after tax ("PAT")	2,908	2,952	(44)	(1.5)
GP margin (%)	17.6%	14.2%	3.4 bp	23.9
PBT margin (%)	2.9%	2.9%	0.0 bp	0.0
PAT margin (%)	1.8%	1.8%	0.0 bp	0.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

YEAR-ON-YEAR FINANCIAL REVIEW (CONT'D)

Revenue by segment	Audited FYE 2022 RM'000	Audited FYE 2021 RM'000	Variance	
			RM'000	%
Plastic wares	99,034	97,422	1,612	1.7
Furniture	59,369	62,322	(2,953)	(4.7)
Revenue	158,403	159,744	(1,341)	(0.8)

GP by segment	Audited FYE 2022 RM'000	Audited FYE 2021 RM'000	Variance	
			RM'000	%
Plastic wares	21,565	17,612	3,953	22.4
Furniture	6,296	5,125	1,171	22.8
GP	27,861	22,737	5,124	22.5

GP margin by segment	Audited FYE 2022 RM'000	Audited FYE 2021 RM'000	Variance	
			bp	%
Plastic wares	21.8	18.1	3.7 bp	20.4
Furniture	10.6	8.2	2.4 bp	29.3
GP margin	17.6	14.2	3.4 bp	23.9

Profit/(Loss) before tax ("PBT"/"LBT") by segment	Audited FYE 2022 RM'000	Audited FYE 2021 RM'000	Variance	
			RM'000	%
Plastic wares	7,263	3,119	4,144	132.9
Furniture	(2,365)	1,951	(4,316)	(221.2)
Others	(324)	(515)	191	37.1
PBT/LBT	4,574	4,555	19	0.4

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

YEAR-ON-YEAR FINANCIAL REVIEW (CONT'D)

Revenue

Our Group's revenue decreased marginally from RM159.7 million in FYE 2021 to RM158.4 million in FYE 2022, representing a year-on-year ("YoY") reduction of RM1.3 million or 0.8%. The reduction was mainly attributed by the drop in revenue generated from furniture division. Furniture division reported a revenue of RM59.4 million in FYE 2022, with RM2.9 million or 4.7% reduction as compared to RM62.3 million attained in FYE 2021.

Furniture division experienced a decline in its exports, particularly in the US and European markets due to the sluggish economic recovery in those regions. The Russia-Ukraine conflict continues to impact the supply chain disruptions, leading to an increase in commodity prices. These disruptions and rising prices, coupled with interest rate hikes to control inflation, have further hindered the economic recovery. The Group exported to less than 20 countries in FYE 2022 for both furniture and plastic wares divisions and hence resulted in lower export sales in FYE 2022.

On a positive note, the revenue generated from plastic wares division reported an increase of RM1.6 million or corresponding 1.7%, from RM97.4 million in FYE 2021 to RM99.0 million in FYE 2022. The increase was largely attributable to the growth in domestic and e-commerce sales:

- the resumption of most of the economic activities in Malaysia, particularly property development and construction sectors, has contributed to the recovery of our domestic demand for industrial products such as industrial plastic pail;
- the launching of new products under Raya series enabled the Group to tap into different market segment;
- special withdrawal of Employees Provident Fund of RM10,000 for the month of April 2022
- the Group also organised warehouse clearance sales, which were part of our marketing strategy, offering our customers with a significant discount. This approach has also played a vital role in contributing to the increase in revenue from the plastic wares division while increasing our brand awareness.
- the Group observed a higher sales during June 2022 which was driven by the customers who stocking up prior to a scheduled price increase in July 2022.

Gross profit

Despite the reduction in revenue, the Group recorded a remarkable double-digit growth of 22.5% in GP to RM27.9 million in FYE 2022, when comparing to RM22.7 million recorded in FYE 2021.

Notwithstanding the challenges facing in furniture division, the GP margin for furniture division for FYE 2022 has improved from 8.2% in FYE 2021 to 10.6% in FYE 2022, with an increase of 2.4 basic point ("bp"). Hence, the division GP has recorded an increase from RM5.1 million in FYE 2021 to RM6.3 million in FYE 2022, with a YoY increase of RM1.2 million or 22.8%.

It is also worth noting that the GP margin for plastic wares division recorded an improvement of 3.7 bp, from 18.1% in FYE 2021 to 21.8% in FYE 2022, mainly attributable to the reduction in raw material cost during the second half of FYE 2022. It led to an increase in division GP of 22.4% or RM4.0 million to RM21.6 million in FYE 2022, from RM17.6 million attained in FYE 2021.

Despite the above, the Group also experienced a higher cost pressures, particularly on the labour shortages and minimum wages orders, resulted from the movement control restrictions to curb COVID-19 in prior years. These have impacted the GP for both furniture and plastic wares divisions. Notwithstanding the challenges for the financial year under review, the Group continued to be mindful of cost discipline and optimisation through leveraging on our operational excellence and cost optimisation initiatives.

Profit before tax

Albeit the increase in GP, our PBT in FYE 2022 remained the same as RM4.6 million which reported in FYE 2021. Furniture division reported a LBT of RM2.4 million in FYE 2022, as compared to PBT of RM2.0 million in FYE 2021. During FYE 2021, the PBT of furniture division included a one-off gain of RM3.1 million derived from a gain on disposal of land.

Conversely, plastic wares division has demonstrated a remarkable growth in PBT, with an increase of more than two-fold from RM3.1 million in FYE 2021 to RM7.3 million in FYE 2022. The increase of RM4.2 million in PBT of plastic wares division was in tandem with the increase in GP as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

YEAR-ON-YEAR FINANCIAL REVIEW (CONT'D)

Profit after tax

The Group reported a PAT of RM2.9 million in FYE 2022 as compared to RM3.0 million in FYE 2021 with a slight reduction of 1.5%. This was due to the marginal increase in effective tax rate for FYE 2022 of 36.4% as compared to 35.2% for FYE 2021.

Profit net of tax attributable to the equity holders of the Company ("Net Profit")

Despite the analysis mentioned earlier, the Group's net profit decreased from RM2.9 million in FYE 2021 to RM2.6 million in FYE 2022 mainly due to the higher net loss attributable to the equity holders from furniture division. This has translated to a reduction of 0.4 sen in our basic earnings per share to 1.0 sen in FYE 2022, as compared to 1.4 sen attained in FYE 2021.

Our financial position	Audited As at 31 December 2022 RM'000	Audited As at 31 December 2021 RM'000	Variance	
			RM'000	%
Non-current assets	108,215	94,504	13,711	14.5
Current assets	95,327	99,128	3,801	3.8
Non-current liabilities	12,144	11,271	873	7.7
Current liabilities	50,147	73,045	(22,898)	(31.3)
Equity attributable to owners of the Company	140,901	109,263	31,638	29.0

Assets

Non-current assets comprise right-of-use asset, property, plant and equipment and investment properties. The non-current assets increased from RM94.5 million as at 31 December 2021 to RM108.2 million as at 31 December 2022, which was largely due to the increase in right-of-use asset of RM17.1 million and additions on property, plant and equipment of RM4.7 million, cushioned by the current year depreciation charges of RM7.2 million.

The increase in right-of-use assets was mainly due the renewal of existing and entering of new lease contracts for staff hostel as well as warehouse. Whereas the additions on property, plant and equipment during FYE 2022 were primarily invested in plant and machinery to improve efficiency, productivity and quality of our products as well as solar system to promote energy sustainability.

Current assets decreased from RM99.1 million as at 31 December 2021 to RM95.3 million as at 31 December 2022, mainly contributed by the reduction in inventories as well as trade and other receivables totalled RM12.2 million, which was a result from the better working capital management of the Group. This has also led to the increase in cash and bank balances as well as fixed deposits with licensed bank of RM7.9 million with additional information will be discussed in the "Liquidity, capital resources and gearing" below.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

YEAR-ON-YEAR FINANCIAL REVIEW (CONT'D)

Liabilities

Non-current liabilities comprise loan and borrowings, lease liabilities and deferred tax liabilities, which increased marginally by RM0.9 million or 7.7% YoY to RM12.2million as at 31 December 2022 (31 December 2021: RM11.3 million), mainly due to the net repayment of RM1.1 millions of long term loan and borrowings, while offsetting with the increase in long term lease liabilities of RM1.6 million as well as deferred tax liabilities of RM0.4 million.

Current liabilities comprise mainly short-term loan and borrowings, trade and other payables and lease liabilities, which reported a YoY decrease of RM22.9 million or 31.3% to RM50.1 million as at 31 December 2022 (31 December 2021: RM73.0 million). The said decrease was largely due to the net repayment of short-term loan and borrowings of RM15.6 million as well as reduction in trade and other payables of RM8.0 million which was in line with the reduction in our trade purchases towards the end of FYE 2022.

Liquidity, capital resources and gearing

As at 31 December 2022, cash and cash equivalents increased substantially by RM12.4 million, to RM14.2 million, as compared to RM1.8 million recorded as at 31 December 2021. Cash and cash equivalents comprised net of cash and bank balance, fixed deposits not pledged with licensed banks as well as bank overdraft.

Our cash flow from/(used in)	Audited As at 31 December 2022 RM'000	Audited As at 31 December 2021 RM'000	Variance	
			RM'000	%
Operating activities	15,855	(11,116)	26,971	242.6
Investing activities	(515)	(2,487)	1,972	79.3
Financing activities	(1,279)	(1,914)	635	33.2
Net changes in cash and cash equivalents	14,061	(15,517)	29,578	190.6

The PBT reported in FYE 2022 has contributed to the positive cash flow before working capital changes of RM15.0 million. The reduction in inventories as well as trade and other receivables (negated with the reduction in trade and other payables) have contributed positively to the cash generated from operation by RM3.0 million. After the payment of income tax of RM2.2 million, net cash flow generated from operating activities of RM15.8 million reported in FYE 2022.

Net cash outflow of RM0.5 million recorded from investing activities during FYE 2022 was contributed by the cash investment made on property, plant and equipment and right-of-use assets of RM2.7 million offset with the withdrawal of pledged fixed deposit of RM1.9 million.

The Group has reported a negative net cash flow of RM1.3 million from financing activities during FYE 2022 mainly due to the net repayment of loan and borrowings, lease liabilities and interest of RM16.6 million negated with the proceeds from the issuance of ordinary shares pursuant to the private placement of RM15.3 million.

Given the above analysis, our gearing ratio improved from 0.41 times as at 31 December 2021 to 0.16 times as at 31 December 2022.

Our business operations are financed by a combination of internal and external sources of funds. Internal sources of funds comprise mainly shareholders' equity and cash generated from our operations, while the external source of funds comprises bank borrowings as well as credit terms granted by our suppliers. Credit terms granted to us by our suppliers range from 30 to 120 days.

The management believes that after considering our cash and bank balance as well as the funds envisaged to be generated from our business operations, we will have adequate working capital to meet our present and foreseeable day-to-day business operation requirements. Save as aforementioned, we are not aware of any other known trends and events that are reasonably likely to have a material effect on our operations, performance, financial condition and liquidity.

Whereas for capital commitments, there was no capital commitments being entered by the Group in FYE 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVIEW OF OPERATING ACTIVITIES

Plastic Wares Division

The versatility of plastics enables them to be used in numerous applications, making them a crucial part of the global economy. Due to their fluidity, plastics can be moulded into a wide range of shapes, making them an essential material for many key manufacturing sectors. For instance, the plastics industry supplies food packaging to the food sector, plastic components to the electrical and electronics sectors, and parts for the automotive, medical, and construction industries, among others.

The Malaysian plastics market was negatively impacted by the COVID-19 pandemic in year 2020, but it registered growth in year 2021 as governments eased the restrictions imposed during the pandemic. There was a huge demand for flexible packaging due to the growing demand for personal and healthcare products, pharmaceuticals, and packed foods and beverages. In accordance with the analysis performed by Malaysian Plastics Manufacturers Association, the sales of the plastic industry increased by 5.5% from RM59 billion in year 2021 to RM62 billion in year 2022.

On the other hand, rising environmental concerns about the use of plastics are likely to limit market growth. Hence it is imperative for the businesses to find more sustainable alternatives to plastics, and to reduce plastic waste through improved recycling and waste management practices. Over the next few years, opportunities for the market are likely to come from growth in the aerospace industry, more use of biodegradable plastics, and more recycling.

Furniture Division

Malaysia is a major player in the global furniture industry, ranking among the top ten (10) largest exporters of furniture worldwide. The Country exports around 80% of its furniture production, with a strong presence in markets such as the US, Japan, and Australia. Malaysia has also seen significant growth in furniture exports to the United Kingdom, United Arab Emirates, Saudi Arabia, the Philippines, and Russia.

The Malaysian furniture industry is facing challenges due to a decline in US home sales and the normalisation of the pandemic situation, as employees return to the office. In addition, the risk of a global economic downturn is increasing, which could further impact the furniture demand, particularly due to rising mortgage rates, which has made it more difficult for US home buyers to afford furniture. Since the US is the largest export market for Malaysian furniture makers, it is important to diversify other export markets to reduce dependence on this market. Exploring potential markets can help businesses tap into new growth opportunities and reduce the impact of market fluctuations on their business.

Also, Malaysian furniture exporters face stiff competition from low-priced furniture manufacturers in China and Vietnam. Despite so, the Malaysian furniture industry has been able to maintain a strong global demand due to its original design and emphasis on both aesthetics and work ethics.

Overall, the furniture industry is facing headwinds due to the challenging business environment. But with the right strategies, manufacturers can still find success in this market. By staying abreast of the latest trends, investing in quality and innovation, and exploring new markets and distribution channels, furniture manufacturers can position themselves for long-term growth and success.

Corporate Exercise

On 24 December 2022, upon the expiry of extension of time approved by Bursa Malaysia Securities Berhad in relation to the private placement, the Board announced that private placement of 32,700,000 shares (issue price of RM0.30 per share) and 30,800,000 shares (issue price of RM0.18 per share) listed on 7 June 2022 and 19 August 2022 is deemed completed.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISK PROFILES

We highlight below the key anticipated or known risks that our Group is exposed to that may have a material effect on our operations, performance, financial condition and liquidity. Our plans and strategies to mitigate these risks have also been disclosed below:-

(i) Business risks

Our Group is principally involved in the manufacturing and trading of plastic wares and furniture products. Hence, we are susceptible to the risks inherent to our industries. These include, amongst others, any outbreaks of diseases affecting local and global markets, rising costs of labour and raw materials, availability of skilled personnel, changes in laws and regulations applicable to our business, business and credit conditions, as well as fluctuations in foreign exchange rates. There can be no assurance that any material changes to these factors will not have a material adverse effect on the business operations of our Group.

Nevertheless, our Group has been taking effective measures to mitigate the aforementioned risks such as prudent financial management and efficient operating procedures. Further, we constantly keep abreast of economic and regulatory changes relating to our business.

(ii) Operational risks

The supply of raw materials for both the plastic wares and furniture divisions is always at risk of shortages and pricing issues, due to market supply availability and competition. In prior years, both divisions have faced raw material shortages. Currently, no suppliers in the market can ensure consistent supply and stable pricing due to the environmental issues and limited supply caused by monopolies.

Any fluctuations in the price of raw materials will lead to an increase in direct material costs and a decrease in profit margins. Raw material shortages will result in production downtime and customer complaints due to delays in the delivery of finished goods. Hence, a reduction in sales orders will result in insufficient profits to cover fixed operating and administrative expenses.

The furniture manufacturing process is highly reliant on skilled and experienced staff, whereas the plastic wares division relies on foreign workers to run 24-hour production. The Group is subject to labour shortages, both for local and foreign workers, from time to time, leading to increased labour costs.

The Group is obligated to comply with the policies imposed by the Malaysian Government regarding the employment of foreign workers, and any future changes in these policies could result in significant expenses for the Group. If the Group is unable to find suitable replacements for its skilled and experienced staff or foreign workers, it may incur additional costs for training. Moreover, production interruptions may reduce the Group's production capacity and effectiveness.

The Group actively liaises with the relevant government and recruitment agencies to ensure timely application and renewal of work permits for foreign workers. Workplace and environmental safety are also a top priority for the Group. Adequate training and monitoring are provided by experienced supervisors for new recruits. Remuneration is another challenge for the Management, as they must set a suitable and competitive remuneration package that benefits the staff's performance without burdening the labour cost.

Investing in automated plant and machinery has helped the Group to reduce its dependency on labour and improve production efficiency, while minimising human error. However, unavoidable, certain operations still require human intervention, and the Group recognises the importance of skilled and experienced staff. Therefore, the Group continues to invest in research and development to improve the process flow and enhance quality control, in order to ensure that its operations remain competitive and efficient.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISK PROFILES (CONT'D)

(iii) Credit risks

The Group's credit risk primarily arises from the trade and other receivables, which are closely monitored through ongoing management reports. The Group's objective is to achieve continuous revenue growth while minimising potential losses arising from the increased credit risk exposure. To achieve this, the Group has implemented a credit policy to deal only with creditworthy counterparties, and credit terms are determined on a case-by-case basis.

Before approving and creating a customer code in the accounting system, the Management conducts a background check on the counterparty. The Group conducts annual review and evaluation of credit terms, with input from salespersons and account receivables control team. Any favourable changes in credit terms for customers will require approval from the Management. The Group's credit risk exposure is widely distributed across diverse customers, thereby avoiding significant concentration of credit risk.

(iv) Foreign exchange risks

Furniture division of the Group predominantly exports its products to Europe and the US, and sources its raw materials, including hardware and tools, from foreign countries. Given most of the transactions being denominated in USD, the Group's profitability is vulnerable to foreign currency exchange risks. Any fluctuations in the USD exchange rate may impact the gross profit

margin. To mitigate these risks, the Group has credit banking facilities with various financial institutions and maintains a foreign currency account to facilitate the collections in USD, and payments made in the same currency, resulting the natural hedging.

Plastic wares division's export sales contributed approximately 10% to the total division revenue. The division sources its raw materials and accessories from local suppliers who, in turn, procure them from overseas, thereby exposing the division to foreign exchange risks. The export department will ensure our overseas customers pay a minimum deposit of 30% before delivery, and the balance upon port clearance. Any credit terms offered must be approved by the Management and supported by local bankers.

(v) Competition risks

Both divisions are experiencing stiff competition from both established and new players in their respective industries. To maintain the competitiveness of the Group, the Management ensures that all products offered by the Group are competitively priced with excellent quality and innovative designs. Effective marketing strategies are also critical in keeping the Group to be competitive. The Group prioritises cost optimization and operational efficiency. The Group continually explores new markets and invests in research and development to meet ever-changing consumer demand.

FORWARD-LOOKING STATEMENT

Since 2020, the COVID-19 pandemic was the most negative issue plaguing the global economy followed by, arguably, supply chain disruption. Fortunately, the pandemic is no longer a major concern while the supply chains situation started improving gradually. However, with the looming global recessionary risk, the tighter global monetary and financial conditions and the uncertainties of the Russia-Ukraine conflict and intensifying US-China trade war, the global economic outlook is rather gloomy. These could potentially dampen the uptick of economic activity that we had been experiencing since early 2022. With the deceleration of the global economy, the nascent increased spending in capital expenditure could be impacted by rising risk aversion and risk-off sentiments. Companies could delay or postpone capital expenditure.

The World Bank, in its January 2023 Global Economic Prospects report, forecasted that the global economy growth would decelerate sharply to 1.7% in 2023, the third weakest pace of growth in nearly three decades. The setback to global prosperity will likely persist as a result of the continued disruptions from Russia's invasion of Ukraine, higher-than-expected inflation and abrupt rises in interest rates to contain it.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FORWARD-LOOKING STATEMENT (CONT'D)

The World Bank also sees growth in Malaysia's economy moderating. In the World Bank's latest Global Economic Prospects report, it said growth is projected at 4.0% in Malaysia. Malaysia's real GDP is expected to moderate in 2023 to 4.0% as forecasted by Fitch Solutions Country Risk and Industry Research, weighed down by the fading of base effects and pent-up demand, tighter credit conditions and a weakening global growth outlook.

(Source: www.theedgemarkets.com)

While market volatility will remain largely beyond our control, we are cautiously optimistic at this juncture and we will continue to look for pockets of income growth while being mindful of keeping costs down, to deliver a commendable performance. We remain focus to ensure our capital and liquidity buffers are robust so that we remain resilient to market uncertainties and business challenges as we endeavour to remain focused on delivering growth and long-term shareholders' value.

The Group continues to drive cost optimisation and we are committed to enhancing operation efficiency and capacity by continually reinvesting in technology and machinery. The focus on optimising costs may involve implementing state-of-the-art equipment and processes to streamline production, reduce waste and increase output. The Group recognises the importance of staying at the forefront of technological advancements to maintain a competitive edge and drive growth. This also helps to reduce dependency on labour-intensive production practices. Our Group has been growing from strength to strength and embracing new challenges as we grow and we remain committed to providing quality products, as well as continuously improve our business processes to enhance cost optimisation and efficiency.

The Group will continue our efforts of brand building and deliver outstanding products with great quality in order to remain competitive so as to strengthen and expand our current products and customers base and source for new business opportunities.

To stay ahead of the competition, the Group places great emphasis on keeping pace with the constantly changing needs and preferences of its customers. To achieve this, the Group continuously invests substantial resources in research and development function that is dedicated to developing and designing new products. The Group is committed to staying up-to-date with the latest market trends and innovations, and is constantly exploring new ideas and concepts to ensure that the Group remains at the forefront of the industry.

BOARD OF DIRECTORS' PROFILE

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

Malaysian

Aged 67

Male

Non-Independent Non-Executive Chairman

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 40 years of working experience in the fields of auditing, accounting and corporate finance. His experience and contribution in other directorship are as follows:-

- Non-Executive Director of Symphony Life Berhad (appointed on 2 September 2021 and redesignated as Executive Chairman on 15 November 2021);

- Executive Director of Muar Ban Lee Group Berhad (appointed on 30 June 2009);
- Non-Executive Chairman of Eka Noodles Berhad (appointed on 8 May 2017 and retired on 21 August 2020);
- Executive Director of Pensonic Holdings Berhad (appointed on 13 September 1995 and resigned on 1 October 2017);
- Senior Independent Non-Executive Director of Unimech Group Berhad (appointed on 6 March 2000 and resigned on 5 July 2016); and
- Independent Non-Executive Director of Denko Industrial Corporation Berhad (appointed on 27 December 2010 and resigned on 21 March 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.

TEOH HAN CHUAN *

Malaysian

Aged 62

Male

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.
- Skywood Residence Sdn. Bhd.
- SWS In Medics Sdn. Bhd.
- Syarikat U.D. Trading Sdn. Bhd.
- U.D. Panelform Sdn. Bhd.
- U.D. Wood Products Sdn. Bhd.

