

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad (“**Bursa Securities**”) has not perused this Circular (as defined herein) prior to its issuance as the contents of the Circular fall under the category of Exempt Circulars pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The resolution in respect of the above proposal will be tabled at the forthcoming Annual General Meeting (“**AGM**”) of SWS Capital Berhad (“**SWS**” or 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. The Notice of AGM and the Proxy Form are set out in the 2022 Annual Report of SWS, together with this Circular can be downloaded from the Company’s website at <http://www.swscap.com/>.

If you are unable to attend the 23rd AGM and wish to appoint other person(s) to be your proxy(ies), the Proxy Form should be completed and lodged 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, Wilayah Persekutuan, Malaysia or email to admin@aldpro.com.my not less than forty-eight (48) hours before the time appointed for holding the AGM.

Last date and time for lodging the Proxy Form : Saturday, 20 May 2023 at 2.00 p.m.

Date and time of the AGM : Monday, 22 May 2023 at 2.00 p.m. or at any adjournment thereof

This Circular is dated 27 April 2023

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

Act	:	Companies Act, 2016 as amended from time-to-time and any re-enactment thereof
AGM	:	Annual General Meeting
Board	:	Board of Directors of SWS
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Circular	:	This circular to shareholders of SWS dated 27 April 2023 in relation to the Proposed Renewal of Shareholders' Mandate
CMSA	:	Capital Markets and Services Act 2007, as amended from time-to-time and any re-enactment thereof
Director	:	A person falling within the meaning given in Section 2(1) of the CMSA
FYE	:	Financial year ending/ended, as the case may be
EJ	:	Ee Jia Housewares (M) Sdn. Bhd. (Registration No. 200001007929 (510535-U))
EJ Group	:	EJ and its Subsidiaries, collectively
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	31 March 2023, being the latest practicable date prior to the printing of this Circular
Main Market	:	Main Market of Bursa Securities
Proposed Renewal of Shareholders' Mandate	:	Proposed renewal of shareholders' mandate for the Group to enter into Recurrent Related Party Transactions, as set out in Section 3.3 of this Circular
Recurrent Related Party Transactions	:	Related Party Transactions of a revenue or trading nature which are necessary for the day-to-day operations and are in the ordinary course of business of SWS Group
RM and sen	:	Ringgit Malaysia and sen, respectively
Related Party Transaction(s)	:	Transaction(s) entered into by the listed issuer or its Subsidiary(ies) which involves the interest, direct or indirect, of a related party(ies)
Subsidiary(ies)	:	For the purpose of this Circular, meaning given in Section 4 of the Act or Malaysian Financial Reporting Standard 10: Consolidated Financial Statements, whichever is applicable
SWS or Company	:	SWS Capital Berhad (Registration No. 199901027346 (502246-P))
SWS Group or Group	:	SWS and its Subsidiaries, collectively

DEFINITIONS (Cont'd)

SWS Share(s) or : Ordinary share(s) of SWS Share(s)

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

THC : Teoh Han Chuan

All references to “our Company” and “the Company” in this Circular are to SWS. References to “the Group” and the “SWS Group” are to our Company and its Subsidiaries, collectively.

All references to “you” or “your” in this Circular are to the shareholders of the Company who are entitled to attend and vote at the AGM and whose names appear in the record of depositors of the Company at the time and on the date to be determined by the Board.

Words denoting the singular number shall include the plural and vice-versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender, and vice versa. Reference to persons shall include a body of persons, corporate or unincorporated (including a trust).

Any reference in this Circular to any provision of the statutes, rules, regulations or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations or rules of stock exchange (as the case may be) as modified by any written law and any amendments to the statutes, regulations or rules of Bursa Securities for the time being in force or their respective re-enactment.

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SWS Capital Berhad

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

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.

27 April 2023

Board of Directors

Tan Sri Dato' Seri Dr. Tan King Tai @ Tan Khoo 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*)
Khor Hun Nee (*Independent Non-Executive Director*)

To: The shareholders of SWS

Dear Sir/ Madam,

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

Pursuant to Paragraph 10.09 of the Listing Requirements, the Company had procured the shareholders' mandate at the 22nd AGM held on 27 May 2022, for the Group, in their normal course of business, to enter into those transactions which are recurrent and of a revenue or trading nature which are necessary for the Group's day-to-day operations as set out in the circular to shareholders of SWS dated 29 April 2022.