Appointed as the Deputy Managing Director on 3 July 2017 and redesignated as Managing Director on 16 November 2017. He is a co-founder and the Managing Director of Ee-Lian Enterprise (M) Sdn Bhd ("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 30 years of experience in the household plastic wares industry. 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

Malaysian

Aged 60

Male

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.
- Skywood Residence Sdn. Bhd.
- SWS In Medics Sdn. Bhd.
- Syarikat U.D. Trading Sdn. Bhd.
- U.D. Panelform Sdn. Bhd.
- U.D. Wood Products Sdn. Bhd.

Appointed as Independent Non-Executive Director on 23 December 2015 and redesignated as Chief Operating Officer on 1 October 2020. 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 39 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 has no family relationship with any other Director or major shareholder of the Company.

BOARD OF DIRECTORS' PROFILE (CONT'D)

TEH LI KING

Malaysian

Aged 44

Male

Executive 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.
- Skywood Residence Sdn. Bhd.
- SWS In Medics Sdn. Bhd.
- Syarikat U.D. Trading Sdn. Bhd.
- U.D. Panelform Sdn. Bhd.
- U.D. Wood Products Sdn. Bhd.

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 Operating 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. His experience includes corporate management, banking and manufacturing. He is also the Non-Independent Non-Executive Director of Opcom Holdings Berhad and concurrently serving as Director of the several private companies. He has no family relationship with any other Director or major shareholder of the Company.

CHEN THIEN YIN

Malaysian

Aged 56

Male

Independent Non-Executive Director

Appointed as Independent Non-Executive Director on 6 January 2021 and is presently Chairman of the Nomination and Remuneration Committee and member of the Audit Committee. He graduated Degree in Finance and Management Information Systems from Syracuse University, Syracuse, New York, USA. He has over 31 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)

SHARON NG SAW EAN *

Malaysian

Aged 56

Female

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director on 12 August 2022 and is presently member of the Nomination and Remuneration Committee and Audit Committee. She graduated from Monash University, Australia with a double degree of Bachelor of Economics and Bachelor of Laws. She was admitted to the Malaysian Bar in December 1991. She practiced law

for 30 years and was a senior partner in the law firm of Messrs. Soo Thien Ming & Nashrah until June 2022 when she opted for early retirement from legal practice. She does not hold directorship in any other public listed companies. She has no family relationship with any other Director or major shareholder of the Company.

KHOR HUN NEE *

Malaysian

Aged 46

Female

Independent Non-Executive Director

Appointed as Independent Non-Executive Director on 2 November 2022 and is presently Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee. Ms Khor Hun Nee has a Licensed Financial Planning with more than eight years of experience. She is currently working in Financial Planning Firm, parallel in corporate. Her job scope including with consulting or Advisory for portfolio investment and diversification on wealth management for both Individual and Corporate.

As of today's date, Ms Khor Hun Nee has more than twenty years of working experience. Back in her early career, she was an auditor for ERNST & YOUNG (Anderson), one of the Big 4 Accounting Firms. She also has more than 5 years of experience as an accountant and financial analyst in IT industries. Furthermore, she also holds a position as a Financial Controller in Aviation Industries for more than eight years until 2017.

Ms Khor Hun Nee has several professional certificates including Certified Financial Planner (CFP US)) with Financial Planning Association Malaysia. She is also Certified by the Securities Commission Malaysia with Capital Markets Services Representative's License (eCMSRL). Additionally, she is also part of the Association of Chartered Certified Accountants (ACCA (UK)) and received Fellow Chartered and Certified Accountants (FCCA) which is the highest achievement awarded to ACCA members after 5 years of continues membership. Last but not least, she is also one of the Malaysia Institute of Accountants (MIA) since 2004.

She is also an Independent Non-Executive Director of Jaks Resources Berhad, Fiamma Holdings Berhad and YKGI Holdings Berhad. She 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

Malaysian

Aged 52

Male

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, together with Teoh Han Chuan and Heng Sew Hua, he invested in 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

Malaysian

Aged 50

Male

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") 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)

LEE CHAW HSIEN

Malaysian

Aged 41

Male

Chief Financial Officer

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 Chartered Accountant 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.

FINANCIAL HIGHLIGHTS



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 and Nomination and Remuneration Committee, to examine specific issues within their respective Terms of Reference (“ToR”). The ultimate responsibility for decision making, however, lies with the Board. The Board reviews the respective Board Committees’ authority and ToR from time to time to ensure their relevance and enhance its efficiency.

Charter of Board (or “Charter”)

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

The Board reviews and updates its Charter from time to time as to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board’s objectives. The salient features of the Charter, after the last review undertaken by the Board on 19 April 2023 can be viewed on the Company’s website at www.swscap.com.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1.1 Board Responsibility (Cont'd)

Code of Conducts and Whistle-blowing Policy

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

The Board has also formalised a Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. The Board 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 44 to 67, 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 24 to 27 of this Annual Report.

Nomination and Remuneration Committee

The Board had on 29 November 2022 decided to merge the Nomination Committee and Remuneration Committee into a new committee, to be known as “Nomination and Remuneration Committee” (“NRC”), with effect from 29 November 2022 which aimed to improve its efficiency and effectiveness in discharging its duties.

The ToR of the NRC further provides the specific responsibilities in relation to nomination and remuneration matters include setting out clear and appropriate criteria for the selection and recruitment as well as annual evaluation of directors of the Board and board committees. Details of the ToR for the NRC are available for reference on the Company’s website at www.swscap.com.

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 NRC 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;



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1.2 Board Composition (Cont'd)

Nomination Committee (Cont'd)

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: (Cont'd)

- Conduct periodic evaluations of the Board of Directors as a whole;
- Identify, consider and select, or recommend for the selection of the Board of Directors, candidates to fill new positions or vacancies on the Board of Directors and Board Committees;
- Evaluate the performance of individual members of the Board of Directors eligible for re-election, and select, or recommend for the selection of the Board of Directors, the nominees for election to the Board of Directors by the stockholders at the annual general meeting;
- Assess the independence of Independent Directors annually;
- Periodically review the composition, the term of office and performance of each committee of the Board of Directors, particularly the Audit Committee and make recommendations to the Board of Directors for the creation of additional committees or the change in mandate or dissolution of committees;
- To give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the required skills and expertise that are needed by the Board in future; and
- To review the training needs of the Director.

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

Recruitment or Appointment of Directors

The NRC 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 NRC's consideration and submission to the Board its recommendation of suitable candidates for the proposed appointment as Directors of the Company.

The NRC'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 NRC 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 NRC 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1.2 Board Composition (Cont'd)

Recruitment or Appointment of Directors (Cont'd)

The Directors standing for re-election/re-appointment at the 23rd Annual General Meeting of the Company are as follows:

Name	Designation
Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	Non-Independent Non-Executive Chairman
Teoh Han Chuan	Managing Director
Sharon Ng Saw Ean	Independent Non-Executive Director
Khor Hun Nee	Independent Non-Executive Director

Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai and Teoh Han Chuan are due to retire pursuant to clause 21.5(a) of the Constitution of the Company whereas Sharon Ng Saw Ean and Khor Hun Nee are due to retire pursuant to clause 21.5(c) of the Constitution of the Company at the 23rd 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 24 to 27 of the Directors' Profile of this Annual Report.

Annual Assessment

The NRC conducted an assessment on the performance and effectiveness of the Board and the Board Committees annually and the Company Secretary facilitated the NRC 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 NRC, examined 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 2022 ("FYE 2022") was conducted via Questionnaires on 19 April 2023. 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 NRC 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 NRC 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 NRC 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 NRC 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.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1.2 Board Composition (Cont'd)

Annual Assessment (Cont'd)

The NRC 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 NRC 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 NRC and the Board.

Gender Diversity Policy

The Board is supportive of gender diversity and currently the Board comprises two (2) female Directors, which represents 29% of the entire Board members. This composition is almost at the 30% threshold as recommended in the MCCG. The Board through the Nomination and Remuneration Committee shall consider gender diversity as part of its criteria in its future selection and shall look into increasing female Board representation in future. The Board believes that the on-boarding process of Directors should also base 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1.2 Board Composition (Cont'd)

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.

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

Name	Board	AC	NC	RC
Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoon Hai	5/5*	N/A	N/A	N/A
Teoh Han Chuan	5/5	N/A	N/A	N/A
Dr Loh Yee Feei	5/5	N/A	N/A	2/2
Teh Li King	5/5	N/A	N/A	N/A
Chen Thien Yin	5/5	5/5	1/1*	2/2
Sharon Ng Saw Ean (Appointed w.e.f. 12/08/2022)	2/2	2/2	N/A	N/A
Khor Hun Nee (Appointed w.e.f. 02/11/2022)	1/1	1/1*	N/A	N/A
Tan Kok Tiam (Retired w.e.f. 27/05/2022)	2/2	2/2	1/1	2/2*
Khoo Chee Siang (Resigned w.e.f. 02/11/2022)	4/4	4/4*	1/1	2/2

* 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.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1.2 Board Composition (Cont'd)

Directors' Commitment (Cont'd)

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.

Directors' Training – Continuing Education Programme

The Board, through the NRC 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	Pathway for Beginner Series – Constitution, Audit And Annual Return	17/05/2022 – 18/05/2022
	Company Secretaries Training Programme Essential 1.0 (Part A, B and C)	24/05/2022 – 26/05/2022
Teoh Han Chuan	How to Implement Digital Learning Strategy for Organization	25/07/2022
	Hazard Identification Risk Assessment Risk Control (HIRARC) Approach to EHS Risk Management	18/10/2022
Dr Loh Yee Feei	Lean-Six Sigma Black Belt	23/05/2022 – 27/05/2022
	How to Implement Digital Learning Strategy for Organization	25/07/2022
	Hazard Identification Risk Assessment Risk Control (HIRARC) Approach to EHS Risk Management	18/10/2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1.2 Board Composition (Cont'd)

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

Name	Training Programmes	Date
Teh Li King	Implementing ESG Practices in The Organisation	23/02/2022 – 24/02/2022
	Bonus and Salary Increment Framework	21/04/2022
	Performance Management Refresher	12/07/2022
	How to Scale up Fast	27/07/2022
	Liability Insurance (Product Liability & Professional Indemnity)	10/08/2022
	Entrepreneur Training Program	23/08/2022
	Strategy Mapping Using The Balanced Scorecard	03/10/2022
	Pacesetter in Leadership	04/10/2022 – 05/10/2022
Chen Thien Yin	How to Implement Digital Learning Strategy for Organization	25/07/2022
Sharon Ng Saw Ean	Hazard Identification Risk Assessment Risk Control (HIRARC) Approach to EHS Risk Management	18/10/2022
Khor Hun Nee	Corporate Briefing – Understanding Sustainability and Environmental, Social and Governance (ESG)	10/06/2022
	Anti-Bribery & Corruption Training 2022	10/11/2022
	Anti-Money Laundering, Anti-Terrorism Financing 2022	10/11/2022
	Code of Ethics and Rules of Professional Conduct 2022	10/11/2022
	Compliance & Shariah Training 2022	10/11/2022
	EPF Training 2022	10/11/2022
	Guidelines on Advertisement 2022	10/11/2022
	IT Security Awareness Training 2022	10/11/2022

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.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

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 NRC 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 NRC also takes into consideration the remuneration of Directors of other PLCs in order to ensure competitive remuneration policies that reflect the prevailing market rate.

On 19 April 2023, the Board approved the NRC's recommendation on remuneration of the Executive Directors and MD, the fee of the Non-Executive Directors, and Directors' fees for FYE 2023 for the approval of the shareholders at the Company's forthcoming annual general meeting. The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board. Disclosure of each Director's remuneration is set out in the annual audited financial statements of this Annual Report.

The details of the remuneration of the Directors of the Company for the financial year from 01.01.2022 to 31.12.2022:

	EXECUTIVE DIRECTORS			TOTAL
	Teoh Han Chuan	Dr Loh Yee Feei	Teh Li King	
Salaries and other emoluments	810,000	673,760	63,000	1,546,760
Social contribution plan	1,286	1,830	652	3,768
Defined contribution plan	32,400	55,860	8,190	96,450
Estimated money value of benefits-in-kind	28,000	–	–	28,000
	871,686	731,450	71,842	1,674,978

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1.3 Remuneration Committee (Cont'd)

	NON EXECUTIVE DIRECTORS				
	Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khooon Hai	Chen Thien Yin	Sharon Ng Saw Ean	Khor Hun Nee	TOTAL
Fee and allowances	100,300	64,800	34,600	22,800	222,500

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

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

Range of Remuneration	Numbers of Key Senior Management
RM50,000 to RM100,000	–
RM100,001 to RM150,000	1
RM150,001 to RM200,000	–
RM200,001 to RM250,000	–
RM250,001 to RM300,000	2
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	1



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

2.1 Audit Committee

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

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

In assisting the Board to discharge its duties on financial reporting, the Board established the Audit Committee on 22 December 2003. The roles and responsibilities of the Audit Committee, including activities undertaken during the financial year under review, are set out in the Audit Committee Report on pages 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").

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

2.1 Audit Committee (Cont'd)

In this regard, the Audit Committee had on 19 April 2023, 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 23rd Annual General Meeting.

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

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

The details of the related party transactions are set out under Note 29 to the annual audited financial statements on pages 142 to 145 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 alphaOne 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 activity is guided by the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors Inc. which contains the international standards for internal auditing. In addition, the audit programme is tailored to the operations / processes / functions of the Group with clearly stated objectives and risks and is guided by the Committee of Sponsoring Organisations of the Treadway Commission's (COSO) principles. Appropriate audit procedures will be included to ensure adequate coverage of the areas to be audited and risks are addressed. 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.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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.

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 23rd Annual General Meeting ("Notice") will be briefed via an explanatory note provided during the registration process and/or by the Chairman of the 23rd 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 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 23rd 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 at the Annual General Meeting. The proceedings of the 23rd Annual General Meeting will include the Chairman's briefing on the Company's overall performance for FYE 2022 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 23rd 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.

(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 MCGG, 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 April 2023.



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 2022 (“FYE 2022”).

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 was established to promote the risk management framework and to ensure that the risk management process and culture are embedded throughout the Group. MRC meet on a half-yearly 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.

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

RISK MANAGEMENT FRAMEWORK (CONT'D)

The steps to management of risks identified in the risk register 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 is 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.



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

SYSTEM OF INTERNAL CONTROL

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

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

- Operating procedures that set out the policies, procedures and practices adopted by the Group are properly documented and communicated to staff member so as to ensure clear accountabilities. The effectiveness of internal control procedures are subject to continuous assessments, reviews and improvements.
- The organisational structure is well defined, with clear line of responsibilities and delegation of authorities. Key responsibilities are properly segregated.
- The Board meets regularly and is kept updated on the Group's activities and operations and significant changes in the business and external environment, if any, which may result in significant risks.
- Financial results are reviewed quarterly by the Board and the Audit Committee.
- Executive Directors and HoD meet regularly to discuss operational, corporate, financial and key management issues.
- A reporting system which provides for a documented and auditable trail of accountability to ensure timely generation of information for management review, has been put in place.
- There are guidelines within the Group for hiring and termination of staff. Appointment of staff is based on the required level of qualification, experience and competency to fulfil their responsibilities. Training and development are provided for selected employees to enhance their competency in carrying out their responsibilities.
- A formal staff appraisal to evaluate and measure staff's performance and their competency is performed at least once a year.

INTERNAL AUDIT FUNCTION

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

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

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

- reviewing identified high risks areas for compliance with policies and procedures; identifying business risks which have not been appropriately addressed; and
- evaluating the adequacy and effectiveness of controls.

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

INTERNAL AUDIT FUNCTION (CONT'D)

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

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

The expenditure incurred for the internal audit function for the current financial year was RM36,340.

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 April 2023.



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 2022 (“FYE 2022”), 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 five (5) meetings in for the FYE 2022 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 2022 to present the audit review memorandum and auditors’ report on the annual audited financial statements for FYE 2022.

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 Committee 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.



AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR (CONT'D)

During the financial year under review, the activities of the Audit Committee included the following: - (Cont'd)

- Reviewed the unaudited financial results announcements before recommending them for Board's approval, focusing particularly on:
 - o any change in accounting policies and practices
 - o significant adjustments arising from the audit
 - o the going concern assumption
 - o compliance with applicable financial reporting standards and other legal requirements

INTERNAL AUDIT FUNCTION

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

The Company has engaged an independent professional risk management company as Internal Auditors to assist the Company to strengthen its internal audit processes during the financial year 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.

The Team Leader of alphaOne is a Professional Member of the Institute of Internal Auditors (IIA) (Malaysia), Fellow Chartered Accountant Australia & New Zealand ("CAANZ") and Chartered Accountant (Malaysia). To ensure that Internal Audits are effectively performed, the team comprises suitably qualified personnel with the requisite skills and experience who are also given relevant training development opportunities to update their technical knowledge and auditing skills. For the Financial Year Ended 31 December 2022, the Internal Audit Firm has two (2) directors and two (2) personnel in the team.

An overview of the Group's approach in maintaining a sound system of internal control is set out in the Statement on Risk Management and Internal Control on Page 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 2022, 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.



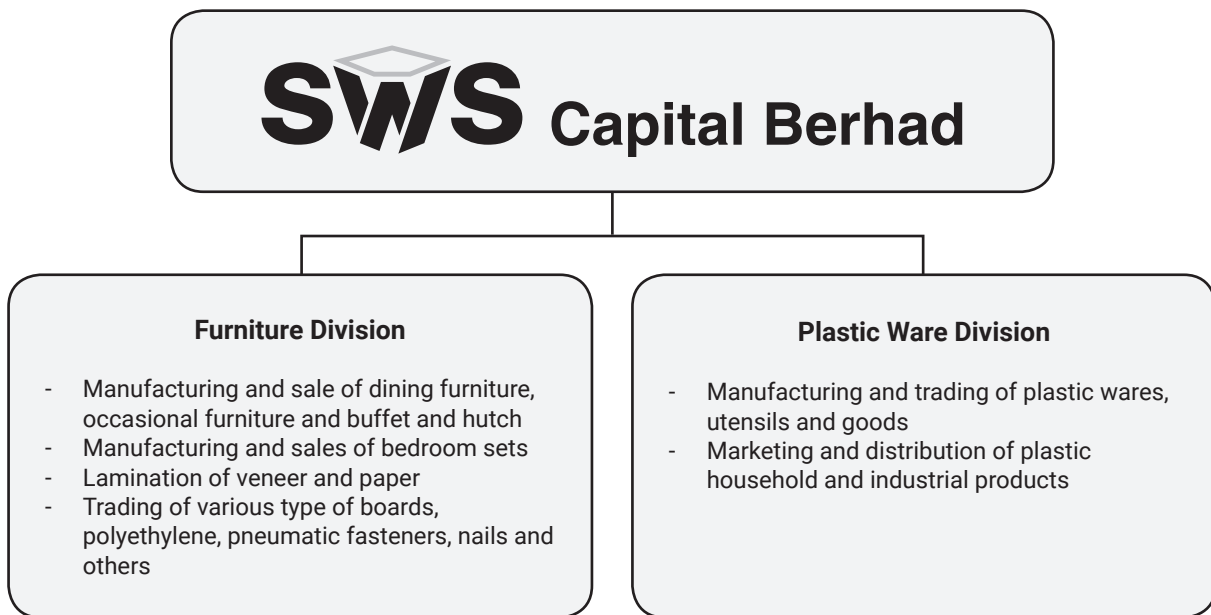
SUSTAINABILITY STATEMENT

THE REPORT

SWS Capital Berhad (“SWS” or the “Company”) has issued the Sustainability Report (“Report”) for five consecutive years since the Report was first released for the financial year ended 31 December (“FYE”) 2018. This Report provides an in-depth explanation of the Group’s ideas, methods and accomplishments in relation to sustainable development, social responsibility and governance during FYE 2022. It covers the Group’s performance and activities in economic, environmental and social (“EES”) as well as governance aspects. The purpose of this Report is to demonstrate the Group’s dedication and responsibility to sustainability as well as to inform stakeholders, including shareholders, employees, customers and the general public about its efforts in these areas.

SCOPE OF THE REPORT

The Report covers SWS and its subsidiaries (“the Group”). Information disclosed in this Report encompasses our core activities related to furniture and plastic ware division.



This Report covers data which had been compiled internally from 1 January 2022 to 31 December 2022. Where available and relevant, historical data of the preceding year has been included for comparison.

REPORTING PRINCIPLES

The Report is prepared in compliance with the requirements of:

- Bursa Malaysia Securities Berhad (“Bursa Securities”)’s Sustainability Reporting Guide (2nd Edition);
- Listing Requirements of Bursa Securities [Paragraph 29, Part A of Appendix 9C of the Main Market Listing Requirements (supplemented by Practice Note 9)]; and
- Sustainability Reporting Standards (“GRI Standards”) core option published by Global Reporting Initiative (GRI).

SUSTAINABILITY STATEMENT (CONT'D)

REPORTING PRINCIPLES (CONT'D)

The Report follows the reporting principles of:

Materiality
The Group identifies key EES issues through stakeholder engagement and materiality assessment
Quantitative
The Report states the Group's key environmental and social KPIs on a quantitative basis; quantitative information is accompanied by a narrative, explaining its purpose, impacts and giving comparative data where appropriate
Balance
The Report provides an unbiased picture of the Group's environmental and social performance

COMMITMENT TO SUSTAINABILITY DEVELOPMENT

SWS has always considered sustainability to be a fundamental aspect of our organisational culture, as we aim to attain sustained growth and profitability while prioritising safety, care and environmental sustainability. We acknowledge that sustainability practices are a crucial factor in investors' decisions regarding investments.

In line with Bursa Securities' Sustainability Reporting Guide (2nd Edition), the Group's sustainability practices are to ensure that EES risks and opportunities are tied in with our governance framework and social responsibilities. This enables our corporate success and behaviour to be judged and measured by the public.

As a responsible corporate entity, our objective is to uphold high standards of governance throughout our operations. This is in line with our corporate culture, which seeks to promote responsible business practices, manage our environmental footprint and address the social needs of the communities where we operate.





SUSTAINABILITY STATEMENT (CONT'D)

COMMITMENT TO SUSTAINABILITY DEVELOPMENT (CONT'D)

The Group's ability to maintain a sustainable business and create long-term value for its shareholders is subject to various internal and external factors. Each material factor presents unique risks and opportunities to our organisation and is a key consideration in our approach to strategies formulation and execution as it substantially influences the assessments and decisions of our stakeholders. We regularly review these factors to assess their impacts on our business model over the near, medium and long term.



ECONOMIC

Sustaining our economy

Delivering sustainable returns to our shareholders

Delivering quality products to achieve customers' satisfaction



ENVIRONMENT

Conserving our environment

Protecting our environment and improving our environmental performance



SOCIAL

Building a resilient workforce

Ensuring a positive workplace for our employees

Serving our community

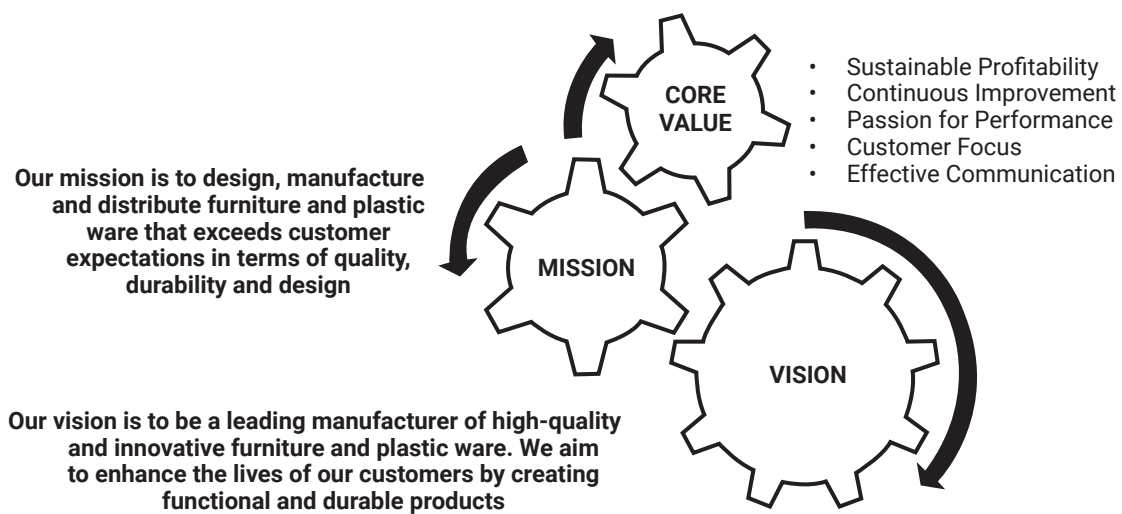
Contributing to the well-being of the community around us

SUSTAINABILITY STATEMENT (CONT'D)

GOVERNANCE FRAMEWORK

Vision, Mission and Core Value

Our vision and mission are the cornerstones of our commitment to the sustainability of the Group. Our core values are the guiding principles that we uphold in day-to-day operations and conduct ourselves to support our vision and shape our culture.



Corporate Governance

Sustainability is embedded in our organisational approach and is led from the top. The Board of Directors (“**Board**”) plays a vital guidance and oversight role in advancing sustainability across the organisation with the assistance from the Executive Management to oversee the implementation of the organisation’s sustainability approach and ensure that key targets are being met.

The Board also acknowledges that risk management and internal controls are integral to our corporate governance and it is responsible for establishing a sound risk management framework and internal control system as well as to ensure their adequacy and effectiveness. The review of the adequacy and effectiveness of the risk management framework and the internal control system is delegated by the Board to the Audit Committee.

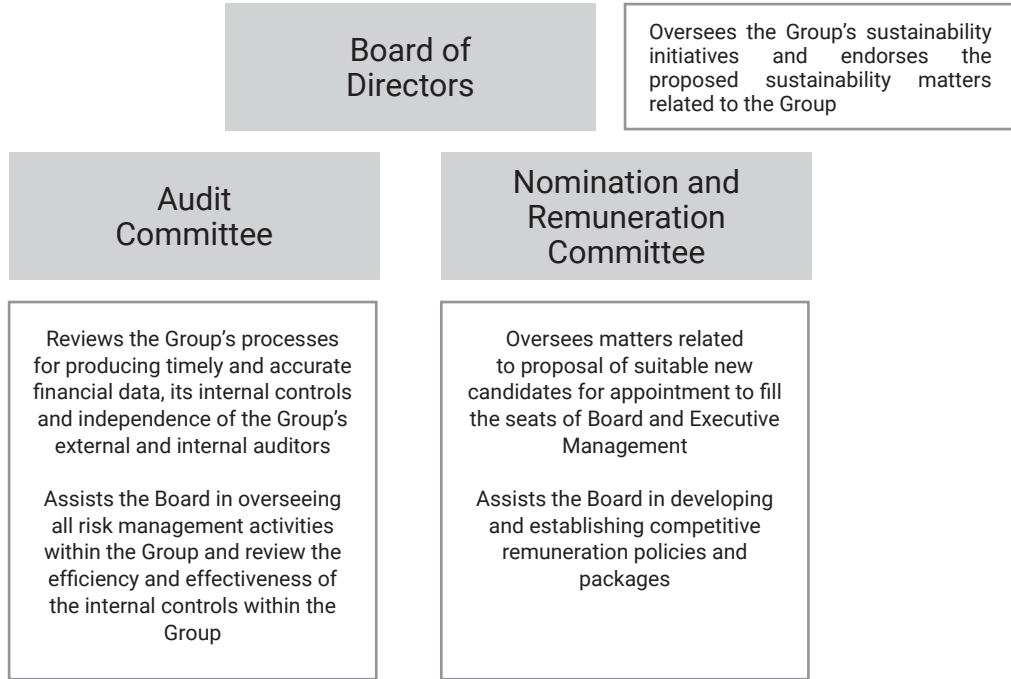
The Group’s performance is also tracked with the assistance of the Nomination and Remuneration Committee. Performance evaluation of the Board and Executive Management include a review of the performance of the Group in addressing the Group’s material sustainability risks and opportunities.



SUSTAINABILITY STATEMENT (CONT'D)

GOVERNANCE FRAMEWORK (CONT'D)

Corporate Governance (Cont'd)



The responsibility of the Board to promote and embed sustainability in the Group includes overseeing the following:

- Stakeholders' engagement
- Materiality assessment and identification of sustainability risks and opportunities relevant to us
- Management of material sustainability risks and opportunities
- Communication of sustainability strategies, priorities and targets as well as performance against targets to internal and external stakeholders

Ethical Business Practices and Anti-Corruption & Bribery Policy

The Board acknowledges the significance of ethical business practices throughout the organisation to preserve the trust of our stakeholders. We uphold the highest standards of integrity in our operations through good governance, as outlined in the Group's Code of Conduct.

At the core of our business lies good governance, which is founded upon ethical business practices and integrity. We have incorporated the highest standards of governance into our business, not only by adhering to the law, but also by implementing processes and guidelines that reinforce these principles.

The Group has also established and adopted Anti-Corruption and Bribery Policy as we are committed to a zero-tolerance approach in our efforts to prevent corrupt and bribery practices. We are committed to conduct our business ethically, as well as in conformity with all applicable laws. This Anti-Corruption and Bribery Policy is applicable to the Board, our employees as well as any third parties associated with us.

The Group practices ethical and transparent purchasing activities and we treat all of our suppliers with fairness. We encourage fair competition wherein our purchasing officers cannot favour one supplier over another. Open tendering is conducted on applicable contractual services. All employees are prohibited from accepting gifts and freebies if any conflict of interest is identified. The Group has a strong stance against corruption and bribery in our operations, and in our bid to ensure that our employees operate with integrity, we require all employees and directors to submit their Declaration Form in relation to our Anti-Corruption and Bribery policy.

SUSTAINABILITY STATEMENT (CONT'D)

GOVERNANCE FRAMEWORK (CONT'D)

Ethical Business Practices and Anti-Corruption & Bribery Policy (Cont'd)

The Group inducts all new employees on the Company's Anti-Corruption and Bribery Policy as well as the Code of Conduct, during the dedicated in-house orientation programme. Any updates to the Employee Handbook are done through the internal network and all employees sign off on the Company's policies on confidentiality and conflict of interest, integrity and prevention of staff fraud once they have attended the Group's internal briefings.

The Whistle Blowing Policy provides an anonymous platform where all our stakeholders can raise concerns about possible breaches of policies and other questionable practices without fear of reprisals or retaliation. Our policies are published on our website and disseminated to our employees and business partners. There was no reported complaints of bribery or corruptions in FYE 2022.

FYE 2022	
Number of complaints of bribery or corruptions reported	Nil

RESPONSES TO SUSTAINABLE DEVELOPMENT GOALS ("SDG(s)")

In September 2015, all one hundred and ninety-three (193) United Nation member states adopted "Agenda 2030" - a plan to solve the world's most pressing EES problems over the next fifteen (15) years. It consists of seventeen (17) goals and one hundred and sixty-nine (169) targets that cover a broad set of challenges such as economic inclusion, geopolitical instability, depleting natural resources, environmental degradation and climate change. Malaysia is committed to "Agenda 2030" through its SDG Roadmap.

We support the SDGs, recognise their strategic importance to our business and to the world, hence we are committed to helping achieve them. The Group has well-established programs to ensure we operate sustainably and responsibly, following our long-standing commitment to ethical corporate citizenship and promoting sustainability in all our activities. All the SDGs are relevant to our operations to varying degrees and we are already contributing to many of these goals.





SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDERS' ENGAGEMENT AND COMMUNICATION

The Board continue to engage our stakeholders actively throughout the fiscal year as part of our sustainability assessment process. Engagement with stakeholders allows us to gain more complete understanding of our materiality issues and matters whilst, we are also able to capture the key aspects and impacts of our sustainability journey.

The table below lists our key stakeholder groups and their respective areas of interest as well as methods by which the Board engages them.

STAKEHOLDERS	ENGAGEMENT METHODS	ENGAGEMENT AREAS
Shareholders	<ul style="list-style-type: none"> Annual & Extraordinary General Meetings Press releases Bursa announcements Quarterly report Annual report Timely update on corporate website 	<ul style="list-style-type: none"> Financial and operational performance Return on investments Corporate governance Internal control and risk management Ethical business conduct
Government and regulator	<ul style="list-style-type: none"> Compliances to laws and regulations Attend webinars or events organised by government Approvals and permits Standards and certification 	<ul style="list-style-type: none"> Operation regulations Bursa listing requirements Companies Act Labour law Taxations Occupational Safety and Health Act ("OSHA") Department of Environment ("DOE")
Board of Directors	<ul style="list-style-type: none"> Board meetings 	<ul style="list-style-type: none"> Corporate strategy Corporate governance
Employees	<ul style="list-style-type: none"> Technical and skills trainings Health and safety of working environment Employee engagement survey Performance review and reward Dialogues between employers and employees Internal memo 	<ul style="list-style-type: none"> Occupational safety & health Remuneration policy Career development Performance review and reward Fair employment practices Social events and recreational activities
Financial Institutions	<ul style="list-style-type: none"> Bursa announcements Quarterly report Annual report Timely update on corporate website 	<ul style="list-style-type: none"> Financial and operational performance Funding requirement
Customers	<ul style="list-style-type: none"> Product design Product quality Product pricing Timely delivery Regular meetings Client satisfaction survey form 	<ul style="list-style-type: none"> Customer satisfactions On-site visit Production progress and delivery date Marketing plan and product promotion Quality assurance In house research and development team on product design and development

SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDERS' ENGAGEMENT AND COMMUNICATION (CONT'D)

STAKEHOLDERS	ENGAGEMENT METHODS	ENGAGEMENT AREAS
Suppliers	<ul style="list-style-type: none"> • Vendor registration form (new supplier) • Regular meetings • Quality audit on services and products • Contract negotiation 	<ul style="list-style-type: none"> • Services and products' quality • Legal compliances • Supplier valuation and selection
Communities	<ul style="list-style-type: none"> • Community wellbeing • Community investment • Corporate social responsibilities 	<ul style="list-style-type: none"> • Social contribution • Job opportunities • Social and culture activities • Donation and financial aid
Analyst / Media	<ul style="list-style-type: none"> • Annual & Extraordinary General Meetings • Press conferences and media releases 	<ul style="list-style-type: none"> • Financial and operational performance • General announcements

SUSTAINABILITY RISKS AND RESPONSES

The Board understands the importance of addressing sustainability risks and opportunities in an integrated and strategic manner to support the Group's long-term strategy and success. The Board proactively considers the sustainability issues when overseeing the planning, performance and long-term strategy of the Company, to ensure the Company remains resilient, is able to deliver durable and sustainable value as well as maintain the confident of its stakeholders.

RISK	RISK ANALYSIS	RISK RESPONSES
Rapid development of the market	The risk of rapid development of the market can be significant, as it can create challenges in keeping up with the changing customers' needs and preferences as well as new technological advancements.	<p>The Group is adapting to changing economic conditions by implementing standard operating procedures to stay competitive. We monitor production and quality control, while the sales team studies market trends and opportunities to expand into new markets with favourable pricing.</p> <p>The Group is also committed to releasing sustainable and unique products over the next decade. Both the furniture and plastic housewares divisions are capable of producing customised premium products to contribute to the Group's revenue growth.</p>



SUSTAINABILITY STATEMENT (CONT'D)

SUSTAINABILITY RISKS AND RESPONSES (CONT'D)

RISK	RISK ANALYSIS	RISK RESPONSES
Intensified climate change	<p>Extreme weather and sea level rise: The world calls for collective action to limit global temperature increase to below 2 degree Celsius. Extreme weather events can affect our sales, products supply and the reliability of our supply chain.</p>	<p>The production of wood-based furniture has always been a concern for its impact on the environment. The majority of the wood used in furniture production in Malaysia comes from rubberwood, which is a plantation wood and not source from virgin rainforests. As such, it is one of the most environmentally friendly woods. To ensure sustainable sourcing practices, processes are in place to ensure that all wood purchased has a proper certification before being confirmed for receipt and production.</p> <p>The Group is aware of the potential environmental impact that could arise from its involvement in plastics, and it takes its responsibility seriously in complying with environmental rules and regulations set by the DOE and various authorities both locally and abroad. The Group has recycling departments that recycle plastic waste to be reused in production at its plants located in Bukit Minyak, Penang.</p>
Staff engagement	<p>Staff engagement: Transforming staff to evolving needs and supporting employment with limited resources without compromise is challenging.</p> <p>Workplace wellness: Expectation on work-life balance and workplace health and safety are even higher after the pandemic.</p>	<p>The Group continues to cultivate a high-performance culture and nurture a vibrant and diverse workforce with robust training and succession plan.</p>

SUSTAINABILITY STATEMENT (CONT'D)

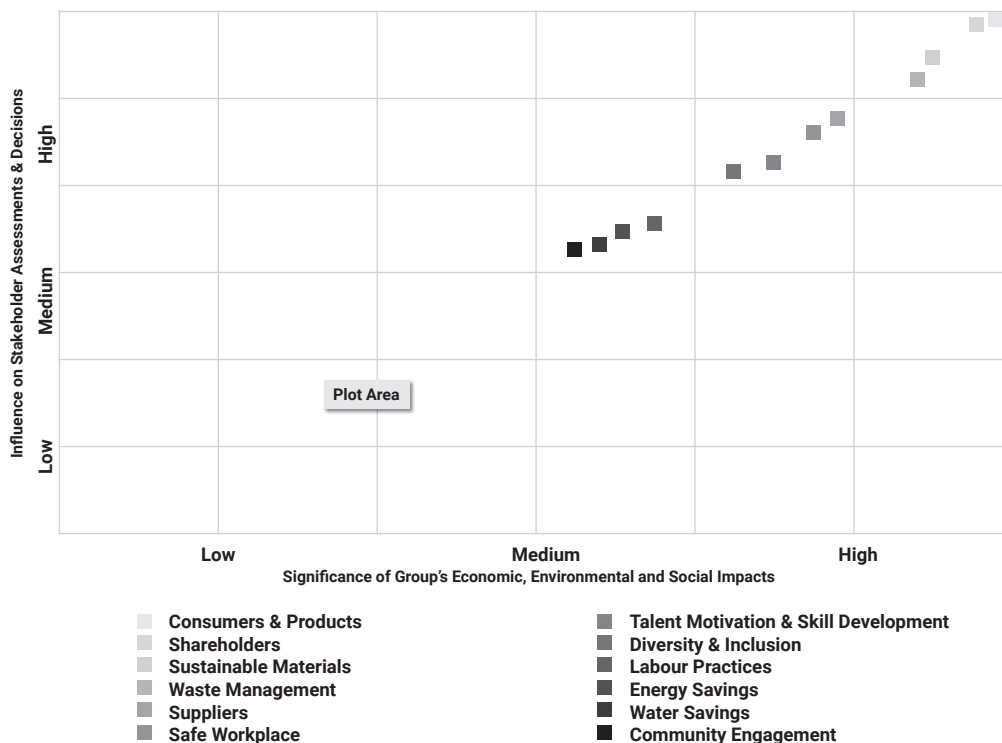
MATERIALITY ASSESSMENT

We conducted a structured materiality assessment exercise to prioritise our sustainability matters based on both business and stakeholder expectations. Our materiality assessment process was guided by Bursa Malaysia’s Sustainability Reporting Guide (2nd Edition) and Bursa Malaysia Toolkit.



- **Review of material matters** - conducted cross-functional deliberation sessions on and reviews of the sustainability matters.
- **Stakeholder engagement** - Engaged with key internal and external stakeholders identified to understand needs and expectations with reference to material matters.
- **Impact assessment** - Prioritised the sustainability matters from a business perspective, with representatives from various business functions.
- **Consolidation** - Consolidated results were tabulated, analysed and presented in the Materiality Matrix.
- **Review and approval** - Upon finalisation of the materiality assessment, it was presented to the Board of Directors for approval

We assess our sustainability material matters annually to fully understand how to manage the risks and opportunities they present. This ensures that we prioritise the issues that have the greatest impact on the economy, society and the environment.





SUSTAINABILITY STATEMENT (CONT'D)

MATERIALITY ASSESSMENT (CONT'D)

The table below shows key relationships between the Group's top material sustainability matters, and the related SDGs.

Ranking	Material Sustainability Matters	ESS Pillars	Related SDGs
1	Customers & Products		
2	Shareholders		
3	Sustainable Materials		
4	Waste Management		
5	Suppliers		
6	Safe Workplace		
7	Talent Motivation & Skill Development		
8	Diversity & Inclusion		
9	Labour Practices		
10	Energy Savings		
9	Water Savings		
9	Community Engagement		



SUSTAINABILITY STATEMENT (CONT'D)



The Group recognises the importance of prioritising financial sustainability and considers it a crucial aspect of its operations. Our fundamental principle is that the long-term profitability and value for shareholders are best achieved by taking into account the interests of all stakeholders, including shareholders, employees, suppliers, and the wider community. We believe that by adopting a holistic approach that considers the needs of all stakeholders, we can create sustainable value for our shareholders over the long run.

Shareholders

As the ultimate proprietors of our company, our shareholders' interests are of utmost importance to us. Therefore, one of the significant sustainability concerns for our group is maintaining a robust and sustainable financial performance and position. We are committed to achieving economic growth that is sustainable for the benefit of our shareholder.

To promote transparency, our shareholders are entitled to timely and quality information on the Group's financial performance and position. Apart from the Annual General Meeting where shareholders are encouraged to ask questions to the Board and Executive Management on business operations, and the financial performance and position of the Group, the Group's corporate website at www.swscap.com also provides a link on investor relations where quarterly and annual financial statements, announcements, financial information, annual reports, circulars/statements to shareholders and other pertinent information are uploaded on a timely basis when available.

Customers & Products

The Group is dedicated to ensuring that not only our shareholders' interests but also those of our customers are well-taken care of. For our customers, we are committed to supplying and providing high-quality products and services that meet their satisfaction and expectations. We strive to achieve this by continually improving our technology and processes as required.

CUSTOMERS' SATISFACTION

Internationally recognised best practices and international quality accreditation

Experienced management that equipped with industry knowledge and comprehensive training

Prompt delivery and reliable customer service

Efficient after-sales service, create an integrated and resilient workforce

To ensure that our products consistently meet the highest standards of quality and safety, our quality management has been accredited with ISO 9001:2015 - Quality Management Systems. This internationally recognised certification provides assurance that the Group's Quality Management Systems has been audited and certified by a third-party auditor to meet specific quality management standards. The Group is dedicated to ensuring that it consistently delivers products that meet customer and regulatory requirements. This commitment is rooted in the Group's belief that providing high-quality products is critical in maintaining customer satisfaction, building trust and establishing long-term relationships with customers. The Group's focus on quality and safety extends to all aspects of its operations, from product design and development to manufacturing, packaging and distribution.



SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC (CONT'D)

Customers & Products (Cont'd)



The Group is proud to have a team of highly skilled and knowledgeable employees who are capable of managing and exceeding customer expectations. The Group recognises the importance of utilising new technologies to enhance its business processes and operations. Therefore, the team is always seeking new and innovative ways to improve production efficiency and cost effectiveness.

To stay ahead of the competition, the Group places great emphasis on keeping pace with the constantly changing needs and preferences of its customers. To achieve this, the Group continuously invests substantial resources in research and development function that is dedicated to developing and designing new products. The Group is committed to staying up-to-date with the latest market trends and innovations, and is constantly exploring new ideas and concepts to ensure that the Group remains at the forefront of the industry.

To uphold our pledge to sustainability and progress, we are taking measures to introduce a wider range of eco-friendly and distinctive products within the next ten years. Our furniture and plastic housewares divisions are dedicated to customising premium products that will bolster the Group's top-line and bottom-line growth.

The sales and marketing department plays a critical role in the Group's success by closely monitoring market trends and identifying opportunities to expand into new markets. This involves analysing customer needs and preferences, as well as staying up-to-date with the latest industry trends and innovations.

In addition to identifying new markets, the sales and marketing team is also responsible for setting competitive pricing that ensures the Group's products remain affordable and attractive to customers. By closely monitoring pricing trends and industry competition, the team is able to set prices that balance profitability with affordability, ensuring that the Group remains competitive in both local and export markets. Moreover, the sales and marketing team works closely with other departments to develop effective marketing strategies and campaigns that promote the Group's products to target audiences. By using a range of marketing channels and techniques, such as digital marketing, social media platform, print advertising, and trade shows, the team is able to effectively reach out to potential customers and generate interest in the Group's products.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC (CONT'D)

Customers & Products (Cont'd)

The image displays a promotional banner for Eliaware's 29th Anniversary Celebration, running from 1st to 30th April 2023. The banner features two main offers: a 'GREEN POCKET' voucher requiring a minimum spend of RM30, and a '29% OFF' voucher with no minimum spend. It also includes a 'Happy Birthday' graphic and a 'SHOP NOW' button. Below the banner is a website screenshot showing a 'FLASH SALES (LIMITED TIME)' section with five product categories: Eliaware 2.2 Ltr Hand Wash Pot (MYR16.90, -49% off), Eliaware 6Ltr Beverage Water Dispenser (MYR29.90, -50% off), Eliaware Ezy-Lock Acrylic Microwavable Lunchbox (MYR19.90), Eliaware Exclusive Festive Raya Set (MYR38.90, -55% off), and Eliaware 480ml Cute Animal Design Stainless Steel (MYR28.50, -5% off). A navigation bar at the top of the website screenshot includes links for Home, Product, Collection, and Contact, along with search and social media icons. A 'FREE SHIPPING NOW!' banner is also visible at the top of the website section.