The shareholders' mandate obtained by the Company is subject to annual renewal and will lapse at the conclusion of the forthcoming 23rd AGM unless such authority is renewed by an ordinary resolution passed at the forthcoming 23rd AGM.

On 19 April 2023, the Board had announced to Bursa Securities its intention to seek the approval of the Company's shareholders for the Proposed Renewal of Shareholders' Mandate at the forthcoming 23rd AGM.

The purpose of this Circular is to provide you with details of the Proposed Renewal of Shareholders' Mandate, to set out the views of your Board and to seek your approval for the Proposed Renewal of Shareholders' Mandate to be tabled at the forthcoming 23rd AGM.

The Notice of the 23rd AGM and the Proxy Form are set out in the 2022 Annual Report of SWS, together with this Circular can be downloaded from the Company's website at <http://www.swscap.com/>.

SHAREHOLDERS ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE TO BE TABLED AT THE 23RD AGM OF THE COMPANY.

2. BACKGROUND INFORMATION

2.1 Provisions under the Listing Requirements

Paragraph 10.09(2) of the Listing Requirements stipulates that a listed issuer may seek a mandate from its shareholders for related party transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of a listed issuer or its Subsidiaries subject to, inter-alia, the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements as follows:
 - (i) the consideration, value of the assets, capital outlay or costs of the recurrent transaction is RM1 million or more; or
 - (ii) the percentage ratio of such recurrent transaction is 1% or more,whichever is the higher;
- (c) the listed issuer's circular to shareholders for the shareholders mandate includes the information as may be prescribed by Bursa Securities;
- (d) in a meeting to obtain shareholders mandate, the relevant related party must comply with the requirements set out in Paragraph 10.08(7) of the Listing Requirements; and
- (e) the listed issuer immediately announces to Bursa Securities when the actual value of a Recurrent Related Party Transaction, entered into by the listed issuer, exceeds the estimated value of the Recurrent Related Party Transaction disclosed in the circular to shareholders by 10% or more, and must include the information as may be prescribed by Bursa Securities in its announcement.

Where a listed issuer has procured shareholders' mandate pursuant to the above, the provisions of Paragraph 10.08 of the Listing Requirements will not apply with regard to transactions as detailed in Section 3.3 of this Circular.

Accordingly, the Company proposes to seek the approval of the Proposed Renewal of Shareholders' Mandate from its shareholders for the Group to enter into Recurrent Related Party Transactions on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders, details of which are stated in Section 3.3 of this Circular.

2.2 Validity period of the Proposed Renewal of Shareholders' Mandate

The Proposed Renewal of Shareholders' Mandate is subject to annual renewal. In this respect, the Proposed Renewal of Shareholders' Mandate, if approved by the shareholders at the 23rd AGM, will take effect upon conclusion of the 23rd AGM and will continue to be enforced until:

- (i) the conclusion of the next AGM of the Company, at which it will lapse unless by a resolution passed at the meeting, the authority is renewed; or
- (ii) next AGM of the Company or until the expiration of the period within which the next AGM is required by law to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier. Approval from the shareholders will be sought thereafter for the shareholders' mandate at each subsequent AGM subject to satisfactory review by the Audit Committee of the Company of its continued application to the Related Party Transactions.

2.3 Disclosure

Disclosure of the breakdown of the aggregate value of the Recurrent Related Party Transactions made during the FYE 31 December 2022, types of transactions made, name of the related parties involved and their relationships with the SWS Group pursuant to the new shareholders' mandate for the Recurrent Related Party Transactions in accordance with Paragraph 10.09(2) and Practice Note No.12 of the Listing Requirements was made in the Annual Report 2022 of SWS.

3. DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

3.1 The SWS Group

The Company is principally engaged in investment holding. The principal activities of the SWS Group are as follows:

- (i) manufacturing and sale of dining furniture, occasional furniture, and buffet and hutch;
- (ii) manufacturing and sale of bedroom sets;
- (iii) lamination of veneer and paper;
- (iv) trading of various types of boards, polyethene, pneumatic fasteners, nails and others;
- (v) manufacturing and trading of plastic wares, utensils, and goods; and
- (vi) marketing and distribution of plastic household and industrial products.

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As at the LPD, the Subsidiaries of SWS are as set out below:

Held by the Company

Name of Subsidiary	Percentage held (%)	Principal activities
Syarikat U.D Trading Sdn. Bhd.	100	Dealing of furniture, plywood, hardware, parts, equipment and construction materials
U.D. Panelform Sdn. Bhd. (“UDP”)	100	Paper lamination and manufactures of furniture and furniture parts
Poh Keong Industries Sdn. Bhd.	100	Furniture and parts manufacturing
Ee-Lian Industries Sdn. Bhd.	100	Manufacturer and trader of packaging materials, metal stamping and tooling
Ee-Lian Enterprise (M) Sdn. Bhd. (“ELE”)	100	Manufacturer and trader of plastic wares, utensils and goods
Skywood Residence Sdn. Bhd.	100	Investment holding
SWS In Medics Sdn. Bhd.	51	Export of medical and dental instrument and supplies, wholesale of pharmaceutical and medical goods

Held through UDP

Name of Subsidiary	Percentage held (%)	Principal activities
U.D. Wood Products Sdn. Bhd.	100	Veneer lamination

Held through ELE

Name of Subsidiary	Percentage held (%)	Principal activities
Ee-Lian Plastic Industries (M) Sdn. Bhd. (“ELP”)	77.50	Manufacturer and trader of plastic wares, utensils and goods

The Board anticipates that the SWS Group would, in the normal course of business, continue to enter into transactions with related parties, details of which are set out in Section 3.3 of this Circular. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

3.2 Nature of the Recurrent Related Party Transactions contemplated

The Recurrent Related Party Transactions to be covered by the Proposed Renewal of Shareholders’ Mandate relate principally to the sales and purchases of plastic wares, cleaning products and other household products which are in the ordinary course of the SWS Group’s businesses and rental income received by SWS Group.

These are recurring transactions of a revenue or trading nature which occur with some degree of frequency and arise in the normal course of business at any time and from time-to-time. These Recurrent Related Party Transactions may be constrained by the time-sensitive nature

and confidentiality of such transactions and are on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders.

3.3 Classes of related parties and nature of the Recurrent Related Party Transactions

The interested director(s) and/or substantial shareholder(s) and the nature of their relationships with the related parties are as follows:

- (i) Tan Sri Tan is the Non-Independent Non-Executive Chairman and a substantial shareholder of SWS. He is also a substantial shareholder of EJ. He holds 450,000 ordinary shares representing 8.57% direct interest in EJ; and
- (ii) THC is the Managing Director and a shareholder of SWS. He is also a Director and major shareholder of EJ. He holds 1,262,500 ordinary shares representing 24.05% direct interest in EJ. THC is also a Director in certain Subsidiaries of EJ, namely in Ebottles Marketing (M) Sdn. Bhd. ("**EBM**"), Eplas Marketing (M) Sdn. Bhd. ("**EPM**"), E Sponge Household Sdn. Bhd. ("**ES**") and Ruby Vantage Sdn. Bhd. ("**RV**").

EJ is a company incorporated in Malaysia and the principal activity of EJ is trading and marketing of products under its own brand name, plastic wares and utensils.