We have adopted an impartial feedback mechanism to address customer complaints and manage our relationship with them. The Customers' Satisfaction Survey Form and periodic interaction with key customers will enable us to deliver excellent customer service and enhance our reputation in the industry.

In today's business environment, ensuring the security and privacy of clients' data is a top priority. The Group recognises the risks associated with cyberattacks and takes measures to minimise or eliminate them. In the year under review, similar to last year, there have been no incidence or breach from malware, ransomware, hacking or other cyberattacks on its database. The Group's Information Technology ("IT") Department has conducted its routine IT audits in FYE 2022 and has given the Group's assets a clean bill of health, including exposure from unauthorised software usage.



SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC (CONT'D)

Customers & Products (Cont'd)

We conduct our business in compliance with the Personal Data Protection Act 2010 ("PDPA")'s guidance with the collection, use and disclosure of personal data. We have also safeguarded against external attempts to breach any confidential information. There was no reported case of non-compliance with PDPA in FYE 2022.

	FYE 2022
Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Nil

Suppliers

To our suppliers, we are committed to enhance our processes and engage with our suppliers to identify and manage risks, increase productivity and efficiency within the supply chain, underpinned by values of integrity and transparency. We look to create value, by looking for opportunities to collaborate and to share best practices with our suppliers.

Identification of suitable suppliers relating to the quality of service and product output are among the key determinants during the tender or bid call. There is an internal checklist in the Vendor Registration Form released by our procurement department.

Suppliers must be environmentally and operationally sound, in addition to being a good fit with the Group's overall business goals and aspirations. Their good track record should also come with a clean bill of health for human rights and fair labour practices, no corruption or bribery and no pending environmental issues. All suppliers are to adhere to the Supplier Code of Conduct and the Non-Conformance policy defined under ISO 9001:2015 - Quality Management Systems. Hence, our suppliers are filtered through careful selection ensuring only the ones with appropriate criteria met are engaged.

At the end of the service contract period, the supplier audit for both environmental and operational excellence is carried out. At any point of the service period, should the supplier be found to be non-compliant in any environmental or operational issues, may lead to termination with compensation.

The Group focuses its procurement activities on local vendors to support local job creation and price-competitiveness. In the period under review, we have successfully utilised most of our procurement budgets to locate, evaluate and engage local suppliers with a strong service record, free from reputational issues and capable of turning around high-quality work at agreed schedules of delivery.

SUSTAINABILITY STATEMENT (CONT'D)



Sustainable Materials

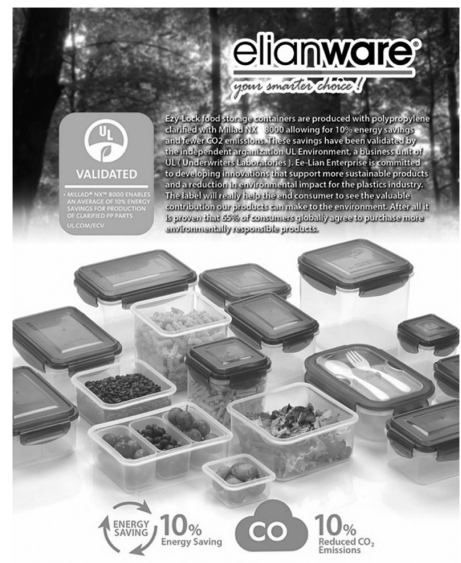
Environmental impact is a crucial concern in wood-based furniture production. In Malaysia, however, we are fortunate to have abundant natural resources in the form of lush rainforests that provide a wide variety of wood for furniture-making. To ensure sustainable production and preservation of our natural heritage for generations to come, we have implemented a well-managed forestry system that guarantees a continuous supply of high-grade sustainable timber. At our

manufacturing facility, we use mostly rubberwood for furniture production, which is a plantation wood and does not come from valuable virgin rainforests. As such, it is considered one of the most eco-friendly woods.

To ensure that we use sustainable materials for our wood-based furniture production, we have established a procurement process that includes careful selection of suppliers and the procurement of wood that is certified by reputable certification bodies such as the Forest Stewardship Council (FSC). Once the wood is purchased, we make sure that it is accompanied by a proper certification and documentation, such as chain-of-custody certificates, to ensure its legality and sustainability. This certification verifies that the wood was harvested in a responsible and sustainable manner, without causing harm to the environment or local communities.

It is also crucial to minimise wastage and hence our manufacturing process itself is designed to minimise wastage and optimise material usage. We will reuse or recycle scraps and employ proper storage systems and conditions to maintain the quality and usability of our wood materials. We are committed to reducing our environmental impact and promoting sustainability throughout our production operations, from raw materials procurement to final product delivery.

To emphasise the Group’s commitment to eco-friendliness, it is important to ensure that consumers are aware of the sustainable materials used in the production of plastic wares. In line with this, the Group has entered into an agreement with American specialty chemicals producer Milliken and Malaysian polymer producer Lotte Chemical Titan to manufacture more sustainable products using Milliken’s energy-saving and Underwriters Laboratories (“UL”)–certified materials. By using these materials in the manufacturing process, a lower processing temperature is required, resulting in a 10% annual energy savings and lower carbon dioxide emissions.



We are the first Malaysian producer authorised to use the UL-certified Green Label environment accreditation on our products. This label provides customers with assurance that our products have been audited by a reputable third-party and are manufactured in accordance with our environmental claims. By utilising sustainable materials and obtaining environmental certifications, it demonstrates our strong commitment to environmental sustainability.



SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENT (CONT'D)

Waste Management

As a responsible corporate entity, the Group recognises the potential environmental impact that can be caused by its plastics business. To mitigate this impact, the Group places great emphasis on compliance with environmental regulations required by the DOE as well as other local and international authorities.

One of the key areas of concern is waste disposal. To address this issue, the Group has implemented procedures to reuse and recycle waste products whenever possible. For instance, the Group has set up recycling departments in its plants at Bukit Minyak, Penang that are responsible for recycling plastic waste, which is then reused in production to optimise the consumption of plastic raw material. With this, our manufacturing process not only helps to reduce the environmental impact of waste disposal but also helps to conserve resources.

For materials or waste that cannot be reused or recycled, the Group has put in place a system to appoint government-approved waste contractors to handle the disposal of such waste. This is to ensure the waste is disposed of in a safe and responsible manner, in compliance with applicable regulations.

In addition, the Group takes extra care to ensure that all hazardous materials, such as ink and solvents, are stored in safe places. To avoid any environmental harm, hazardous waste will be disposed of in a proper and safe manner through a certified waste contractor authorised by the DOE. This is to ensure the hazardous waste is handled and disposed of in compliance with the relevant regulations and standards, minimising the potential environmental impact.

Paper recycling initiatives are already in progress by encouraging the employees to prioritise electronic means to share and store documents, and to reduce printing or photocopying, otherwise, to use double-sided printing. Additionally, other materials such as furnishing, and fixture are recycled or reused where possible.

Energy Savings

As part of the global commitment and acceleration of efforts to transition to a net zero economy, we have evaluated our operations to enhance energy efficiency to reduce our carbon footprint to support cleaner and sustainable growth. We aspire to protect the environment by integrating environmental considerations into our decision-making process. We implement appropriate measures to advance energy efficiency to minimise the impacts on the environment brought about by our daily operations. As such, we had incorporated the usage of on-site solar photovoltaic (PV) solutions in one of our plastic manufacturing plant during FYE 2022.



Our other initiatives to reduce our energy consumption every year are regular inspection of air-conditioning system of all our office places so that the temperature setting conforms to the range of 22-25 degree Celsius. Each year we install and replace lightings with energy saving LED lights. Apart from that, we switch off unnecessary ventilation, air conditioning systems, lighting when not in use and during non-business hours.

SUSTAINABILITY STATEMENT (CONT'D)

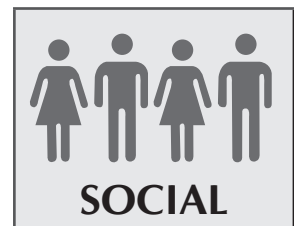
Water Savings

Water is a limited resource, and as the world continues to advance and the global population continues to grow, an increasing strain is being placed on the supply of clean water. Water conservation is therefore an area that our Group works hard on, both improving the efficiency with which we use our water, as well as working to educate our employees about the need to conserve it by placing reminders near water taps.

Safe Workplace

The Group believes that the safety and well-being of its employees are the foundation of its success. Hence, we strive to provide a safe and healthy environment for our employees and to ensure safe practices in all aspects of our business operations. The Group has in place a policy that highlights our commitment to:

- ensure compliance with laws and regulations in relation to occupational safety and health;
- set targets and measures to drive occupational safety and health performance across the organisation; and
- promote a culture where all employees share the commitment to prevent harm to the safety and health of our employees and the public.



The Group is regularly engaging and educating employees to inculcate a culture of safety and compliance through safety and health training. In this respect, the Group places utmost importance on continuous compliance with all relevant health and safety laws and regulations such as OSHA and our Safety Officers are registered with Department of Occupational Safety and Health (“DOSH”).

The safety committee has implemented several initiatives aimed at raising awareness among our employees about the safety in our working environment. These programs include:

- Safety and awareness training;
- Fire drill training for at least once a year;
- Policies enforcing production employees to equip safety wear at work;
- Requirement of work permit for all contractors or in-house maintenance to perform hot work;
- Enforcing each factory have its own emergency response team (ERT);
- Compliance with Occupational Safety and Health regulations; and
- Regular inspection on machines, building structures and vehicles to detect unsafe conditions which may lead to accidents.

The Group aimed to achieve a zero-accident rate for Occupational Safety and Health. There was no work-related fatality reported in FYE 2022 and no accident was recorded during that period.

In Malaysia, the OSHA is the main framework of the Company’s Occupational Safety & Health provisions. Safety Induction Training were conducted for all of our newly joined employees in technical fieldwork. The programme is designed to train employees to fully aware on the safety and health measures and to meet the DOSH’s guidelines. Workers are equipped with safety protective wear and equipment when involving in potentially dangerous works. Furthermore, safety briefings are compulsorily conducted to all visitors or contractors on the awareness of safety before entering to the plants.

The main form of safety training attended by our employees during FYE 2022 was provided by the National Institute of Occupational Safety and Health, an agency under the Ministry of Human Resources, and were largely for the technical staff engaged in fieldwork.



SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL (CONT'D)

Labour Practices

We are committed to provide and respect fundamental human rights and safeguard against violation of human rights. We guarantee an anti-discriminatory and anti-harassment workplace, one that is safe and healthy and above all, ethical in conduct. Employees are not restricted from unionising and are afforded the freedom of association per local laws and practice. No complaint concerning human right violations or unfair treatment of all employees has been filed throughout 2022.

	FYE 2022
Number of substantiated complaints concerning human rights violations	Nil

In addition to this, all employee benefits provided by the Group is above minimum statutory requirements and includes healthcare and insurance coverage, leaves, statutory payment and career development bonuses. Remuneration packages, while strictly private and confidential, are determined upon the employees' experience, expertise, qualifications and job grade.

Talent Motivation & Skill Development

The old adage, "Our people are our best assets" may sound cliché but it is nonetheless true. At SWS, we have always recognised this and strived to bring out the best in our people and ensure that they share a vision to always be ahead in all we do. The development of our employees is a key priority which we take seriously as we believe in creating value through the growth of our own people. Our approach is a holistic one that considers learning needs, individual development plans to drive career growth and retention, and the embedding of our culture and values.

The Group also recognises that the Industrial Revolution 4.0 will place pressure in organisations to continuously upskill and reskill our workforce, to stay relevant and productive. Employees are encouraged to attend internal or external training or pursue professional development to enhance their knowledge and skill for career enhancement and personal development, human resource management, technical skills, and others.

For critical and leadership roles, succession planning is vital to our long-term performance as part of our Group's sustainability move. Our Nomination and Remuneration Committee will review the Group's human resources plan including the succession management framework and activities, human resources initiatives such as jobs and salary review, and the annual manpower budget. The succession planning across the Group is implemented by stages where the training program is designed specifically for management staff.

For many years, we have recognised the importance of engaging with our workforce. Employees' engagement is important to an organisation because it motivates employees to do their best. We consider effective engagement a key element of the Company's ability to create value as we recognise that our people are our greatest asset. Management regularly engages with the workforce through a range of activities such as annual dinner, festive season celebration, sport activities etc.

Diversity & Inclusion

Diversity refers to the differences in workforce by gender, age, ethnicity and disability. This measure is considered across the Board to the management and the rest of the workforce.

In the appointment and recruitment process, we pride ourselves being an employer that provides equal opportunities and continuously seek to promote it regardless of religious belief, age, marital status, gender, family status or any disability. Our commitment in that respect applies to all areas of the working environment, all employment activities, resource allocation and all employment terms and conditions. Every employee is given an equal opportunity to rise up in their careers through hard work and dedication.

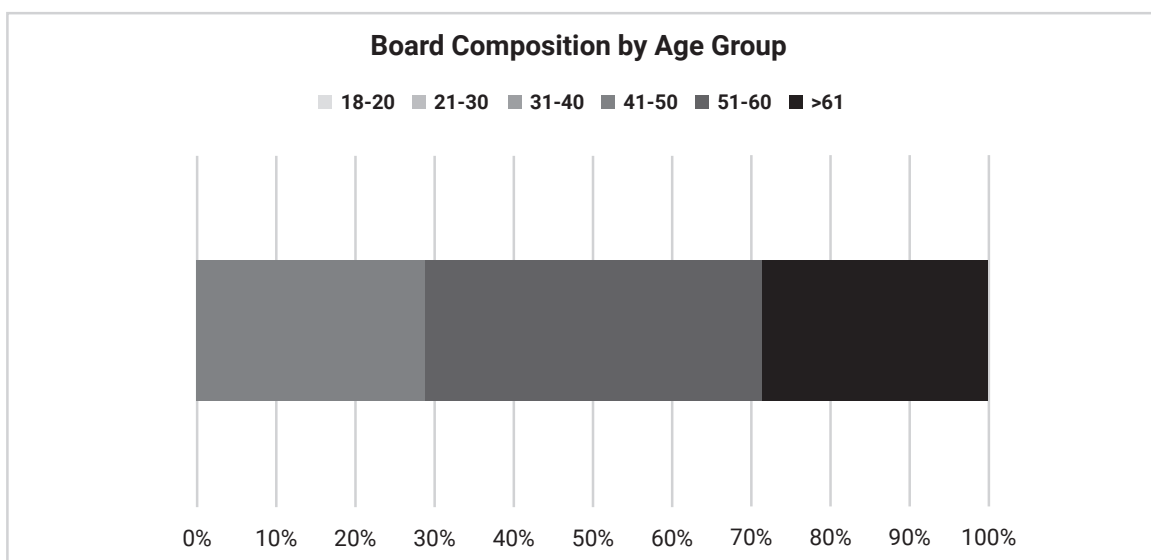
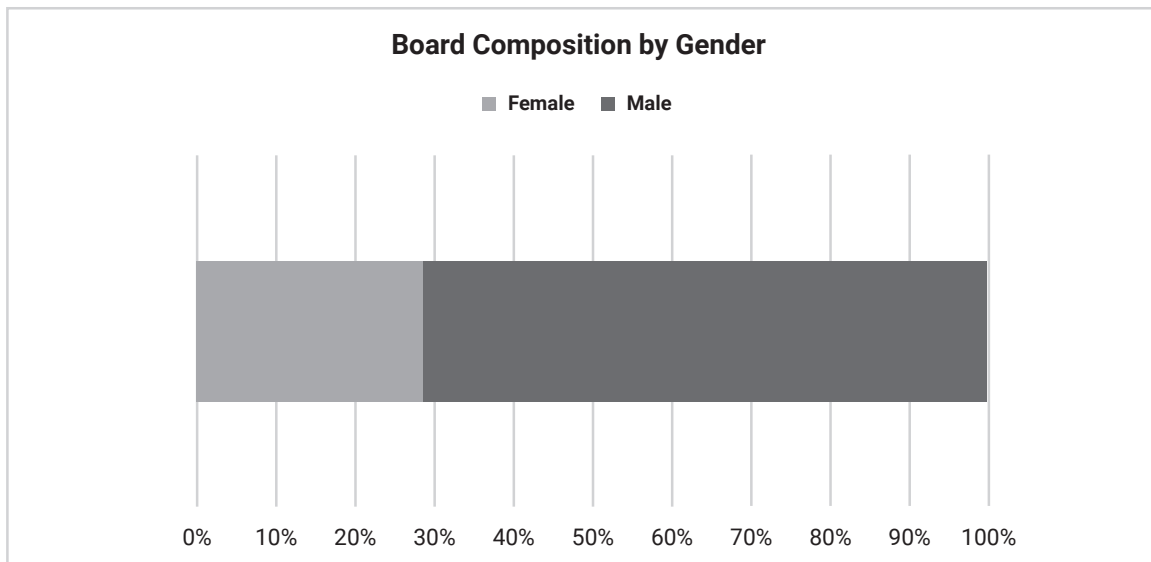
Having a diverse team of employees, across age, gender and industry experience, encourages open-minded dialogues, broadens our positive influence and reach, helps bridge gaps, and brings in new perspectives and strategies.

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL (CONT'D)

Diversity & Inclusion (Cont'd)

We continue to adopt an approach of strong corporate governance. The Nomination and Remuneration Committee continues to review the composition of the Board, skills and diversity of the Directors and will make further appointments where it considers them necessary. The Nomination and Remuneration Committee endeavours to create a diverse pipeline with a good mix of people with varied experiences and backgrounds to enrich the organisation including board composition. It is worth noting that during the fiscal year under review, SWS had 29% women directors on its board of the holding company, a positive increase from none of woman director in the previous fiscal year.



Persons with disabilities have yet to be hired by the Group. However, as an equal-opportunities employer, there is no limitation or obstacle for persons with disabilities to join, as long as it doesn't interfere with the nature of the job that otherwise non-disabled staff are able to perform.



SUSTAINABILITY STATEMENT (CONT'D)

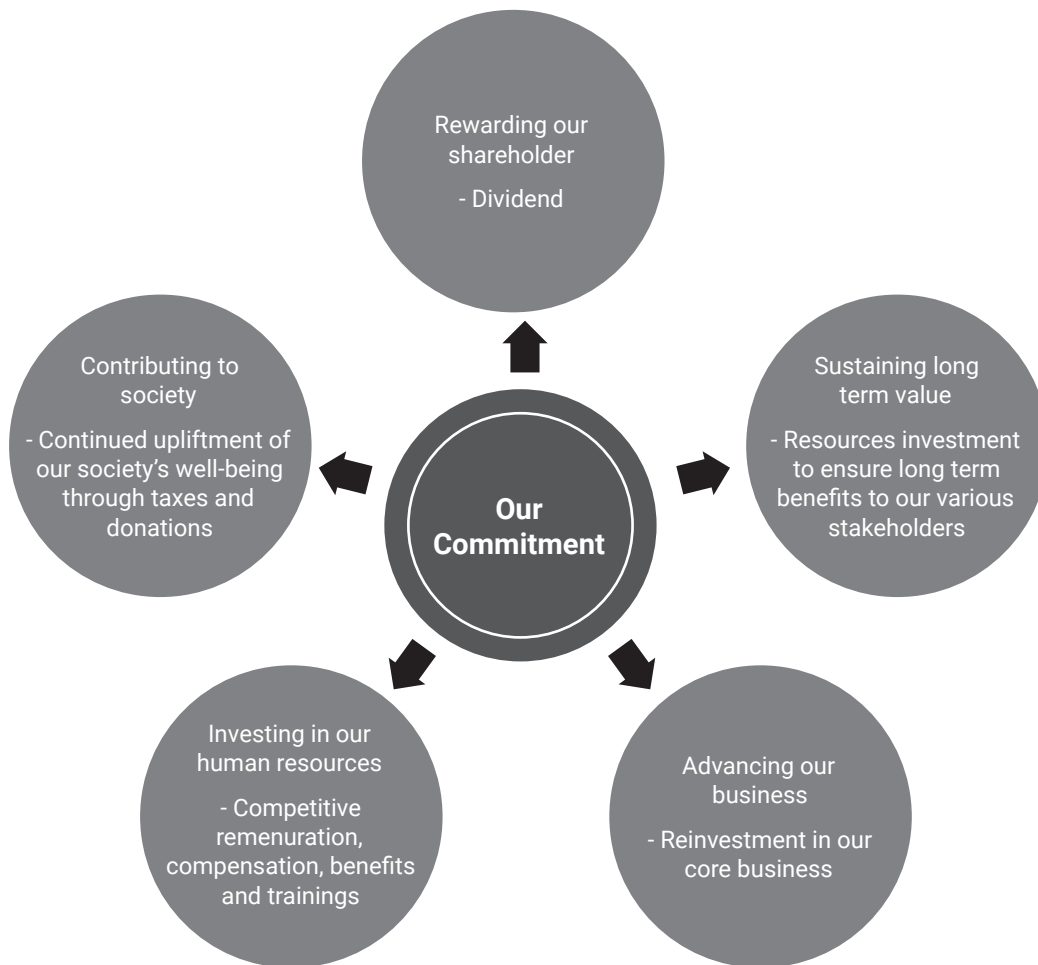
SOCIAL (CONT'D)

Community Engagement

Community engagement are support especially for those from vulnerable groups is an important part of our outreach activities. We are proud of having the privilege to serve various segments of the community such as those on low incomes, people living with disabilities, senior citizens and etc. towards providing for social empowerment and helping to make a positive difference for people across all walks of life. We have from time to time made various donations and contribution to orphanages, old folks homes, disability homes and non-profit organisations.

OUR COMMITMENT

The Group aims to be a responsible member of the corporate community by prioritising sustainable and responsible practices that promote sustainable business growth, environmental stewardship, and social responsibility.



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 6 May 2021, SWS Capital Berhad (SWSCAP” or “Company”) proposed to undertake a private placement of up to 97,046,000 new ordinary shares, representing approximately 46% of the Company’s total number of issued shares at that point in time (“Private Placement”). A revision was announced on 12 May 2021 on the proposed issued price. The proposal was duly passed by the shareholders by way of poll at the Extraordinary General Meeting (“EGM”) held on 30 July 2021.

On 9 December 2021, an application has been submitted to Bursa Securities to seek for an extension of time of six (6) months up to 23 June 2022 to enable SWS to complete the Proposed Private Placement. Bursa Securities had on 21 December 2021 resolved to approve the application extension of time.

On 24 May 2022, the Company has fixed the issue price of the Placement Shares at RM0.30 per to be issued pursuant to the Private Placement. On 7 June 2022, 32,700,000 new Placement Share was issued.

On 8 June 2022, an application has been submitted to Bursa Securities to seek for another extension of time of six (6) months up to 23 December 2022. Bursa Securities had on 15 June 2022 resolved to approve the application extension of time.

On 10 August 2022, the Company has fixed the issue price of the Placement Shares at RM0.18 per to be issued pursuant to the Private Placement. On 19 August 2022, 30,800,000 new Placement Share was issued.

On 23 December 2022, the Private Placement is deemed completed upon the expiry of the extension of time expire on 24 December 2022.

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	7,062	–	7,062
Repayment of bank borrowings	Within 12 months	7,062	5,000	2,062
Estimated expenses for the private placement	Within 3 months	1,230	1,230	–
Total		15,354	6,230	9,124

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

OTHER DISCLOSURE REQUIREMENTS (CONT'D)

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 2022 ("FYE 2022") are as follows:

	The Company (RM)	The Group (RM)
Audit fees	39,500	170,000
Non-audit fees	–	5,000

MATERIAL CONTRACTS

Save as disclosed below, 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:

- (a) On 8 November 2022, Ee-Lian Enterprise (M) Sdn Bhd, a wholly owned subsidiary of SWS has entered into a contract for the construction and completion of factory and office buildings at Lot 21606 (PT 5951) Persiaran Cassia Selatan 4, Taman Perindustrian Batu Kawan, Mukim 13, Seberang Perai Selatan, Pulau Pinang for a total consideration of RM7,477,931.00.

RELATED PARTY DISCLOSURE

Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature for FYE 2022

The aggregate value of recurrent related party transactions conducted pursuant to the shareholders' mandate during FYE 2022 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")	9,351,941	Sales of plastic wares and other household products	Interested Director / Major Shareholder Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai
		990,755	Purchases of plastic wares and other household products	
Ebottles Marketing (M) Sdn Bhd ("EBM")	ELE	241,812	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 2022 (Cont'd)

The aggregate value of recurrent related party transactions conducted pursuant to the shareholders' mandate during FYE 2022 are as follow: - (Cont'd)

Related Party with whom the Group is transacting	Company within the Group involved	Amount (RM)	Nature of transactions	Interested Related Party
E Sponge Household Sdn Bhd ("ES")	ELE	3,957	Sales of cleaning products	Interested Director / Major Shareholder Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan
		286,415	Purchases of cleaning products	
PT Elianware Houseware Trading	ELE	2,917,710	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")	52,565	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
		200,000	Purchases of plastic wares and other household products	
EBM	ELP	142,418	Sales of printing services	Interested Director / Major Shareholder Tan Sri Dato Seri' Dr. Tan King Tai @ Tan Khoon Hai Teoh Han Chuan

FINANCIAL STATEMENTS

FINANCIAL

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

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
Profit/(Loss) for the financial year	2,908,431	(6,729,905)
Attributable to:		
Owners of the parent	2,611,948	(6,729,905)
Non-controlling interests	296,483	-
	2,908,431	(6,729,905)

RESERVES AND PROVISIONS

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

DIVIDENDS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid up share capital through the issuance of:

- (i) 32,700,000 new ordinary shares pursuant to the Private Placement at exercise price of RM0.30 per ordinary share; and
- (ii) 30,800,000 new ordinary shares pursuant to the Private Placement at exercise price of RM0.18 per ordinary share.

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

There was no issuance of debentures during the financial year.



DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES

Employees' Share Option Scheme ("ESOS")

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

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 15(a) to the financial statements.

As at 31 December 2022, 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*

Dr. Loh Yee Feei*

Teh Li King*

Chen Thien Yin

Sharon Ng Saw Ean

(Appointed on 12 August 2022)

Khor Hun Nee

(Appointed on 2 November 2022)

Tan Kok Tiam

(Retired on 27 May 2022)

Khoo Chee Siang

(Resigned on 2 November 2022)

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

Tan Kean Aik

(Appointed on 17 February 2022)

Khairilnuar Bin Abdul Rahman

(Resigned on 11 October 2022)

* Director of the Company and of its subsidiary companies

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' REPORT (CONT'D)

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:

Interests in the Company	At 01.01.2022	Number of ordinary shares		At 31.12.2022
		Allocated/ Bought	Sold	
Direct interests				
Tan Sri Dato' Seri Dr Tan King Tai @ Tan Khoon Hai	15,628,525	–	(1,555,000)	14,073,525
Teoh Han Chuan	11,125,000	–	–	11,125,000
Dr. Loh Yee Feei	1,005,000	886,000	(480,000)	1,411,000
Indirect interests				
Tan Sri Dato' Seri Dr Tan King Tai @ Tan Khoon Hai #	6,120,894	–	–	6,120,894
Teoh Han Chuan #	1,536,250	–	–	1,536,250
		Number of Warrant B		
Interests in the Company	At 01.01.2022	Bought	Sold	At 31.12.2022
Direct interests				
Tan Sri Dato' Seri Dr Tan King Tai @ Tan Khoon Hai	8,698,512	–	–	8,698,512
Indirect interests				
Tan Sri Dato' Seri Dr Tan King Tai @ Tan Khoon Hai	4,723,983	–	(3,897,640)	826,343
Teoh Han Chuan #	1,925	–	–	1,925
		Number of ESOS		
Interests in the Company	At 01.01.2022	Granted	Exercised	At 31.12.2022
Direct interests				
Teoh Han Chuan	700,000	–	–	700,000
Dr. Loh Yee Feei	500,000	–	–	500,000

deemed interest by virtue of shares held by spouse/children.

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



DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown below) by reason of a contract made by the Company or a related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 28 to the financial statements.

The details of the Directors' remuneration for the financial year ended 31 December 2022 are set out below:

	Group RM	Company RM
Executive Directors		
Salaries and other emoluments	2,374,560	–
Social security contributions	7,363	–
Defined contribution plans	205,490	–
Estimated money value of benefits-in-kind	71,050	–
	<hr/> 2,658,463	<hr/> –
Non-executive Directors		
Fees	258,000	258,000
Salaries and other emoluments	33,900	33,900
	<hr/> 291,900	<hr/> 291,900

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, other than the issue of Employees Share Option Scheme.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM3,000,000 and RM5,000 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 adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and
 - (ii) to ensure that any current assets which were unlikely to 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.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

- (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.



DIRECTORS' REPORT (CONT'D)

AUDITORS

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

The details of auditors' remuneration of the Group and of the Company for the financial year ended 31 December 2022 are as follows:

	Group RM	Company RM
Auditors' remuneration:		
- Statutory audits	170,000	34,500
- Non-statutory audits	5,000	5,000
	<hr/> 175,000	<hr/> 39,500

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 26 April 2023.

DR. LOH YEE FEEI

TEH LI KING

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 accompanying financial statements of the Group and of the Company 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 2022 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 26 April 2023.

DR. LOH YEE FEEI

TEH LI KING

PENANG

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, DR. LOH YEE FEEI, 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 accompanying financial statements of the Group and of the Company 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 26 April 2023)

DR. LOH YEE FEEI

Before me,

No. 790
ZAINUL ABIDIN BIN AHMAD
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 2022 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 89 to 165.

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 2022, 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' *International 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
<p>1. Impairment of trade receivables</p> <p>The carrying amount of the Group's trade receivables was amounted to RM21,649,595. During the financial year, the Group assessed the impairment of trade receivables and the assessment of impairment involves significant estimation uncertainty subjective assumptions and the application of significant judgement.</p>	<p>We obtained an understanding and evaluated the appropriateness of the Group's policy on management of credit risk and its credit exposures.</p> <p>We enquired with management regarding the recoverability of trade receivables that are past due but not impaired and reviewed customers' correspondence.</p> <p>We assessed the reasonableness of the methods and assumptions used by management in estimating the recoverable amount and impairment loss.</p> <p>We tested the accuracy and completeness of the data used by the management.</p> <p>We evaluated subsequent year end receipts and recoverability of outstanding trade receivables.</p>

INDEPENDENT AUDITORS' REPORT (CONT'D)

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.



INDEPENDENT AUDITORS' REPORT (CONT'D)

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

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:
(Cont'd)

- 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.

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 Matter

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

ANG KAI SING

Approved Number: 03605/10/2023 J
Chartered Accountant

PENANG
26 April 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	31,958,898	34,447,711	-	-
Investment properties	5	2,265,000	2,265,000	-	-
Investment in subsidiaries	6	-	-	68,475,307	70,765,595
Right-of-use assets	7	73,991,530	57,790,989	-	-
		108,215,428	94,503,700	68,475,307	70,765,595
Current Assets					
Inventories	8	48,369,474	56,435,504	-	-
Trade receivables	9	21,649,595	24,435,001	-	-
Other receivables	10	2,218,812	3,589,828	1,000	1,000
Amount due from subsidiary companies	11	-	-	21,502,110	18,723,791
Tax recoverable		2,683,748	2,115,701	-	-
Derivatives financial assets	12	-	6,429	-	-
Deposits, bank and cash balances	13	20,405,480	12,545,941	9,512,191	1,317,513
		95,327,109	99,128,404	31,015,301	20,042,304
Total Assets		203,542,537	193,632,104	99,490,608	90,807,899



STATEMENTS OF FINANCIAL POSITION (CONT'D)

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
EQUITY					
Share Capital	14	125,325,602	109,971,602	125,325,602	109,971,602
Reserves	15	15,575,719	(709,088)	(26,057,460)	(19,327,555)
Equity attributable to owners of the parent		140,901,321	109,262,514	99,268,142	90,644,047
Non-controlling interests		349,554	53,071	-	-
Total Equity		141,250,875	109,315,585	99,268,142	90,644,047
LIABILITIES					
Non-Current Liabilities					
Loans and borrowings	16	4,191,986	5,289,361	-	-
Lease liabilities	17	3,904,121	2,350,678	-	-
Deferred tax liabilities	18	4,048,043	3,630,988	-	-
		12,144,150	11,271,027	-	-
Current Liabilities					
Loans and borrowings	16	32,466,920	48,106,139	-	-
Lease liabilities	17	2,040,048	1,291,066	-	-
Trade payables	19	10,970,002	16,918,943	-	-
Other payables	20	4,612,036	6,697,883	163,960	132,391
Provision of taxation		58,506	31,461	58,506	31,461
		50,147,512	73,045,492	222,466	163,852
Total Liabilities		62,291,662	84,316,519	222,466	163,852
Total Equity and Liabilities		203,542,537	193,632,104	99,490,608	90,807,899

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 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Revenue	21	158,403,273	159,744,310	384,000	390,000
Cost of sales		(130,542,580)	(137,007,484)	-	-
Gross profit		27,860,693	22,736,826	384,000	390,000
Other income		717,347	5,315,112	826,554	508,976
Administrative expenses		(14,194,117)	(15,270,910)	(657,156)	(754,568)
Selling and distribution expenses		(6,710,341)	(5,274,902)	-	-
Other expenses		(757,935)	(332,899)	(7,090,289)	-
Net loss on impairment of financial instruments		(97,882)	(507,744)	-	-
Profit/(Loss) from operation		6,817,765	6,665,483	(6,536,891)	144,408
Finance costs	22	(2,243,353)	(2,110,722)	-	-
Profit/(Loss) before tax	23	4,574,412	4,554,761	(6,536,891)	144,408
Taxation	24	(1,665,981)	(1,602,878)	(193,014)	(145,233)
Profit/(Loss) for the financial year		2,908,431	2,951,883	(6,729,905)	(825)
Other comprehensive income/(loss)					
Item that will not be reclassified subsequently to profit or loss, net of tax					
- Revaluation of lands and buildings		13,672,859	-	-	-
Total comprehensive income/(loss) for the financial year		16,581,290	2,951,883	(6,729,905)	(825)
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		2,611,948	2,905,611	(6,729,905)	(825)
Non-controlling interests		296,483	46,272	-	-
		2,908,431	2,951,883	(6,729,905)	(825)
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		16,284,807	2,905,611	(6,729,905)	(825)
Non-controlling interests		296,483	46,272	-	-
		16,581,290	2,951,883	(6,729,905)	(825)
Earnings per share					
- Basic earnings per share (sen)	26	1.0	1.4		
- Diluted earnings per share (sen)	26	1.0	1.4		

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



STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Group	Note	Attributable to owners of the parent					Share-based payment reserve RM	Revaluation reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
		Share capital RM	Other reserve RM	Warrant reserve RM	Share-based payment reserve RM	Revaluation reserve RM						
At 1 January 2022		109,971,602	(68,816,475)	68,816,475	1,440,170	7,204,580	(9,353,838)	109,262,514	53,071	109,315,585		
Profit for the financial year		-	-	-	-	-	2,611,948	2,611,948	296,483	2,908,431		
Other comprehensive income for the financial year:		-	-	-	-	13,672,859	-	13,672,859	-	13,672,859		
- Revaluation of lands and buildings		-	-	-	-	13,672,859	-	13,672,859	-	13,672,859		
Transaction with owners:		-	-	-	-	13,672,859	2,611,948	16,284,807	296,483	16,581,290		
Issuance of ordinary share pursuant to exercise of Private Placement	14	15,354,000	-	-	-	-	-	15,354,000	-	15,354,000		
Realisation of revaluation surplus upon depreciation		-	-	-	-	(445,507)	445,507	-	-	-		
At 31 December 2022		125,325,602	(68,816,475)	68,816,475	1,440,170	20,431,932	(6,296,383)	140,901,321	349,554	141,250,875		

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Group	Note	Attributable to owners of the parent					Total equity RM			
		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
At 1 January 2021		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
Profit for the financial year, representing total comprehensive loss for the financial year		-	-	-	-	-	2,905,611	2,905,611	46,272	2,951,883
Transaction with owners:										
Issuance of ordinary share pursuant to private placement	14	3,738,600	-	-	(379,100)	-	-	3,359,500	-	3,359,500
Realisation of revaluation reserve upon disposal of land		-	-	-	-	(423,063)	423,063	-	-	-
Realisation of revaluation surplus upon depreciation		-	-	-	-	(442,827)	442,827	-	-	-
At 31 December 2021		109,971,602	(68,816,475)	68,816,475	1,440,170	7,204,580	(9,353,838)	109,262,514	53,071	109,315,585



STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Company	Note	Non-distributable					Share-based payment reserve RM	Accumulated losses RM	Total equity RM
		Share capital RM	Other reserve RM	Warrant reserve RM	Share-based payment reserve RM	Share-based payment reserve RM			
At 1 January 2022		109,971,602	(68,816,475)	68,816,475	1,440,170		(20,767,725)	90,644,047	
Loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	-		(6,729,905)	(6,729,905)	
Transactions with owners: Issuance of ordinary share pursuant to private placement	14	15,354,000	-	-	-		-	15,354,000	
At 31 December 2022		125,325,602	(68,816,475)	68,816,475	1,440,170		(27,497,630)	99,268,142	
At 1 January 2021		106,233,002	(68,816,475)	68,816,475	1,819,270		(20,766,900)	87,285,372	
Loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	-		(825)	(825)	
Transactions with owners: Issuance of ordinary share pursuant to exercise of ESOS	14	3,738,600	-	-	(379,100)		-	3,359,500	
At 31 December 2021		109,971,602	(68,816,475)	68,816,475	1,440,170		(20,767,725)	90,644,047	

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

STATEMENTS OF CASH FLOWS AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Cash flows from/(used in) operating activities					
Profit/(Loss) before tax		4,574,412	4,554,761	(6,536,891)	144,408
Adjustment for:					
Fair value gain on derivatives		–	(4,957)	–	–
Finance costs		2,243,353	2,110,722	–	–
Foreign exchange loss on unrealised		51,147	12,519	–	–
Gain on lease modification of lease term		(4,069)	–	–	–
Gain on disposal of:					
- Asset held for sale		–	(3,309,690)	–	–
- Property, plant and equipment		(8,225)	(166,194)	–	–
- Right-of-use assets		–	(100,000)	–	–
Impairment loss on investment in subsidiaries		–	–	7,090,288	–
Impairment loss for trade receivables		230,582	548,233	–	–
Interest income		(206,198)	(246,503)	(826,554)	(508,976)
Inventories written off		1,143,614	86,155	–	–
Property, plant and equipment:					
- Depreciation		4,817,506	4,589,402	–	–
- Written off		2,375	–	–	–
Reversal of impairment loss for trade receivables		(132,700)	(40,489)	–	–
Right-of-use assets:					
- Amortisation		2,346,986	2,237,871	–	–
Operating profit/(loss) before working capital changes carried forward		15,058,783	10,271,830	(273,157)	(364,568)



STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Cash flows from/(used in) operating activities (Cont'd)					
Operating profit/(loss) before working capital changes carried forward		15,058,783	10,271,830	(273,157)	(364,568)
Changes in working capital:					
Amount due from subsidiary companies		-	-	108,150	244,071
Inventories		6,922,416	(11,777,901)	-	-
Trade and other receivables		4,074,313	3,853,602	-	-
Trade and other payables		(8,022,720)	(11,289,379)	31,569	(2,239,787)
		2,974,009	(19,213,678)	139,719	(1,995,716)
Cash generated from/(used in) operations		18,032,792	(8,941,848)	(133,438)	(2,360,284)
Tax paid		(2,177,901)	(2,416,516)	(165,969)	(116,276)
Tax refunded		-	242,327	-	-
		(2,177,901)	(2,174,189)	(165,969)	(116,276)
Net cash from/(used in) operating activities		15,854,891	(11,116,037)	(299,407)	(2,476,560)
Cash flows used in investing activities					
Acquisition of property, plant and equipment	4(c)	(2,317,075)	(9,140,185)	-	-
Acquisition of right-of-use assets	7(d)	(418,997)	(118,904)	-	-
Interest received		206,198	182,502	771,426	508,976
Withdrawal of pledged fixed deposit		1,875,537	(1,000,000)	-	-
Proceeds from disposal of asset held for sale		-	7,233,000	-	-
Proceeds from disposal of property, plant and equipment		132,968	256,550	-	-
Proceeds from disposal of derivatives financial assets		6,429	-	-	-
Proceeds from disposal of right-of-use assets		-	100,000	-	-
Advances to subsidiary companies		-	-	(7,631,341)	(16,898,152)
Net cash used in investing activities		(514,940)	(2,487,037)	(6,859,915)	(16,389,176)

STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Cash flows from/(used in) financing activities					
(Repayment)/Drawdown of bankers acceptance	27	(11,021,000)	2,151,000	-	-
Repayment of lease liabilities	27	(1,899,940)	(1,338,811)	-	-
Repayment of term loans	27	(1,468,665)	(3,974,814)	-	-
Interest paid		(2,243,353)	(2,110,722)	-	-
Issuance of ordinary share pursuant to exercise of ESOS		-	3,359,500	-	3,359,500
Issuance of ordinary share pursuant to private placement	14	15,354,000	-	15,354,000	-
Net cash (used in)/from financing activities		(1,278,958)	(1,913,847)	15,354,000	3,359,500
Net increase/(decrease) in cash and cash equivalents		14,060,993	(15,516,921)	8,194,678	(15,506,236)
Cash and cash equivalents at beginning of the financial year		1,758,382	17,277,246	1,317,513	16,823,749
Effect of foreign translation differences on cash and cash equivalents		(78,988)	(1,943)	-	-
Cash and cash equivalents at the end of the financial year		15,740,387	1,758,382	9,512,191	1,317,513
Cash and cash equivalents at end of the financial year comprise:					
Cash and bank balances	13	20,405,480	12,545,941	9,512,191	1,317,513
Less: Bank overdrafts	16	(2,196,776)	(6,443,705)	-	-
Less: Fixed deposits maturity more than 3 months	13	(2,468,317)	(4,343,854)	-	-
		15,740,387	1,758,382	9,512,191	1,317,513

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



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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 was located at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor. With effect from 2 January 2023, the Company's registered office has been relocated to B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan.

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 6.

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 and interpretation issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to MFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 - 2020

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 17	Initial Application of MFRS 9 and MFRS 17 - Comparative Information	1 January 2023
Amendments to MFS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFS 101	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further noticed

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

The initial application of the above-mentioned new and amendments to 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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

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

Judgments

The following are the judgements made by management in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as investment property.

Satisfaction of performance obligations in relation to contracts with customers

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations.

The Group recognises revenue over time in the following circumstances:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date; and
- (iii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

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

Judgments (Cont'd)

The following are the judgements made by management in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements: (Cont'd)

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group includes the renewal period as part of the lease term for leases of land and buildings with non-cancellable period included as part of the lease term as these are reasonably certain to be exercised because there will be a significant negative effect on operation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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") assets

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 Notes 4 and 7 respectively.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

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

Revaluation of property, plant and equipment, investment properties and ROU assets

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 2022 for land and buildings. For investment properties, a valuation methodology based on sales comparison approach was used. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The fair value of buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The key assumptions used to determine the fair value of the properties are provided in Notes 4, 5 and 7 respectively.

Impairment of investments in subsidiary companies

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

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

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.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods are based on invoiced values or retail price. Discounts are not considered as they are not only given in rare circumstances.

Provision for expected credit loss of financial assets at amortised cost

The Group uses a provision matrix to calculate expected credit loss for trade receivables.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. Information about the expected credit loss is disclosed in Note 9.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

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

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. Details of assumptions made in respect of the share-based payment scheme are disclosed in Note 33.

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 2022, the Group has tax recoverable of RM2,683,748 and tax payable of RM58,506 (2021: tax recoverable of RM2,115,701 and tax payable of RM31,461) and the Company has tax payable of RM58,506 (2021: tax payable of RM31,461).

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiary companies

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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

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

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

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

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

(iii) Disposal of subsidiary companies

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

(iv) Goodwill on consolidation

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

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

(b) Foreign currency transaction and balances

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment

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

(i) Recognition and measurement

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

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

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

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

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

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land and buildings are recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decreases 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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated.

Property, plant and equipment are depreciated based on the estimated annual depreciation rate as follows:

Freehold buildings	2%
Renovation and electrical installation	10% - 20%
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.