The Subsidiaries of EJ are as follows:

Name of Subsidiary	Country of incorporation	Equity holding (%)	Principal activity
EBM	Malaysia	100	Manufacturing and trading of plastic wares, utensils and goods
EPM	Malaysia	100	Marketing of plastic wares and utensils
ES	Malaysia	100	Marketing of cleaning wares for household
RV	Malaysia	100	Investment holding

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The details of the nature and estimated value of Recurrent Related Party Transactions pursuant to the Proposed Renewal of Shareholders' Mandate are as follows:

(i) Sales of plastic wares, other household products and printing services by SWS Group to EJ Group

Transacting party	Related party	Estimated aggregate value as disclosed in the previous circular to shareholders of SWS dated 29 Apr 2022 (RM)	Actual value transacted (from date of AGM on 27 May 2022 up to the LPD) (RM)	Estimated value for the period from the forthcoming AGM to the next AGM (RM)
ELE	EJ	13,000,000	7,405,965	12,000,000
	PT. Elianware Houseware Trading ("PTE")	4,500,000	1,642,595	-
ELP	EBM	200,000	-	100,000
	EJ	500,000	11,064	200,000
	EBM	400,000	174,174	400,000
Total		18,600,000	9,233,798	12,700,000

(ii) Sales of cleaning products by SWS Group to EJ Group

Transacting party	Related party	Estimated aggregate value as disclosed in the previous circular to shareholders of SWS dated 29 Apr 2022 (RM)	Actual value transacted (from date of AGM on 27 May 2022 up to the LPD) (RM)	Estimated value for the period from the forthcoming AGM to the next AGM (RM)
ELE	ES	200,000	4,405	200,000
ELP	ES	200,000	-	100,000
Total		400,000	4,405	300,000

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(iii) Purchase of plastic wares and other household products by SWS Group from EJ Group

Transacting party	Related party	Estimated aggregate value as disclosed in the previous circular to shareholders of SWS dated 29 Apr 2022 (RM)	Actual value transacted (from date of AGM on 27 May 2022 up to the LPD) (RM)	Estimated value for the period from the forthcoming AGM to the next AGM (RM)
ELE	EJ	2,000,000	623,411	2,000,000
	EBM	1,000,000	185,649	500,000
ELP	EJ	400,000	216,000	400,000
Total		3,400,000	1,025,060	2,900,000

(iv) Purchase of cleaning products by SWS Group from EJ Group

Transacting party	Related party	Estimated aggregate value as disclosed in the previous circular to shareholders of SWS dated 29 Apr 2022 (RM)	Actual value transacted (from date of AGM on 27 May 2022 up to the LPD) (RM)	Estimated value for the period from the forthcoming AGM to the next AGM (RM)
ELE	ES	500,000	284,521	500,000
ELP	ES	100,000	-	100,000
Total		600,000	284,521	600,000

3.4 Amount due and owing to SWS Group by its related parties under the Recurrent Related Party Transactions

In relation to the outstanding receivables, the total outstanding receivables arising from the Recurrent Related Party Transactions of the SWS Group which exceeded the credit term for the following period as at the end of the FYE 31 December 2022 are as follows:

Related party	Outstanding receivables as at 31 December 2022 which have exceeded the credit term				
	1 year or less	1 to 3 years	3 to 5 years	More than 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
EJ	-	-	-	-	-
EBM	-	-	-	-	-
ES	-	-	-	-	-
Total	-	-	-	-	-

Notes:

- (1) *No late payment charges were imposed on these overdue receivables. ELE has no policy on late interest or penalty to all accounts receivable. The management of ELE will review the account receivables ageing and monitor the salesperson collections.*
- (2) *The actions taken to recover the outstanding overdue receivables were as follows:*
 - (a) *send out monthly statements; and*
 - (b) *reminder through phone calls.*

The Board (save for the interested directors) and the Audit Committee are of the opinion that the amount due from the outstanding Recurrent Related Party Transactions is recoverable and relevant actions have been taken to recover the remaining outstanding amount as indicated in Notes (1) and (2) to the table above. ELE will review the standard operating procedures for sales term and credit limit, which include setting interest/penalty on overdue outstanding accounts receivable.

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3.5 Review procedures and guidelines in relation to the Recurrent Related Party Transactions

The Board has in place an internal control system which includes review of methods or procedures to ensure that such Recurrent Related Party Transactions are conducted at arm's length and are on normal commercial terms consistent with the Group's usual business practices and policies, as well as on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders while the Audit Committee has been tasked with the review and approval of such transactions.

The SWS Group has established the following procedures and guidelines for the review and approval of Recurrent Related Party Transactions:

- (i) A list of the related parties is established and circulated annually to the heads of each finance division within the Group, who monitor and ensure that all Recurrent Related Party Transactions to be entered into by the Group are reported and forwarded to the Audit Committee, who then ensures that the Recurrent Related Party Transactions are to be undertaken on an arm's length basis, on terms which are not more favourable to the related parties other than those generally available to the public and which are not detrimental to our minority shareholders.
- (ii) The Group is made aware of the requirements to monitor and had put in place proper processes or systems to record and report on all Recurrent Related Party Transactions for compilation and reporting to the Audit Committee.
- (iii) Proper records are maintained at the Company and each of its Subsidiaries to capture all Recurrent Related Party Transactions so that all Recurrent Related Party Transactions entered pursuant to the approved shareholders' mandate are adequately discussed.
- (iv) All Recurrent Related Party Transactions are reviewed by the Audit Committee on a quarterly basis. In its review of such transactions, the Audit Committee may, as it deems fit, requests for additional information from independent source(s).
- (v) The internal audit plan incorporates a review of Related Party Transactions to ensure that all the relevant approvals for the Recurrent Related Party Transactions are obtained.
- (vi) The Audit Committee reviews, on an annual basis, the internal audit reports pertaining to the Recurrent Related Party Transactions to ascertain that the approved procedures and guidelines to monitor the Recurrent Related Party Transactions are complied with.
- (vii) The Board and the Audit Committee have overall responsibility for determining whether the procedures and guidelines on the Recurrent Related Party Transactions are appropriate and sufficient. An annual review of the Recurrent Related Party Transactions procedures and guidelines is carried out by the Audit Committee. During the annual review, if the Audit Committee is of the view that the Recurrent Related Party Transactions procedures and guidelines are no longer valid or adequate to ensure that the Recurrent Related Party Transactions are made on arm's length basis on terms not more favourable to the related parties than those generally available to the public and not to the detriment of our minority shareholders, the Audit Committee has the discretion to discharge, vary, modify the existing procedures and guidelines or implement new or additional procedures and guidelines, without management's prior approval, provided that such amended, varied, modified, new or additional procedures and guidelines are no less stringent than the existing ones.
- (viii) At least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities are used as a comparison to determine whether the price and terms offered to or by the related parties are fair and reasonable and comparable to those offered to or by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

- (ix) In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the pricing of any Recurrent Related Party Transactions entered into will be determined based on usual business practices and policies of the Group to ensure that the Recurrent Related Party Transactions are not detrimental to the Group.
- (x) In accordance with the Listing Requirements, disclosure in relation to a breakdown of the aggregate value of the Recurrent Related Party Transactions entered into during the financial year based on, amongst others, the following information:
 - (a) the type of the Recurrent Related Party Transactions made; and
 - (b) the names of the related parties involved in each type of Recurrent Related Party Transactions made and their relationship with the Company,is made in the Company's annual report for the financial year during which the shareholders' mandate is in force.
- (xi) Where any Director or a member of the Audit Committee has an interest (directly or indirectly) in any Recurrent Related Party Transaction, the Director must declare his/her interest in the Recurrent Related Party Transaction and abstain from participation in the decision making of the Board or Audit Committee on the said Recurrent Related Party Transaction.
- (xii) Pursuant to Paragraph 10.09 of the Listing Requirements, in a meeting to obtain the shareholders' approval for the Proposed Renewal of Shareholders' Mandate, the interested Directors, major shareholders and/or persons connected with them must not vote on the resolution in respect of the Proposed Renewal of Shareholders' Mandate; and where it involves the interest of an interested person connected with a Director and/or major shareholder, such director, major shareholder and/or persons connected with them must not vote on the resolution approving the Proposed Renewal of Shareholders' Mandate.
- (xiii) An interested Director and/or interested major shareholder must ensure that persons connected with them abstain from voting on the resolution approving the Proposed Renewal of Shareholders' Mandate.

3.6 Statement by the Company's Audit Committee

The Audit Committee has reviewed the procedures mentioned in Section 3.5 of this Circular and is satisfied that the review procedures are sufficient to ensure that transactions are made at arm's length and on normal commercial terms not more favourable to the related parties than those generally available to the public and on terms not to the detriment of our minority shareholders.