(d) Leases

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(m)(i).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (Cont'd)

As lessee (Cont'd)

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%
Premises	Over the lease period

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.

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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (Cont'd)

As lessor (Cont'd)

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 fulfilment 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.

(e) Investment properties

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment properties (Cont'd)

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

(f) Financial assets

Financial assets are recognised 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, derivative financial assets 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.

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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets (Cont'd)

(b) Fair value through other comprehensive income (Cont'd)

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.

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) 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.

(h) 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 Company, 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.

(i) 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.

(j) 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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) 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.

(l) 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.

(m) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Impairment of assets (Cont'd)

(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.

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, the Group and the Company applies 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.

(n) 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.

(o) 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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Employee benefits (Cont'd)

(ii) Defined contribution plans

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

(iii) Share-based payments transactions

Equity-settled share-based payment transaction

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

For options granted to the employees of the subsidiary companies, the fair value of the options granted is recognised as cost of investment in the subsidiary companies over the vesting period with a corresponding adjustment to equity in the Company's financial statements.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

(p) 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 finished goods and raw materials 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Rental income

Rental income is accounted for on a straight line 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 straight line basis.

(iii) Interest income

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

(iv) Management fee

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

(q) 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 their 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.

(r) 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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Income taxes (Cont'd)

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

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

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

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

(s) 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.

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

	At valuation				At cost				Total RM
	Freehold land RM	Freehold buildings RM	Renovation and electrical installation RM	Plant, machinery and equipment RM	Motor vehicles RM	# Other assets RM			
Group									
2022									
Cost/Valuation									
At 1 January 2022	6,272,757	3,152,000	3,234,449	63,573,841	3,137,433	7,485,222		86,855,702	
Additions	36,562	-	1,072,935	3,339,130	-	74,717		4,523,344	
Disposal	-	-	-	(216,302)	(43,482)	(780)		(260,564)	
Revaluation	87,000	107,467	-	-	-	-		194,467	
Elimination of accumulated depreciation on revaluation	-	(39,467)	-	-	-	-		(39,467)	
Transfer to right-of-use assets (Note 7)	-	-	-	(2,340,000)	-	-		(2,340,000)	
Written off	-	-	(100,319)	(19,080)	-	(178,622)		(298,021)	
At 31 December 2022	6,396,319	3,220,000	4,207,065	64,337,589	3,093,951	7,380,537		88,635,461	
Accumulated depreciation									
At 1 January 2022	-	266,066	2,317,174	40,998,823	2,929,558	5,896,370		52,407,991	
Charge for the financial year	-	59,400	331,754	3,884,735	64,523	477,094		4,817,506	
Disposal	-	-	-	(91,884)	(43,482)	(455)		(135,821)	
Elimination of accumulated depreciation on revaluation	-	(39,467)	-	-	-	-		(39,467)	
Transfer to right-of-use assets (Note 7)	-	-	-	(78,000)	-	-		(78,000)	
Written off	-	-	(100,319)	(16,705)	-	(178,622)		(295,646)	
At 31 December 2022	-	285,999	2,548,609	44,696,969	2,950,599	6,194,387		56,676,563	
Carrying amount									
At 31 December 2022	6,396,319	2,934,001	1,658,456	19,640,620	143,352	1,186,150		31,958,898	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	At valuation				At cost			Total RM
	Freehold land RM	Freehold buildings RM	Renovation and electrical installation RM	Plant, machinery and equipment RM	Motor vehicles RM	# Other assets RM		
Group								
2021								
Cost/Valuation								
At 1 January 2021	6,270,757	3,152,000	2,733,405	58,398,842	3,189,463	7,264,039	81,008,506	
Additions	2,000	-	501,044	8,218,958	197,000	221,183	9,140,185	
Disposal	-	-	-	(1,933,919)	(249,030)	-	(2,182,949)	
Written off	-	-	-	(1,110,040)	-	-	(1,110,040)	
At 31 December 2021	6,272,757	3,152,000	3,234,449	63,573,841	3,137,433	7,485,222	86,855,702	
Accumulated depreciation								
At 1 January 2021	-	206,666	2,149,362	40,160,355	3,107,533	5,397,306	51,021,222	
Charge for the financial year	-	59,400	167,812	3,792,071	71,055	499,064	4,589,402	
Disposal	-	-	-	(1,843,563)	(249,030)	-	(2,092,593)	
Written off	-	-	-	(1,110,040)	-	-	(1,110,040)	
At 31 December 2021	-	266,066	2,317,174	40,998,823	2,929,558	5,896,370	52,407,991	
Carrying amount								
At 31 December 2021	6,272,757	2,885,934	917,275	22,575,018	207,875	1,588,852	34,447,711	

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	Company	
	2022 RM	2021 RM
Signboard		
Cost		
At 1 January/31 December	10,797	10,797
Accumulated depreciation		
At 1 January/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 16 are:

	Group	
	2022 RM	2021 RM
Freehold buildings	2,934,001	2,885,934
Freehold land	6,396,319	6,272,757
	9,330,320	9,158,691

(b) Revaluation of land and buildings

During the financial year, land and buildings of the Group were revalued by Messrs. PA International Property Consultants (Penang) Sdn. Bhd. and CRA Valuers & Realty Consultants, independent professional valuers.

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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

(b) Revaluation of land and buildings (Cont'd)

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

	Group	
	2022 RM	2021 RM
Freehold land and buildings	10,970,778	11,035,451

(c) 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	
	2022 RM	2021 RM
Aggregate costs	4,523,344	9,140,185
Less: Lease liabilities financing	(2,206,269)	-
Cash payment	2,317,075	9,140,185

5. INVESTMENT PROPERTIES

	Group	
	2022 RM	2021 RM
At 1 January/31 December	2,265,000	2,265,000
Included in the above are:		
At fair value		
Freehold land	1,900,000	1,665,000
Buildings	365,000	600,000
	2,265,000	2,265,000

(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 1 year (2021: 2 years). Subsequent renewals are negotiated with the lessee on an average renewal period of 2 years (2021: 2 years). No contingent rents are charged.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 (2021: RM2,265,000). 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.

(c) Income and expenses recognised in profit or loss

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

	Group	
	2022	2021
	RM	RM
Rental income	84,000	80,500
Direct operating expenses:		
- Income generating investment properties	(4,874)	(4,556)
- Non-income generating investment properties	(1,870)	(1,802)
	84,000	80,500

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2022	2021
	RM	RM
In Malaysia		
Unquoted shares, at cost	97,309,299	92,509,299
Less: Accumulated impairment losses	(29,481,122)	(22,390,834)
	67,828,177	70,118,465
Cost of investment in relation to share option granted to employees of subsidiary companies	647,130	647,130
	68,475,307	70,765,595

During the financial year, U.D. Panelform Sdn. Bhd. has increased its issued and paid-up share capital from 15,200,000 ordinary shares to 20,000,000 ordinary shares at an issue price of RM1.00 each for a total consideration of RM4,800,000. The Company has subscribed for a total additional 4,800,000 ordinary shares in U.D. Panelform Sdn. Bhd. by way of capitalising the total amount due from U.D. Panelform Sdn. Bhd. amounting to RM4,800,000.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

	2022 RM	Group 2021 RM
At 1 January	22,390,834	22,390,834
Impairment loss recognised	7,090,288	–
At 31 December	29,481,122	22,390,834

During the financial year, U.D. Panelform Sdn. Bhd. and Skywood Residence Sdn. Bhd., the 100% owned subsidiary company in the furniture and investment holding segment was facing the recoverable amount lower than the carrying amount.

The recoverable amount of RM8,727,620 for the Company's investment in U.D. Panelform Sdn. Bhd. and Skywood Residence Sdn. Bhd. estimated based on fair value method which is determined based on the carrying amount of the net assets. Therefore, an impairment loss amounting to RM7,090,288 was recognised during the financial year.

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

Details of the subsidiary companies are as follows:

Name of Company	Country of incorporation	Effective interest (%)		Principal activities
		2022	2021	
Syarikat U.D. Trading Sdn. Bhd. ("UDT")	Malaysia	100.00	100.00	Dealing of furniture plywood, hardware, parts, equipment and construction materials
U.D. Panelform Sdn. Bhd. ("UDP")	Malaysia	100.00	100.00	Paper lamination and 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 (%)		Principal activities
		2022	2021	
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	51.00	Export of medical and dental instrument and supplies, wholesale of pharmaceutical and medical goods
Skywood Residence Sdn. Bhd. ("SR")	Malaysia	100.00	100.00	Investment holding
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. RIGHT-OF-USE ASSETS

Group 2022	At valuation					At cost					
	Leasehold land RM	Leasehold buildings RM	Plant, machinery and equipment RM	Motor vehicles RM	Office equipment RM	Premises RM	Total RM				
Cost/Valuation											
At 1 January 2022	22,550,000	35,427,035	4,210,264	2,263,473	224,480	1,694,803	66,370,055				
Additions	-	570	1,980,716	870,718	-	400,611	3,252,615				
Modification of lease	-	-	-	-	-	(1,028,726)	(1,028,726)				
Transfer from property, plant and equipment (Note 4)	-	-	2,340,000	-	-	-	2,340,000				
Revaluation	9,032,551	4,833,814	-	-	-	-	13,866,365				
Elimination of accumulated amortisation of revaluation	(1,772,551)	(2,483,814)	-	-	-	-	(4,256,365)				
At 31 December 2022	29,810,000	37,777,605	8,530,980	3,134,191	224,480	1,066,688	80,543,944				
Accumulated amortisation											
At 1 January 2022	1,804,284	3,161,314	1,152,029	1,947,738	41,155	472,546	8,579,066				
Charge for the financial year	316,124	571,000	752,018	186,681	22,448	498,715	2,346,986				
Modification of lease	-	-	-	-	-	(195,273)	(195,273)				
Transfer from property, plant and equipment (Note 4)	-	-	78,000	-	-	-	78,000				
Elimination due to revaluation	(1,772,551)	(2,483,814)	-	-	-	-	(4,256,365)				
At 31 December 2022	347,857	1,248,500	1,982,047	2,134,419	63,603	775,988	6,552,414				
Carrying Amount											
At 31 December 2022	29,462,143	36,529,105	6,548,933	999,772	160,877	290,700	73,991,530				

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	At valuation			At cost			Total RM
	Leasehold land RM	Leasehold buildings RM	Plant, machinery and equipment RM	Motor vehicles RM	Office equipment RM	Premises RM	
Group							
2021							
Cost/Valuation							
At 1 January 2021	22,550,000	35,411,531	3,167,911	2,729,603	224,480	81,849	64,165,374
Additions	-	15,504	1,042,353	80,904	-	1,612,954	2,751,715
Disposal	-	-	-	(547,034)	-	-	(547,034)
At 31 December 2021	22,550,000	35,427,035	4,210,264	2,263,473	224,480	1,694,803	66,370,055
Accumulated Amortisation							
At 1 January 2021	1,389,514	2,441,203	780,595	2,235,095	18,707	23,115	6,888,229
Charge for the financial year	414,770	720,111	371,434	259,677	22,448	449,431	2,237,871
Disposal	-	-	-	(547,034)	-	-	(547,034)
At 31 December 2021	1,804,284	3,161,314	1,152,029	1,947,738	41,155	472,546	8,579,066
Carrying Amount							
At 31 December 2021	20,745,716	32,265,721	3,058,235	315,735	183,325	1,222,257	57,790,989



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 16 are:

	2022 RM	Group 2021 RM
Leasehold buildings	36,529,105	32,265,721
Leasehold land	29,462,143	20,745,716
	<hr/> 65,991,248	<hr/> 53,011,437

(b) Revaluation of land and buildings

During the financial year, land and buildings of the Group were revalued by Messrs. PA International Property Consultants (Penang) Sdn. Bhd. and CRA Valuers & Realty Consultants, independent professional valuers.

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:

	2022 RM	Group 2021 RM
Leasehold buildings	9,646,403	9,787,166
Leasehold land	20,649,145	21,188,350
	<hr/> 30,295,548	<hr/> 30,975,516

(c) Leasehold land and buildings

In the current financial year, the remaining lease terms of the leasehold land and buildings are ranging from 46 years to 72 years (2021: 47 years to 73 years).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

(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:

	2022	Group
	RM	2021
		RM
Aggregate costs	3,252,615	2,751,715
Less: Lease liabilities financing	(2,833,618)	(2,632,811)
Cash payment	418,997	118,904

8. INVENTORIES

	2022	Group
	RM	2021
		RM
Raw materials	23,241,199	27,240,758
Work-in-progress	6,591,904	13,340,697
Finished goods	18,536,371	15,854,049
	48,369,474	56,435,504
Recognised in profit or loss:		
Inventories recognised as cost of sales	129,398,966	136,921,329
Inventories written off	1,143,614	86,155

9. TRADE RECEIVABLES

		2022	Group
	Note	RM	2021
			RM
Trade receivables	(a)	20,392,580	22,833,782
Companies in which certain Directors have substantial financial interest	(b)	2,314,729	2,561,051
		22,707,309	25,394,833
Less: Accumulated impairment losses		(1,057,714)	(959,832)
		21,649,595	24,435,001

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. TRADE RECEIVABLES (CONT'D)

- (a) Trade receivables are non-interest bearing and are generally on 30 to 120 days (2021: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (b) 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 (2021: 30 to 120 days).

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

	Group	
	2022 RM	2021 RM
At 1 January	959,832	452,088
Impairment losses recognised	230,582	548,233
Impairment losses reversed	(132,700)	(40,489)
At 31 December	1,057,714	959,832

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Impairment losses reversed during the financial year amounting to RM132,700 (2021: RM40,489) pertains to previously impaired receivables recovered during the financial year.

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

	Gross amount RM	Loss allowance RM	Net amount RM
2022			
Neither past due nor impaired	9,583,738	(32,096)	9,551,642
Past due not impaired:			
Less than 30 days	4,985,767	(39,109)	4,946,658
31 to 60 days	3,110,833	(41,120)	3,069,713
More than 61 days	4,290,869	(209,287)	4,081,582
Total past due but not impaired	12,387,469	(289,516)	12,097,953
Individually impaired	21,971,207 736,102	(321,612) (736,102)	21,649,595 -
	22,707,309	(1,057,714)	21,649,595

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. TRADE RECEIVABLES (CONT'D)

Analysis of the trade receivables ageing as at the end of the financial year is as follows: (Cont'd)

	Gross amount RM	Loss allowance RM	Net amount RM
2021			
Neither past due nor impaired	9,873,437	(71,000)	9,802,437
Past due not impaired:			
Less than 30 days	7,363,769	(48,000)	7,315,769
31 to 60 days	4,187,635	(50,000)	4,137,635
More than 61 days	3,358,160	(179,000)	3,179,160
Total past due but not impaired	14,909,564	(277,000)	14,632,564
Individually impaired	24,783,001	(348,000)	24,435,001
	611,832	(611,832)	-
	25,394,833	(959,832)	24,435,001

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

As at 31 December 2022, trade receivables of RM12,097,953 (2021: RM14,632,564) were past due but not impaired as there has not been significant change in the credit quality and the Group believes that the amounts are still considered fully recoverable.

The Group has applied a provision matrix in calculating loss allowance for trade receivables at an amount equal to lifetime 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 RM736,102 (2021: RM611,832), 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	
	2022 RM	2021 RM	2022 RM	2021 RM
Other receivables	112,571	44,566	-	-
Deposits	470,646	2,215,757	1,000	1,000
Prepayments	1,635,595	1,329,505	-	-
	2,218,812	3,589,828	1,000	1,000



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. AMOUNT DUE FROM SUBSIDIARY COMPANIES

	Note	Company	
		2022 RM	2021 RM
Amount due from subsidiary companies			
Trade	(a)	375,279	483,429
Non-trade	(b)	21,126,831	18,240,362
		21,502,110	18,723,791

(a) Amount due from subsidiary companies are non-interest bearing and are generally ranged from 30 to 60 days (2021: 30 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Amount due from subsidiary companies are unsecured, which bear interest at rates range from 2.50% to 3.84% (2021: 2.23% to 3.84%) per annum and repayable on demand.

12. DERIVATIVE FINANCIAL ASSETS

	2022		2021	
	Contract/ Notional amount USD	Financial assets RM	Contract/ Notional amount USD	Financial assets RM
Group				
Non-hedging derivative				
Current				
- Forward exchange contracts	-	-	200,000	6,429

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.

In previous financial year, the Group gain of RM4,957 arising from fair value changes of derivative assets. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	16,381,489	7,603,537	9,512,191	1,317,513
Fixed deposits with licensed banks	4,023,991	4,942,404	-	-
	20,405,480	12,545,941	9,512,191	1,317,513

Fixed deposits with licensed banks of the Group amounting to RM2,468,317 (2021: RM4,343,854) are pledged as security for bank borrowings as disclosed in Note 16.

The effective interest rates and maturities of fixed deposits of the Group as at the end of the reporting period range from 0.88% to 3.45% (2021: 1.75% to 3.35%) per annum and 30 days to 12 months (2021: 30 days to 12 months) respectively.

14. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2022 Units	2021 Units	2022 RM	2021 RM
Ordinary shares issued and fully paid shares:				
At 1 January	211,578,160	206,428,160	109,971,602	106,233,002
Issuance of ordinary shares pursuant to private placement	63,500,000	-	15,354,000	-
Issuance of ordinary shares pursuant to exercise of ESOS	-	5,150,000	-	3,738,600
At 31 December	275,078,160	211,578,160	125,325,602	109,971,602

During the financial year, the Company increased its issued and paid up share capital through the issuance of:

- (i) 32,700,000 new ordinary shares pursuant to the Private Placement at exercise price of RM0.30 per ordinary share; and
- (ii) 30,800,000 new ordinary shares pursuant to the Private Placement at exercise price of RM0.18 per ordinary share.

In previous financial year, the Company increased its issued and paid up share capital through the issuance of:

- (i) 750,000 new ordinary shares pursuant to the exercise of ESOS at exercise price of RM0.49 per ordinary share; and
- (ii) 4,400,000 new ordinary shares pursuant to the exercise of ESOS at exercise price of RM0.68 per ordinary share.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. RESERVES

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<u>Non-distributable</u>					
Other reserve	(a)	(68,816,475)	(68,816,475)	(68,816,475)	(68,816,475)
Warrant reserve	(a)	68,816,475	68,816,475	68,816,475	68,816,475
Share-based payment reserve	(b)	1,440,170	1,440,170	1,440,170	1,440,170
Revaluation reserve	(c)	20,431,932	7,204,580	–	–
Accumulated losses		(6,296,383)	(9,353,838)	(27,497,630)	(20,767,725)
		15,575,719	(709,088)	(26,057,460)	(19,327,555)

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

(a) 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 2022, the total number of warrants that remain unexercised were 91,171,801 (2021: 91,171,801). The closing market price of warrant for the financial period was at RM0.025 (2021: RM0.015) each.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. RESERVES (CONT'D)

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

(c) 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. LOANS AND BORROWINGS

	2022	Group
	RM	2021
		RM
Secured		
Term loans	6,545,130	8,013,795
Bank overdraft	2,196,776	6,443,705
Bankers' acceptance	27,917,000	38,938,000
	36,658,906	53,395,500
Non-current		
Term loans	4,191,986	5,289,361
Current		
Term loans	2,353,144	2,724,434
Bank overdraft	2,196,776	6,443,705
Bankers' acceptance	27,917,000	38,938,000
	32,466,920	48,106,139
	36,658,906	53,395,500

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. LOANS AND BORROWINGS (CONT'D)

The average effective interest rates per annum are as follows:

	2022 %	2021 %
Term loans	3.27 to 6.01	3.25 to 6.01
Bank overdraft	6.51 to 8.22	6.45 to 7.20
Bankers' acceptance	3.10 to 5.33	3.14 to 3.88

17. LEASE LIABILITIES

	2022 RM	Group 2021 RM
Cost		
At 1 January	3,641,744	2,347,744
Additions	5,039,887	2,632,811
Accretion of interest (Note 22)	294,569	165,823
Modification of lease	(837,522)	-
Payments of interest expense	(294,569)	(165,823)
Payments of principal	(1,899,940)	(1,338,811)
At 31 December	5,944,169	3,641,744
Presented as:		
Current portion	2,040,048	1,291,066
Non-current portion	3,904,121	2,350,678
	5,944,169	3,641,744

The maturity analysis of right-of-use lease liabilities as of the end of financial year:

Repayable within one year	2,178,313	1,468,205
Repayable within one to two years	1,569,199	1,139,439
Repayable within two to five years	2,269,569	1,383,182
Repayable in five years and more	726,480	121,000
	6,743,561	4,111,826
Less: Future finance charges	(799,392)	(470,082)
Present value of right-of-use lease liabilities	5,944,169	3,641,744

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

The lease liabilities bear interest at effective rates ranging from 2.29% to 5.25% (2021: 2.19% to 3.85%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. DEFERRED TAX LIABILITIES

	2022 RM	Group 2021 RM
At 1 January	3,630,988	3,767,275
Recognised in profit or loss (Note 24)	84,592	(239,817)
Relating to crystallisation of reserve deferred tax liability on revaluation	(14,414)	(42,740)
Relating to revaluation reserve deferred tax liability on revaluation surplus	387,973	-
(Over)/Under provision in prior years	(41,096)	146,270
At 31 December	4,048,043	3,630,988

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

	Others RM	Unutilised tax losses and capital allowances RM	Unutilised reinvestment allowances RM	Total RM
Group				
Deferred tax assets				
At 1 January 2022	(173,600)	(1,140,147)	(357,456)	(1,671,203)
Recognised in profit or loss	173,600	(564,241)	(204,923)	(595,564)
At 31 December 2022	-	(1,704,388)	(562,379)	(2,266,767)
Offsetting				2,266,767
				-
At 1 January 2021	-	(757,422)	(18,038)	(775,460)
Recognised in profit or loss	(173,600)	(382,725)	(339,418)	(895,743)
At 31 December 2021	(173,600)	(1,140,147)	(357,456)	(1,671,203)
Offsetting				1,671,203
				-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. DEFERRED TAX LIABILITIES (CONT'D)

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

	Others RM	Accelerated capital allowances RM	Revaluation of assets RM	Total RM
Group				
Deferred tax liabilities				
At 1 January 2022	(36,718)	4,279,706	1,059,203	5,302,191
Recognised in profit or loss	1,536,102	(591,126)	(264,820)	680,156
Relating to crystallisation of deferred tax liability on revaluation reserve	–	–	(14,414)	(14,414)
Revaluation surplus of land and buildings	–	–	387,973	387,973
Over provision in prior year	–	(41,096)	–	(41,096)
At 31 December 2022	1,499,384	3,647,484	1,167,942	6,314,810
Offsetting				(2,266,767)
				<u>4,048,043</u>
At 1 January 2021	(201,865)	3,642,657	1,101,943	4,542,735
Recognised in profit or loss	165,147	490,779	–	655,926
Relating to crystallisation of deferred tax liability on revaluation reserve	–	–	(42,740)	(42,740)
Under provision in prior year	–	146,270	–	146,270
At 31 December 2021	(36,718)	4,279,706	1,059,203	5,302,191
Offsetting				(1,671,203)
				<u>3,630,988</u>

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

	2022 RM	Group 2021 RM
Unutilised tax losses	23,076,833	21,626,312
Unutilised capital allowances	3,502,135	4,252,136
Unutilised reinvestment allowances	2,988,435	3,842,281
	<u>29,567,403</u>	<u>29,720,729</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. TRADE PAYABLES

	Note	Group	
		2022 RM	2021 RM
Trade payables	(a)	10,576,875	16,552,632
Companies in which certain Directors have substantial financial interest	(b)	393,127	366,311
		10,970,002	16,918,943

- (a) Credit terms of trade payables of the Group ranged from 30 to 120 days (2021: 30 to 90 days) depending on the terms of the contracts.
- (b) Amount due to companies in which certain Directors have substantial financial interest is unsecured, non-interest bearing and are generally on 30 to 120 days (2021: 30 to 90 days).