The Audit Committee is of the view that the Group has in place adequate procedures and processes to monitor, track and identify the Recurrent Related Party Transactions in a timely and orderly manner. The Audit Committee shall review these procedures and processes on an annual basis.

3.7 Guidelines on thresholds of authority

There are no specific thresholds for approval of Recurrent Related Party Transactions within the Group. However, for Recurrent Related Party Transactions below RM1.0 million each in value, they will be subject to review by the senior management and tabled for approval by the Audit Committee on a quarterly basis and for Recurrent Related Party Transactions equal to or exceeding RM1.0 million each in value, they will be subject to approval of the Audit Committee and the Board.

4. RATIONALE FOR AND BENEFITS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

The rationale for and the benefits of the Proposed Renewal of Shareholders' Mandate to SWS Group are as follows:

- (i) the Proposed Renewal of Shareholders' Mandate will facilitate transactions with related parties which are in the ordinary course of business of the SWS Group and undertaken on commercial terms or on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;
- (ii) the Proposed Renewal of Shareholders' Mandate will enhance the SWS Group's ability to pursue business opportunities which are time-sensitive in nature and will eliminate the need for the Company to convene separate general meetings to seek shareholders' approval for each transaction;
- (iii) for certain transactions, where it is vital that confidentiality be maintained, it would not be viable to obtain shareholders' prior approval, as releasing details of the transactions prematurely may adversely affect and prejudice the SWS Group's interests and place the SWS Group at a disadvantage as compared to its competitors who may not require shareholders' approval to be obtained;
- (iv) the Proposed Renewal of Shareholders' Mandate will substantially reduce the expenses associated with convening of general meetings on an ad hoc basis, considerably improve administrative efficiency and allow resources to be channelled towards attaining other corporate objectives; and
- (v) the Recurrent Related Party Transactions entered into with the related parties represent business decisions, which are undertaken for legitimate and bona fide business purposes, after a thorough assessment of the merits and increases the efficiency of these transactions, pursuant to the review procedures and guidelines as outlined in Section 3.5 of this Circular.

5. EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

The Proposed Renewal of Shareholders' Mandate will not have any effect on the earnings per share, net assets per share, gearing, issued and paid-up share capital and substantial shareholders' shareholdings of the Company.

However, the Proposed Renewal of Shareholders' Mandate is expected to contribute positively to the earnings and indirectly, to its net assets of the Group during the period that the Proposed Renewal of Shareholders' Mandate is in force.

6. CONDITION OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

The Proposed Renewal of Shareholders' Mandate is subject to the approval of the shareholders of SWS at the 23rd AGM.

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7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save for Tan Sri Tan and THC, none of the other Directors, substantial shareholders of the Company and/or persons connected with them have any direct or indirect interests in the Proposed Renewal of Shareholders' Mandate.

Tan Sri Tan is the Non-Independent Non-Executive Chairman and a substantial shareholder of SWS, by virtue of his direct interest of 5.12% and indirect interest of 1.89% of the issued and paid-up share capital of SWS as at the LPD. Tan Sri Tan is also a substantial shareholder of EJ. He holds 450,000 ordinary shares representing 8.57% direct interest in EJ.

THC is the Managing Director of SWS and a shareholder of SWS by virtue of his direct interest of 4.04% and indirect interest of 0.56% of the issued and paid-up share capital of SWS as at the LPD. THC is also a Director and major shareholder of EJ. He holds 1,262,500 ordinary shares representing 24.05% direct interest in EJ. THC is also a Director in EBM, EPM, ES and RV.

As such, they have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in respect of the Recurrent Related Party Transactions relating to them as set out in the Proposed Renewal of Shareholders' Mandate. Accordingly, they will also abstain from voting and will also undertake to ensure that persons connected with them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in SWS on the resolution pertaining to the Proposed Renewal of Shareholders' Mandate to be tabled at the 23rd AGM.

The shareholdings of Tan Sri Tan and THC in SWS based on the Register of Directors' shareholdings as at the LPD are as follows:

Interested Directors	Direct		Indirect	
	No. of SWS Shares	%	No. of SWS Shares	%
Tan Sri Tan	14,073,525	5.12	⁽ⁱ⁾ 5,198,269	⁽ⁱ⁾ 1.89
THC	11,125,000	4.04	⁽ⁱⁱ⁾ 1,536,250	⁽ⁱⁱ⁾ 0.56

Notes:

(i) Deemed interested via the following:

Name	No. of SWS Shares	Percentage held (%)
Puan Sri Datin Seri Chan Mei Cheng (Wife)	2,210,281	0.80
Tan Hui Lun (Daughter)	1,952,688	0.71
Tan Kean Aik (Son)	1,035,300	0.38

(ii) Deemed interested via the following:

Name	No. of SWS Shares	Percentage held (%)
Yeap Boey Lean (Wife)	1,532,500	0.56
Tech Chun Keat (Son)	3,750	Negligible

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8. DIRECTORS' STATEMENT AND RECOMMENDATION

Tan Sri Tan, being the interested Non-Independent Non-Executive Chairman and substantial shareholder of SWS and THC, being the interested Managing Director and shareholder of SWS, have both abstained from expressing any opinion and will abstain from voting in relation to the ordinary resolution on the Proposed Renewal of Shareholders' Mandate in view of their interests.

The Board (save for Tan Sri Tan and THC) having taken into consideration all aspects of the Proposed Renewal of Shareholders' Mandate is of the opinion that the ordinary resolution on the Proposed Renewal of Shareholders' Mandate is in the best interest of the SWS Group and accordingly, the Board (save for Tan Sri Tan and THC) recommends that you vote in favour of the ordinary resolution on the Proposed Renewal of Shareholders' Mandate to be tabled at the 23rd AGM.

9. ORDINARY RESOLUTION ON THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND AGM

The ordinary resolution on the Proposed Renewal of Shareholders' Mandate will be tabled at the 23rd AGM 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 Friday, 22 May 2023 at 2.00 p.m. or at any adjournment thereof. The said resolution is set out in the 2022 Annual Report of SWS.

The Notice of AGM and the Proxy Form are set out in the 2022 Annual Report of SWS, together with this Circular can be downloaded from the Company's website at <http://www.swscap.com/>.

If you are unable to attend the 23rd AGM and wish to appoint other person(s) to be your proxy(ies), the Proxy Form should be completed and lodged 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, Wilayah Persekutuan, Malaysia or email to admin@aldpro.com.my not less than forty-eight (48) hours before the time appointed for holding the AGM.

The completion and deposit of the Proxy Form will not preclude you from attending and voting at the 23rd AGM in person should you subsequently wish to do so, in which case the Proxy Form deposited shall be deemed withdrawn and the proxy shall not be entitled to be present or vote at the 23rd AGM. The Proxy Form should be completed strictly in accordance with the instructions contained therein.

10. FURTHER INFORMATION

You are requested to refer to the attached appendix of this Circular for further information.

Yours faithfully
For and behalf of the Board of Directors
SWS CAPITAL BERHAD

DR. LOH YEE FEEI
Executive Director/Chief Operating Officer

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of SWS have seen and approved this Circular, and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular. The Directors of SWS confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make a statement in this Circular false or misleading.

2. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, the SWS Group is not engaged in any material litigation, claims or arbitration, including those pending, threatened against the Group, or any other facts likely to give rise to proceedings, either as plaintiff or defendant, which has a material effect on the financial position or business of the Group.

3. MATERIAL CONTRACTS

As at the LPD, save as disclosed below, the SWS Group has not entered into any material contracts, not being contracts entered into in the ordinary course of business, within the two (2) years immediately preceding the date of this Circular:

- (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.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from Mondays to Fridays at the Company's registered office at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur Wilayah Persekutuan, Malaysia from the date of this Circular up to and including the date of the 23rd AGM:

- (i) the Constitution of SWS;
- (ii) the audited consolidated financial statements of the Company for the FYE 31 December 2021 and FYE 31 December 2022; and
- (iii) the material contracts referred to in Section 3 above.

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