20. OTHER PAYABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Amount due to Directors	–	5,907	–	–
Other payables	1,368,952	2,824,807	18,960	9,391
Deposits received	305,624	605,848	–	–
Accruals	2,937,460	3,261,321	145,000	123,000
	4,612,036	6,697,883	163,960	132,391

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

21. REVENUE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Sales	158,403,273	159,744,310	–	–
Management fees	–	–	384,000	390,000
	158,403,273	159,744,310	384,000	390,000
Timing of revenue recognition:				
At a point in time	158,403,273	159,744,310	–	–
Overtime	–	–	384,000	390,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. FINANCE COSTS

	Group	
	2022 RM	2021 RM
Interest expenses on:		
- Bank overdraft	347,542	302,325
- Bankers' acceptance	1,201,397	1,110,565
- Term loans	399,845	532,009
- Lease liabilities	294,569	165,823
	2,243,353	2,110,722

23. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Auditors' remuneration				
- statutory audits	170,000	160,000	34,500	38,000
- non-audit services	5,000	5,000	5,000	-
Fair value gain on derivative	-	(4,957)	-	-
Fair value loss/(gain) on:				
- derivative	-	(4,957)	-	-
Foreign exchange (gain)/loss:				
- Realised	(46,124)	138,273	-	-
- Unrealised	51,147	12,519	-	-
Gain on modification of lease term	(4,069)	-	-	-
Gain on disposal of:				
- Asset held for sale	-	(3,309,690)	-	-
- Property, plant and equipment	(8,225)	(166,194)	-	-
- ROU assets	-	(100,000)	-	-
Impairment loss on investment in subsidiaries	-	-	7,090,288	-
Impairment loss on trade receivables	230,582	548,233	-	-
Interest income:				
- fixed deposit with licensed financial institution	(80,462)	(75,612)	-	-
- interest received from banks	(125,736)	(170,891)	(116,041)	(101,169)
- interest received from subsidiary companies	-	-	(710,513)	(407,807)
Inventories written off	1,143,614	86,155	-	-
Lease expenses relating to short-term leases	405,376	278,537	-	-
Property, plant and equipment:				
- Depreciation	4,817,506	4,589,402	-	-
- Written off	2,375	-	-	-
Reversal of impairment loss on trade receivables	(132,700)	(40,489)	-	-
Right-of-use assets:				
- Amortisation	2,346,986	2,237,871	-	-
Rental income	(84,000)	(80,500)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. TAXATION

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Tax expenses recognised in profit or loss				
Current tax	1,934,605	1,475,682	187,671	119,793
(Over)/Under provision in prior years	(297,706)	(105,233)	5,343	25,440
Real property gain tax	–	368,716	–	–
	1,636,899	1,739,165	193,014	145,233
Deferred tax (Note 18)				
Origination and reversal of temporary differences	84,592	(239,817)	–	–
Relating to crystallisation of deferred tax liability on revaluation reserve	(14,414)	(42,740)	–	–
(Over)/Under provision of deferred tax liabilities in prior years	(41,096)	146,270	–	–
	29,082	(136,287)	–	–
	1,665,981	1,602,878	193,014	145,233

Malaysian income tax is calculated at the statutory tax rate of 24% (2021: 24%) of the estimated assessable profits for the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. TAXATION (CONT'D)

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit/(Loss) before tax	4,574,412	4,554,761	(6,536,891)	144,408
At Malaysian statutory tax rate of 24%	1,097,859	1,093,143	(1,568,854)	34,658
Income not subject to tax	(163,988)	(861,753)	–	–
Expenses not deductible for tax purposes	1,122,124	811,600	1,756,525	85,135
Real property gain tax	–	368,716	–	–
Deferred tax assets not recognised	143,202	405,323	–	–
Utilisation of previously unrecognised unabsorbed capital allowances, tax losses and reinvestment allowances	(180,000)	(212,448)	–	–
Relating to crystallisation of deferred tax liability on revaluation reserve	(14,414)	(42,740)	–	–
	2,004,783	1,561,841	187,671	119,793
(Over)/Under provision of tax expenses in prior years	(297,706)	(105,233)	5,343	25,440
(Over)/Under provision of deferred tax in prior years	(41,096)	146,270	–	–
	1,665,981	1,602,878	193,014	145,233

The Group has estimated unutilised tax losses, unutilised capital allowances and unutilised reinvestment allowances of RM28,868,279 (2021: RM25,858,613), RM4,812,306 (2021: RM4,770,447) and RM5,331,681 (2021: RM5,331,681) respectively available for carried forward to set-off against future taxable profit. The said amounts are subject to approval by the tax authorities.

The unutilised capital allowances of the Group and of the Company are available indefinitely for offsetting against future taxable profits of the Group and of the Company, subjects to no substantial changes in shareholdings of the Group entities under the Income Tax Act 1967 and guidelines issued by the tax authority.

Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendments to Section 44(5F) of Income Tax Act 1967, the time limit of the carried forward unutilised tax losses has been extended to maximum of 10 consecutive years of assessment. This amendment is deemed to have effect from the year of assessment 2019 and subsequent years of assessment.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (i.e. from year of assessments 2019 to 2028).

The unused tax losses are available for offset against future taxable profits of the Group and of the Company up to the following financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. TAXATION (CONT'D)

	2022	Group
	RM	2021
		RM
Unutilised tax losses to be carried forward until:		
- Year of assessment 2028	19,030,191	19,030,191
- Year of assessment 2029	4,818,359	4,818,359
- Year of assessment 2030	551,713	551,713
- Year of assessment 2031	1,458,350	1,458,350
- Year of assessment 2032	3,009,666	-
	28,868,279	25,858,613

25. STAFF COSTS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Salaries, wages and other emoluments	18,621,239	17,549,522	258,000	301,000
Social contribution plans	245,102	175,637	-	-
Defined contribution plans	1,462,485	1,455,694	-	-
Other benefits	670,169	151,806	-	-
Estimated money value of benefit-in-kind	69,550	245,808	5,310	2,550
	21,068,545	19,578,467	263,310	303,550

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors and Non-Executive Directors of the Company and of the subsidiary companies during the financial year as disclosed in Note 28.

26. EARNINGS PER SHARE

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. EARNINGS PER SHARE (CONT'D)

(a) Basic earnings per share

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

	2022	Group	2021
Profit attributable to owners of the parent (RM)	2,611,948		2,905,611
Weighted average number of ordinary shares in issues			
Issued ordinary shares at 1 January	211,578,160		206,428,160
Effect of private placement	49,566,040		–
Effect of exercise of ESOS	–		5,042,877
Weighted average number of ordinary shares as at 31 December	261,144,200		211,471,037
Basic earnings per share (sen)	1.0		1.4

(b) Diluted earnings per share

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

	2022	Group	2021
	RM		RM
Profit attributable to owners of the parent (RM)	2,611,948		2,905,611
Weighted average number of ordinary shares used in calculation of basic earnings per share	261,144,200		211,471,037
Effect of dilution of ESOS	–		39,706
Weighted average number of ordinary shares at 31 December (diluted)	261,144,200		211,510,743
Diluted earnings per share (in cent)	1.0		1.4

There are no effects on the diluted earnings per share for warrant and warrant have a dilutive effect only when the average market price of ordinary share during the financial year exceeds the exercise price of the warrants.

The closing market price of Warrant B for the financial year was at RM0.025 each and is below the exercise price of RM0.90 per warrant.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. 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 2022 RM	Financing cash flow (i) RM	Non-Cash Changes (ii) RM	At 31 December 2022 RM
Group				
Bankers' acceptance (Note 16)	38,938,000	(11,021,000)	–	27,917,000
Term loans (Note 16)	8,013,795	(1,468,665)	–	6,545,130
Lease liabilities (Note 17)	3,641,744	(1,899,940)	4,202,365	5,944,169

	At 1 January 2021 RM	Financing cash flow (i) RM	Non-Cash Changes (ii) RM	At 31 December 2021 RM
Group				
Bankers' acceptance (Note 16)	36,787,000	2,151,000	–	38,938,000
Term loans (Note 16)	11,988,609	(3,974,814)	–	8,013,795
Lease liabilities (Note 17)	2,347,744	(1,338,811)	2,632,811	3,641,744

- (i) The cash flows from loans and borrowings and lease liabilities make up the net amount of proceeds from or repayments of borrowing in the statement of cash flows.
- (ii) Other changes include addition of property, plant and equipment and right-of-use assets and modification of lease term.

28. RELATED PARTY DISCLOSURES

- (a) Identifying related parties

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in the Notes 9, 11, 19 and 20 the significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
(i) Transactions with subsidiary companies				
- Management fee income	-	-	384,000	390,000
- Interest income	-	-	710,513	407,807
(ii) Transactions with companies which Directors of the Company have substantial financial interest:				
- Sales of goods	12,468,591	10,867,570	-	-
- Purchase of goods	1,718,982	1,096,489	-	-

(c) Compensation of key management personnel

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Executive Directors				
<u>Existing Directors of the Company</u>				
Salaries and other emoluments	1,546,760	1,251,300	-	6,000
Social contribution plan	3,768	3,032	-	-
Defined contribution plans	96,450	174,595	-	-
Estimated money value of benefits-in-kind	28,000	154,938	-	-
	1,674,978	1,583,865	-	6,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. RELATED PARTY DISCLOSURES (CONT'D)

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

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<u>Existing Directors of the Subsidiary Companies</u>				
Salaries and other emoluments	827,800	726,800	-	-
Social contribution plan	3,595	2,435	-	-
Defined contribution plans	109,040	141,286	-	-
Share-based payment expenses	-	16,000	-	-
Estimated money value of benefits-in-kind	43,050	91,019	-	-
	983,485	977,540	-	-
<u>Past Director of the Company *</u>				
Salaries and other emoluments	-	298,000	-	-
Social contribution plan	-	1,693	-	-
Defined contribution plans	-	35,760	-	-
Share-based payment expenses	-	28,750	-	-
Estimated money value of benefits-in-kind	-	8,383	-	-
	-	372,586	-	-
Non-executive Directors				
<u>Directors of the Company</u>				
Fees	203,000	288,000	203,000	288,000
Salaries and other emoluments	19,500	41,000	19,500	-
Social contribution plan	-	99	-	-
Defined contribution plans	-	7,940	-	-
Share-based payment expenses	-	7,500	-	7,500
Estimated money value of benefits-in-kind	-	500	-	500
	222,500	345,039	222,500	296,000
<u>Past Director of the Company *</u>				
Fee	55,000	7,000	55,000	7,000
Other emoluments	14,400	-	14,400	-
Share-based payment expenses	-	15,000	-	15,000
Estimated money value of benefits-in-kind	-	500	-	500
	69,400	22,500	69,400	22,500

(Forward)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. RELATED PARTY DISCLOSURES (CONT'D)

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

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Other Members of Key Management				
Salaries and other emoluments	246,800	209,585	–	–
Social contribution plan	1,856	923	–	–
Defined contribution plans	28,574	23,022	–	–
Share-based payment expenses	–	13,000	–	–
Estimated money value of benefits-in-kind	1,466	–	–	–
	278,696	246,530	–	–
Total Directors and key management remuneration	3,229,059	3,548,060	291,900	324,500

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

29. SEGMENT INFORMATION

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. SEGMENT INFORMATION (CONT'D)

(a) Business segments

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

Group 2022	Investment holding RM	Manufacturing of furniture RM	Manufacturing of plastic wares RM	Adjustment and eliminations RM	Consolidated RM
Revenue					
External revenue	–	59,368,955	99,034,318	–	158,403,273
Management fees	384,000	–	–	(384,000)	–
Inter-segment revenue	–	2,931,029	35,930,551	(38,861,580)	–
Total revenue	384,000	62,299,984	134,964,869	(39,245,580)	158,403,273
Results					
Interest income	826,554	197,800	67,813	(885,969)	206,198
Amortisation of right-of-use assets	–	(1,024,160)	(1,501,515)	178,689	(2,346,986)
Finance costs	–	(1,364,333)	(1,776,463)	897,443	(2,243,353)
Depreciation of property, plant and equipment	–	(1,648,266)	(3,169,240)	–	(4,817,506)
Taxation	193,015	(66,617)	1,696,860	(157,277)	(1,665,981)
Other non-cash items	–	6,597	(1,289,321)	–	(1,282,724)
Segment profit/(loss)	(6,742,399)	(2,789,168)	7,715,536	4,724,462	2,908,431
Segment assets	99,495,543	85,195,414	136,130,200	(117,278,620)	203,542,537
Segment liabilities	264,507	34,151,220	67,306,312	(39,430,377)	62,291,662

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

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

Group 2021	Investment holding RM	Manufacturing of furniture RM	Manufacturing of plastic wares RM	Adjustment and eliminations RM	Consolidated RM
Revenue					
External revenue	–	62,322,164	97,422,146	–	159,744,310
Management fees	390,000	–	–	(390,000)	–
Inter-segment revenue	–	8,447,633	21,190,826	(29,638,459)	–
Total revenue	390,000	70,769,797	118,612,972	(30,028,459)	159,744,310
Results					
Interest income	508,976	181,932	129,726	(574,131)	246,503
Amortisation of right-of-use assets	–	(702,750)	(1,287,367)	(247,754)	(2,237,871)
Finance costs	–	(957,113)	(1,727,740)	574,131	(2,110,722)
Depreciation of property, plant and equipment	–	(1,262,420)	(3,326,982)	–	(4,589,402)
Taxation	(145,233)	(784,306)	(684,109)	10,770	(1,602,878)
Other non-cash items	–	3,285,608	(311,185)	–	2,974,423
Segment profit/(loss)	(825)	1,008,888	2,331,965	(388,145)	2,951,883
Segment assets	90,807,899	106,984,245	123,342,481	(127,502,521)	193,632,104
Segment liabilities	163,852	57,950,884	72,312,540	(46,110,757)	84,316,519

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

Adjustments and eliminations

Inter-segment revenues and balances are eliminated on consolidation.

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

	2022	Group	2021
	RM		RM
Fair value gain on derivatives	-		4,957
Foreign exchange loss			
- unrealised	(51,147)		(12,519)
Gain on modification of lease	4,069		-
Gain on disposal of:			
- asset held for sale	-		3,309,690
- property, plant and equipment	8,225		166,194
- ROU assets	-		100,000
Impairment loss on trade receivables	(230,582)		(548,233)
Inventories written off	(1,143,614)		(86,155)
Property, plant and equipment written off	(2,375)		-
Reversal of impairment loss on trade receivables	132,700		40,489
	(1,282,724)		2,974,423

(b) Geographical segments

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

Group	Revenue		Non-current assets	
	2022	2021	2022	2021
	RM	RM	RM	RM
Asia Pacific	8,519,821	8,927,401	-	-
Australia	-	382,373	-	-
Europe	7,533,525	8,999,673	-	-
Malaysia	115,283,127	111,238,904	108,215,428	94,503,700
Middle East	-	637,356	-	-
Others	27,046,800	29,558,603	-	-
	158,403,273	159,744,310	108,215,428	94,503,700

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

(c) Major customer

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

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

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

Group	At		Total
2022	amortised cost	FVTPL	RM
	RM	RM	
Financial asset			
Trade receivables	21,649,595	–	21,649,595
Other receivables, net of prepayments	583,217	–	583,217
Deposit, bank and cash balances	20,405,480	–	20,405,480
	42,638,292	–	42,638,292
Financial liabilities			
Trade payables	10,970,002	–	10,970,002
Other payables	4,612,036	–	4,612,036
Loans and borrowings	36,658,906	–	36,658,906
Lease liabilities	5,944,169	–	5,944,169
	58,185,113	–	58,185,113
2021			
Financial asset			
Trade receivables	24,435,001	–	24,435,001
Other receivables, net of prepayments	2,260,323	–	2,260,323
Derivatives financial assets	–	6,429	6,429
Deposit, bank and cash balances	12,545,941	–	12,545,941
	39,241,265	6,429	39,247,694
Financial liabilities			
Trade payables	16,918,943	–	16,918,943
Other payables	6,697,883	–	6,697,883
Loans and borrowings	53,395,500	–	53,395,500
Lease liabilities	3,641,744	–	3,641,744
	80,654,070	–	80,654,070

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

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

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

Company	At amortised cost
2022	RM
Financial assets	
Other receivables	1,000
Amount due from subsidiary companies	21,502,110
Deposit, bank and cash balances	9,512,191
	31,015,301
Financial liability	
Other payables	163,960
2021	
Financial assets	
Other receivables	1,000
Amount due from subsidiary companies	18,723,791
Deposit, bank and cash balances	1,317,513
	20,042,304
Financial liability	
Other payables	132,391

(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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. 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 RM20,959,917 (2021: RM13,459,352) and RM20,959,917 (2021: RM13,459,352) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Liquidity risk (Cont'd)

Group 2022	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Non-derivative financial liabilities						
Trade payables	10,970,002	-	-	-	10,970,002	10,970,002
Other payables	4,612,036	-	-	-	4,612,036	4,612,036
Loans and borrowings	32,696,263	1,209,049	2,905,921	697,690	37,508,923	36,658,906
Lease liabilities	2,178,313	1,569,199	2,269,569	726,480	6,743,561	5,944,169
Financial guarantee liabilities *	20,959,917	-	-	-	20,959,917	-
	71,416,531	2,778,248	5,175,490	1,424,170	80,794,439	58,185,113
2021						
Non-derivative financial liabilities						
Trade payables	16,918,943	-	-	-	16,918,943	16,918,943
Other payables	6,697,883	-	-	-	6,697,883	6,697,883
Loans and borrowings	48,491,351	3,639,111	6,845,475	1,767,583	60,743,520	53,395,500
Lease liabilities	1,468,205	1,139,439	1,383,182	121,000	4,111,826	3,641,744
Financial guarantee liabilities *	13,459,352	-	-	-	13,459,352	-
	87,035,734	4,778,550	8,228,657	1,888,583	101,931,524	80,654,070

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. 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
2022			
<u>Non-derivative financial liabilities</u>			
Other payables	163,961	163,961	163,961
Financial guarantee liabilities *	20,959,917	20,959,917	–
	21,123,878	21,123,878	163,961
2021			
<u>Non-derivative financial liabilities</u>			
Other payables	132,391	132,391	132,391
Financial guarantee liabilities *	13,459,352	13,459,352	–
	13,591,743	13,591,743	132,391

* 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, 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 RM32,964,550 as at 31 December 2022 (2021: RM13,459,352). The earliest period any of the financial guarantees can be called upon by the financial institutions is within the next 12 months. At end of the financial year, there was no indication that the subsidiary and related companies would default on repayment.

Financial 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risk

(i) Foreign currency risk

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

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

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

	USD RM	Denominated in Others RM	Total RM
Group			
2022			
Trade receivables	2,700,036	–	2,700,036
Deposits, bank and cash balances	1,561,396	22,035	1,583,431
Trade payables	(15,300)	(168,042)	(183,342)
Other payables	(40,588)	–	(40,588)
	4,205,544	(146,007)	4,059,537
2021			
Trade receivables	6,086,324	110	6,086,434
Deposits, bank and cash balances	2,234,731	–	2,234,731
Trade payables	(89,635)	(239,318)	(328,953)
	8,231,420	(239,208)	7,992,212



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. 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	2022 Effect on profit before tax RM	2021 Effect on profit before tax RM
USD	Strengthened 5% (2021: 5%)	210,277	411,571
	Weakened 5% (2021: 5%)	(210,277)	(411,571)
Others	Strengthened 5% (2021: 5%)	(7,300)	(11,960)
	Weakened 5% (2021: 5%)	7,300	11,960

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

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

	2022 RM	2021 RM
Group		
Fixed rate instruments		
<u>Financial assets</u>		
Fixed deposits with licensed banks	4,023,991	4,942,404
<u>Financial liabilities</u>		
Lease liabilities	(5,944,169)	(3,641,744)
	(1,920,178)	1,300,660
Floating rate instruments		
<u>Financial liabilities</u>		
Term loans	(6,545,130)	(8,013,795)
Bank overdraft	(2,196,776)	(6,443,705)
Bankers' acceptance	(27,917,000)	(38,938,000)
	(36,658,906)	(53,395,500)
Company		
Fixed rate instruments		
<u>Financial asset</u>		
Amount due from subsidiary companies	21,126,831	18,240,362

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis (Cont'd)

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/ (decreased) the Group's profit/(loss) before tax by RM366,589 (2021: RM533,955) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

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

Group	Fair value of financial instruments carried at fair value				Fair value of financial instrument not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2022										
Financial liabilities										
Term loans	-	-	-	-	-	(4,154,944)	-	(4,154,944)	(4,154,944)	(4,191,986)
Lease liabilities	-	-	-	-	-	(3,815,788)	-	(3,815,788)	(3,815,788)	(3,904,121)
	-	-	-	-	-	(7,970,732)	-	(7,970,732)	(7,970,732)	(8,096,107)
2021										
Financial asset										
Derivative financial assets	-	6,429	-	-	-	-	-	-	-	6,429
	-	-	-	-	-	(5,116,276)	-	(5,116,276)	(5,116,276)	(5,289,361)
Financial liabilities										
Term loans	-	-	-	-	-	(1,705,202)	-	(1,705,202)	(1,705,202)	(2,350,678)
Lease liabilities	-	-	-	-	-	(6,821,478)	-	(6,821,478)	(6,821,478)	(7,640,039)



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Level 1 fair value

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

(ii) Level 2 fair value

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

Derivatives

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

Non-derivative financial instruments

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

(iii) Level 3 fair value

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

31. CAPITAL MANAGEMENT

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. 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:

	2022	2021
	RM	RM
Total loans and borrowings (Note 16)	36,658,906	53,395,500
Lease liabilities (Note 17)	5,944,169	3,641,744
Less: Deposit, bank and cash balances (Note 13)	(20,405,480)	(12,545,941)
Net debt	22,197,595	44,491,303
Total equity	140,901,321	109,262,514
Gearing ratio (times)	0.16	0.41

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

32. CAPITAL COMMITMENT

As of the end of the reporting period, the Group has capital commitment in respect of acquisition of property, plant and equipment as follow:

	2022	2021
	RM	RM
Contract but not provided for:		
Construction of factory and office building	7,477,931	-

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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. SHARE-BASED PAYMENTS (CONT'D)

Salient features of the ESOS are as follows:

- (a) Employees eligible to participate in the ESOS must have attained 18 years of age, is not an undischarged bankrupt or subject to any bankruptcy proceedings, has been confirmed in service and has not served a notice to resign nor received a notice of termination and is in the employment of any corporation within SWS Group.
- (b) The actual entitlement of eligible employees shall essentially be based on the performance, contribution, employment grade, seniority and/or length of service.
- (c) The price of which the grantee is entitled to subscribe for shares under ESOS is the volume weighted average market price for the 5 market days preceding the date of offer, subject to a discount of not more than 10% which the Company may at its discretion decide to give.
- (d) The shares to be allotted upon the exercise of the option shall, upon issue and allotment, rank pari passu in all respects with the existing issued and paid-up capital of the Company, except that such shares will not be entitled for any dividend, rights, transfer, allotment or distribution declared, made or paid to shareholders prior to the date of allotment and issuance of the new SWS shares.

Movement in the number of share option and the weighted average exercise price ("WAEP") are as follows:

Option shares	Exercise price	At 1 January	Number of options		
			Granted	Exercised	At 31 December
Group					
2022					
Grant I	0.49	400,000	–	–	400,000
Grant II	0.68	3,600,000	–	–	3,600,000
2021					
Grant I	0.49	1,150,000	–	(750,000)	400,000
Grant II	0.68	8,000,000	–	(4,400,000)	3,600,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. SHARE-BASED PAYMENTS (CONT'D)

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

Fair value of share option granted during the prior financial period/year

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

Share price at grant date	Grant I RM0.540
Exercise price	RM0.490
Dividend yield	0%
Expected life	5 years
Risk-free interest rate	9.33%
Volatility	40.67%
<hr/>	
Share price at grant date	Grant II RM0.658
Exercise price	RM0.680
Dividend yield	0%
Expected life	5 years
Risk-free interest rate	1.72%
Volatility	44.27%

34. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 April 2023.

LIST OF MATERIAL PROPERTIES AS AT 31 DECEMBER 2022

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 / 11 years	26,700	31.12.2022
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 / 11 years	12,500	31.12.2022
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 / 24 years	5,873	30.12.2022
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 / 15 years	5,314	30.12.2022
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 / 6 years	6,400	31.12.2022
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 / 18 years	4,516	30.12.2022
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 / 18 years	4,235	30.12.2022

LIST OF MATERIAL PROPERTIES (CONT'D)

Address / Location	Description	Land Area	Existing Use	Tenure/ Age of Building	Net Book Value RM'000	Date of Valuation
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 / 6 years	4,310	31.12.2022
PTD 5960, HS (D) 35568, Mukim Parit Jawa, Daerah Muar, Johor	Industrial land	13,046 square metres	Vacant	Freehold / 4 year	2,616	30.12.2022
No 18, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor.	Double storey terrace warehouse with office	991 square metres	Rented	Freehold / 27 years	1,900	30.12.2022
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 / 17 years	1,625	30.12.2022



ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2023

SHARE CAPITAL

TOTAL NUMBER OF ISSUED SHARES	:	275,078,160 ordinary shares
CLASS OF SHARES	:	Ordinary Share
VOTING RIGHTS	:	One vote per Ordinary Share
NUMBER OF SHAREHOLDERS	:	3,211

DISTRIBUTION OF SHAREHOLDINGS BASED ON THE RECORD OF DEPOSITORS AS AT 31 MARCH 2023

SIZE OF HOLDING	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	73	2.27	2,608	0.00
100 - 1,000	156	4.86	78,249	0.03
1,001 - 10,000	1,331	41.45	7,255,056	2.64
10,001 - 100,000	1,315	40.95	49,592,096	18.03
100,001 - LESS THAN 5% OF ISSUED SHARES	335	10.43	195,109,051	70.93
5% AND ABOVE OF ISSUED SHARES	1	0.03	23,041,100	8.38
TOTAL :	3,211	100.00	275,078,160	100.00

DIRECTORS' SHAREHOLDINGS

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

NO.	NAME	NO. OF SHARES HELD		NO. OF SHARES HELD	
		DIRECT	%	INDIRECT	%
1	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	14,073,525	5.12	5,198,269 ⁽¹⁾	1.89
2	TEOH HAN CHUAN	11,125,000	4.04	1,536,250 ⁽²⁾	0.56
3	DR LOH YEE FEEI	1,411,000	0.51	-	-
4	TEH LI KING	-	-	-	-
5	CHEN THIEN YIN	-	-	-	-
6	SHARON NG SAW EAN	-	-	-	-
7	KHOR HUN NEE	-	-	-	-

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 (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.	NAME	NO. OF SHARES HELD		NO. OF SHARES HELD	
		DIRECT	%	INDIRECT	%
1	DATO' ONG CHOO MENG	35,964,978	13.07	–	–
2	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	14,073,525	5.12	5,198,269 ⁽¹⁾	1.89
3	PUAN SRI DATIN CHAN MEI CHENG	2,210,281	0.80	17,061,513 ⁽²⁾	6.20

Note:

- (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.

30 LARGEST SECURITIES ACCOUNTS HOLDERS

(Based on Record of Depository as at 31 March 2023)

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	8.376
2	DATO' SERI MR. SERM JUTHAMONGKHON	10,508,375	3.820
3	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR TEOH HAN CHUAN (SMART)	9,825,000	3.572
4	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR DATO' ONG CHOO MENG	7,795,000	2.834
5	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI (6000117)	6,823,750	2.481
6	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR DATO' ONG CHOO MENG	5,128,878	1.865
7	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMED FAROZ BIN MOHAMED JAKEL	4,750,000	1.727
8	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMED FAROZ BIN MOHAMED JAKEL	4,210,000	1.530
9	NEO TIAM HOCK	4,029,656	1.465
10	BO ENG CHEE	3,710,000	1.349



ANALYSIS OF SHAREHOLDINGS (CONT'D)

30 LARGEST SECURITIES ACCOUNTS HOLDERS (CONT'D)

(Based on Record of Depository as at 31 March 2023)

NO.	SHAREHOLDERS	NO. OF SHARES	%
11	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOONG DING TONG (MY3120)	3,466,100	1.260
12	HENG SEW HUA	3,350,000	1.218
13	TAN SOON PING	3,175,000	1.154
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	1.128
15	CHAN HONG JI	2,828,975	1.028
16	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	2,731,500	0.993
17	HENG LIH JIUN	2,521,500	0.917
18	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR PUAN SRI DATIN CHAN MEI CHENG	2,210,281	0.804
19	DATO' CHUA HEOK WEE	2,181,856	0.793
20	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR AWAN TRAVEL SDN.BHD. (SMART)	2,004,100	0.729
21	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	1,962,800	0.714
22	TEH KHEE SOK	1,875,000	0.682
23	VIP SERVICE SUITE SDN BHD	1,750,125	0.636
24	CH'NG TEIK HOCK	1,668,100	0.606
25	YEAP BOEY LEAN	1,532,500	0.557
26	OOI SIEW SUAN	1,500,000	0.545
27	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	0.514
28	DR LOH YEE FEEI	1,411,000	0.513
29	LAU TECK POH	1,407,500	0.512
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHUA ENG HO WA'A @ CHUA ENG WAH	1,371,700	0.499

ANALYSIS OF WARRANTS B (SWSCAP-WB) HOLDINGS AS AT 31 MARCH 2023

CLASS OF SHARES	:	WARRANTS B (SWSCAP-WB)
TOTAL NUMBER OF SWSCAP-WB	:	91,171,801 warrant
NUMBER OF WARRANTS HOLDERS	:	1,382

DISTRIBUTION OF WARRANTS B HOLDINGS AS AT 31 MARCH 2023

SIZE OF HOLDING WARRANTS	NO. OF HOLDERS		NO. OF WARRANTS	
		%		%
1 - 99	157	11.36	6,395	0.01
100 - 1,000	257	18.60	154,236	0.17
1,001 - 10,000	510	36.90	1,914,457	2.10
10,001 - 100,000	290	20.98	12,215,728	13.40
100,001 - LESS THAN 5% OF ISSUED WARRANTS	168	12.16	76,880,985	84.33
5% AND ABOVE OF ISSUED WARRANTS	-	-	-	-
TOTAL :	1,382	100.00	91,171,801	100.00

DIRECTORS' INTERESTS IN WARRANTS B AS AT 31 MARCH 2023

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	5,286,637	5.80	826,343 ⁽¹⁾	0.91
2	TEOH HAN CHUAN	-	-	1,925 ⁽²⁾	0.00
3	DR LOH YEE FEEI	-	-	-	-
4	TEH LI KING	-	-	-	-
5	CHEN THIEN YIN	-	-	-	-
6	SHARON NG SAW EAN	-	-	-	-
7	KHOR HUN NEE	-	-	-	-

Remark:-

- (1) Deemed interest by virtue of warrants held through his daughter.
(2) Deemed interest by virtue of warrants held through his spouse and son.

WARRANT B HOLDERS HOLDING 5% OR ABOVE AS AT 31 MARCH 2023

NO	NAME	NO. OF WARRANTS B HELD		NO. OF WARRANTS B HELD	
		HOLDINGS	%	HOLDINGS	%
1	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	5,286,637	5.80	826,343 ⁽¹⁾	0.91
2	PUAN SRI DATIN CHAN MEI CHENG	-	-	6,112,980 ⁽²⁾	6.71

Remark:-

- (1) Deemed interest by virtue of warrants held through his daughter.
(2) Deemed interest by virtue of warrants held through her husband and daughter.



ANALYSIS OF WARRANTS B (SWSCAP-WB) HOLDINGS (CONT'D)

30 LARGEST WARRANTS B HOLDERS

(Based on Record of Depository as at 31 March 2023)

No.	Warrants B Holders	No. of Warrants B Held	%
1	APEX NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SEIK YEE KOK	3,901,200	4.279
2	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHEW SENG KHAI	3,644,062	3.997
3	YEONG LAI FUN	2,733,600	2.998
4	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI (M01)	2,052,125	2.251
5	CHEW SENG KHAI	1,875,000	2.057
6	MOHD NAJIB BIN MD KASSIM	1,753,000	1.923
7	HENG CHEW HOON	1,700,300	1.865
8	TAN KIM SIW	1,608,962	1.765
9	KENANGA NOMINEES (TEMPATAN) SDN BHD YAU YEN NEE	1,557,000	1.708
10	THINAGARAN A/L GOVINDASAMY	1,405,800	1.542
11	PANG YONG GING	1,337,400	1.467
12	JEE YEOW WOO	1,259,600	1.382
13	TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	1,253,887	1.375
14	AMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR MBL REALTY SDN. BHD. (SMART)	1,250,000	1.371
15	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	1.320
16	LAU TECK POH	1,098,200	1.205
17	HAN WANG SOON	1,000,000	1.097
18	KENANGA NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)	1,000,000	1.097
19	KENANGA NOMINEES (TEMPATAN) SDN. BHD. NG TENG YANG	1,000,000	1.097
20	MUHAMAD FAKHRULLAH BIN ZAMRI	1,000,000	1.097

ANALYSIS OF WARRANTS B (SWSCAP-WB) HOLDINGS (CONT'D)

30 LARGEST WARRANTS B HOLDERS (CONT'D)

(Based on Record of Depository as at 31 March 2023)

No.	Warrants B Holders	No. of Warrants B Held	%
21	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN WEE HWANG	974,900	1.069
22	YAP BOON CHIN	800,700	0.878
23	KOH MEE SENG	800,000	0.877
24	OCEAN EXPERT SDN BHD	800,000	0.877
25	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD LAW KOK LIM	800,000	0.877
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' SERI DR. TAN KING TAI @ TAN KHOON HAI	777,500	0.853
27	JEE YEOW WOO	746,200	0.818
28	CH'NG SIEW SUAN	700,000	0.768
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD TIO CHON HAN	700,000	0.768
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD TIO SENG KENG	700,000	0.768



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third (23rd) Annual General Meeting (“AGM”) of SWS Capital Berhad (“SWS” or the “Company”) will be held on a fully virtual basis and entirely via remote participation and voting (RPV) facilities at <https://agm.digerati.com.my/sws-online> on Monday, 22 May 2023 at 2.00 p.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 2022 together with the Reports of the Directors and Auditors thereon. | Please refer to
Explanatory Note 1 |
| 2. To approve and ratify the additional payment of Directors’ Fees and monthly allowance amounting to RM31,900, which was in excess of the earlier approved amount of RM260,000 for the period commencing from 28 May 2022 until the conclusion of 23rd AGM of the Company. | Ordinary Resolution 1 |
| 3. To approve the payment of Directors’ fees and other benefits of up to RM285,600 for the period commencing from the conclusion of the 23rd AGM of the Company until the conclusion of the next AGM of the Company in the year 2024. | Ordinary Resolution 2 |
| 4. To re-elect the following Directors who retire pursuant to Clause 21.5(a) of the Company’s Constitution and being eligible, have offered themselves for re-election:

i. Tan Sri Dato’ Seri Dr. Tan King Tai @ Tan Khoo Hai
ii. Teoh Han Chuan | Ordinary Resolution 3
Ordinary Resolution 4 |
| 5. 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. Sharon Ng Saw Ean
ii. Khor Hun Nee | Ordinary Resolution 5
Ordinary Resolution 6 |
| 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 7 |

As Special Business:

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

- | | |
|---|------------------------------|
| 7. AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 | Ordinary Resolution 8 |
|---|------------------------------|

“THAT approval be and is hereby given to waive the statutory pre-emptive rights to be offered new shares ranking equally to the existing issued shares of the Company pursuant to Section 85 of the Companies Act, 2016 (“the Act”) read together with Clause 7.1 and Clause 15.2 of the Company’s Constitution.

THAT pursuant to Sections 75 and 76 of the Act 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 10% of the total number of issued shares of the Company or such higher percentage as Bursa Malaysia Securities Berhad (“Bursa Securities”) allowed for the time being and that the Directors be and are hereby also empowered to obtain approval from Bursa Securities for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next AGM of the Company.”

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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

Ordinary Resolution 9

"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 ("SWS 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 27 April 2023 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 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."

9. 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. 202208000250)
THIEN LEE MEE (LS0010621/ SSM PC No. 201908002254)
Company Secretaries

Kuala Lumpur
Date: 27 April 2023



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 B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur or email to admin@aldpro.com.my 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 appointing 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 **12 May 2023** 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 2022**

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: Additional Payment of Directors' Fees and other benefits payable**

At the 22nd AGM of the Company held on 27 May 2022, the shareholders of the Company had approved RM260,000.00 as total Directors' Fees and monthly allowance payable to the Non-Executive Directors of the Company for the period commencing from 28 May 2022 up to the next AGM of the Company.

The total Directors' Fees and monthly allowance incurred amounted to RM291,900. The request for the additional amount of RM31,900 in excess of RM260,000 is required due to the Company incurred additional Directors' Fees and monthly allowance resulting from the additional directors appointed during the financial year.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS: (CONT'D)

3. **Ordinary Resolution 2: Payment of Directors' Fees and other benefits**

The proposed Ordinary Resolution 2 is to facilitate the payment of Directors' Fees and other benefits payable to Non-Executive Directors.

The total estimated monthly allowances payable is calculated based on the estimated number of scheduled Board and Board Committees' meetings for the period from the conclusion of the 23rd AGM until the next AGM of the Company.

This resolution is to facilitate payment of Directors' fees and other benefits payable to Non-Executive Directors on a 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.

4. **Ordinary Resolution 8: Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Act**

The proposed Ordinary Resolution 8, if passed, is a general mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the total number of issued share of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.

The 10% General Mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions.

As at the date of this Notice, no new shares in the Company were issued and allotted pursuant to the Previous Mandate granted to the Directors at the 22nd AGM held on 27 May 2022 which will lapse at the conclusion of this 23rd AGM.

5. **Ordinary Resolution 9 - Proposed Renewal of Shareholders' Mandate**

The proposed Ordinary Resolution 9, if passed, will provide a renewal mandate for SWS 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 a general meeting.

For further information on this resolution, please refer to the Circular to Shareholders dated 27 April 2023.

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 23rd 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 23rd AGM of the Company.



TWENTY-THIRD (23RD) ANNUAL GENERAL MEETING ADMINISTRATIVE GUIDE FOR SHAREHOLDERS

Date	:	Monday, 22 May 2023
Time	:	2.00 p.m. or at any adjournment thereof
Meeting Platform	:	https://agm.digerati.com.my/sws-online

MODE OF MEETING


According to the Revised Guidance Note and FAQ, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of Companies Act 2016 if the online platform is located in Malaysia.

In line with the Malaysian Code on Corporate Governance Practice 12.3, this virtual 23rd Annual General Meeting (“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 Remote Participation and Voting Platform (“RPV Platform”), provided by Digerati Technologies Sdn Bhd (“DIGERATI”) at <https://agm.digerati.com.my/sws-online>.

PROCEDURES FOR RPV

Members/proxies/corporate representatives/attorneys who wish to participate the 23rd AGM remotely using RPV must follow the following procedures:-

Step	Action	Procedure
A	To register as an user using the website: https://agm.digerati.com.my/sws-online 	<ul style="list-style-type: none"> • 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

TWENTY-THIRD (23RD) ANNUAL GENERAL MEETING ADMINISTRATIVE GUIDE FOR SHAREHOLDERS (CONT'D)

PROCEDURES FOR RPV (CONT'D)

Members/proxies/corporate representatives/attorneys who wish to participate the 23rd AGM remotely using RPV must follow the following procedures:- (Cont'd)

Step	Action	Procedure
B	To request for RPV	<ul style="list-style-type: none"> • Login your registered account through the Registrar website. • Select "SWSCAP 23rd 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. <ol style="list-style-type: none"> 1. Broadcast link 2. E-Poll Form link
C	On the day of AGM	<ul style="list-style-type: none"> • 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.

RECORD OF DEPOSITORS ("ROD")

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 12 May 2023**. Only a depositor whose name appears on the Record of Depositors as at 12 May 2023 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.



TWENTY-THIRD (23RD) ANNUAL GENERAL MEETING ADMINISTRATIVE GUIDE FOR SHAREHOLDERS (CONT'D)

APPOINTMENT OF PROXY

If you are unable to attend and participate at the meeting via RPV facilities, you may appoint a proxy or the Chairman of the Meeting as your proxy and indicate the voting instructions in the Form of Proxy in accordance with the notes and instructions printed therein.

The instrument appointing a proxy and the power of attorney or other authority i.e. the corporate representatives / authorised nominees or exempt authorised nominees who wishes to attend and participate at the meeting via RPV facilities, please ensure the duly executed original Proxy Form(s) or the original / duly certified Certificate(s) of Appointment of its corporate / authorised representative / power of attorney / letter of authority or other documents proving authority must be deposited to Company's Share Registrar office, Aldpro Corporate Services Sdn. Bhd. at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time appointed for holding the meeting i.e. not later than **Saturday, 20 May 2023 at 2.00 p.m.**

NO DOORGIFT / FOOD VOUCHERS

There will be no distribution of door gifts/vouchers this year to members/proxies/corporate representatives/attorneys who participated in the 23rd AGM.

NO RECORDING OR PHOTOGRAPHY

Please note that no recording or photography of the 23rd AGM proceedings is allowed.

ENQUIRY

If you have any enquiry or require any assistance before or during the 23rd AGM, please contact the following officers during office hours, 9.00 a.m. to 5.00 p.m. (Monday to Friday).

For registration, logging in and system related:

Digerati Technologies Sdn Bhd

Name : Mr. Alex Kong
Telephone : +6011-6338 8316
Email : support@digerati.com.my

For Proxy and other matters:

Aldpro Corporate Services Sdn. Bhd.

B-21-1, Level 21, Tower B,
Northpoint Mid Valley City,
No. 1, Medan Syed Putra Utara,
59200 Kuala Lumpur, Wilayah Persekutuan

Tel : +603-9770 2200
Fax : +603-9770 2239
Email : admin@aldpro.com.my / support@digerati.com.my
Name : Ms. Wong Fui Sin / Ms. Christine Cheng

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))] ("SWS" or the "Company") 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-Third (23rd) Annual General Meeting ("AGM") of the Company to be held on a fully virtual basis and entirely via remote participation and voting (RPV) facilities at <https://agm.digerati.com.my/sws-online> on Monday, 22 May 2023 at 2.00 p.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 and ratify the additional payment of Directors' Fees amounting to RM31,900, which was in excess of the earlier approved amount of RM260,000 for the period commencing from 28 May 2022 until the conclusion of 23 rd AGM of the Company.	Ordinary Resolution 1		
2.	To approve the payment of Directors' fees and other benefits of up to RM285,600 for the period commencing from the conclusion of the 23 rd AGM of the Company until the conclusion of the next AGM of the Company in the year 2024.	Ordinary Resolution 2		
3.	To re-elect Tan Sri Dato' Seri Tan King Tai @ Tan Khooon Hai as Director of the Company.	Ordinary Resolution 3		
4.	To re-elect Teoh Han Chuan as Director of the Company.	Ordinary Resolution 4		
5.	To re-elect Sharon Ng Saw Ean as Director of the Company.	Ordinary Resolution 5		
6.	To re-elect Khor Hun Nee as Director of the Company.	Ordinary Resolution 6		
7.	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 7		
As Special Business:				
8.	Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016.	Ordinary Resolution 8		
9.	Proposed Renewal of Shareholders' Mandate	Ordinary Resolution 9		

(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 _____, 2023.

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 B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur or email to admin@aldpro.com.my 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 12 May 2023 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)]

B-21-1, Level 21, Tower B,
Northpoint Mid Valley City
No. 1, Medan Syed Putra Utara
59200 Kuala Lumpur, W.P. Kuala Lumpur

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Fold This Flap For Sealing
