

We refer to the announcements made on 28 January 2019 and 29 January 2019 in relation to the Proposals.

This amended announcement is to provide further elaboration and detailed explanation on the rationale for SWS to undertake the Proposed Rights Issue of ICPS and the Proposed Private Placement of ICPS.

Section 3.2 and Section 3.3 of the announcement dated 28 January 2019 is to be read as follows:

3.2 Proposed Rights Issue of ICPS

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Rights Issue of ICPS is the most suitable and expedient form of fund raising for the Company at this juncture after taking into consideration that the Proposed Rights Issue of ICPS will:

- (i) enable the Company to raise the requisite funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing costs;
- (ii) to raise funds to fund the Cash Consideration for the Proposed Acquisition;
- (iii) allow the Entitled Shareholders to increase their equity participation in the Company through the conversion of the Rights ICPS into new SWS Shares during the conversion period;
- (iv) not have an immediate dilution effect on SWS Group's earnings per share ("**EPS**") as the Rights ICPS are expected to be converted over the conversion period as opposed to a fund-raising exercise via rights issue of ordinary shares which will have an immediate dilution impact on SWS Group's EPS;
- (v) strengthen the financial position and capital base of SWS Group and reduce the Group's gearing ratio; and
- (vi) raise further proceeds for working capital of SWS Group in the event ICPS holders elect to convert their Rights ICPS by surrendering one (1) Rights ICPS and paying RM0.42 cash for one (1) new SWS Share.

The Board had determined the entitlement ratio of 2 Rights ICPS for every 1 SWS Share held ("**Entitlement Ratio**") at the issue price of RM0.07 per Rights ICPS after taking into consideration its consultation with certain substantial and major shareholders of SWS whom are also directors of SWS on whether they will have adequate financial resources and/or will be able to procure funding and/or financing facilities in order to provide SWS with their respective undertakings to subscribe for their entitlements to the Rights ICPS in full.

In addition to the Undertakings that SWS intends to procure, underwriting arrangements will have to be made by the Company for the remaining portion of the Rights ICPS for which no irrevocable undertakings to subscribe will be obtained to achieve the Minimum Subscription Level. The Board is of the opinion that it may be challenging to procure underwriters in the current market condition if the open portion of the Proposed Rights Issue of ICPS is larger in the event a higher entitlement ratio were to be proposed.

A higher entitlement ratio for the Proposed Rights Issue of ICPS will also require shareholders of SWS to increase their cash outlay to subscribe for their respective entitlements for the Rights ICPS if they wish to participate in the Proposed Rights Issue of ICPS. The Board does not wish to burden the existing shareholders of SWS for additional cash for working capital purposes.

Based on the above, the Board had proposed to the shareholders of SWS that the Proposed Rights Issue of ICPS be implemented at the Entitlement Ratio to raise RM25.53 million based on the Minimum Subscription Level to mainly fund the Cash Consideration for the Proposed Acquisition amounting to RM20.0 million and approximately RM3.53 million for working capital purposes. This is intended to minimise the risk of undersubscription of the Rights ICPS and the risk of not being able to procure underwriters to underwrite a higher open portion of a rights issue with a higher entitlement ratio.

3.3 Proposed Private Placement of ICPS

The rationale for the Proposed Private Placement of ICPS are as follows:

- (i) enable prospective investors who are not existing shareholders of SWS that are unable to participate in the Proposed Rights Issue of ICPS to participate in the company's fund raising with an opportunity to invest in this financial instrument. Furthermore, the procurement of prospective investors to subscribe for the Placement ICPS is on a best effort basis. There is no guarantee that SWS will be able to successfully implement the Proposed Private Placement of ICPS in full;
- (ii) the Proposed Private Placement of ICPS will not have an immediate dilution effect on SWS Group's EPS as the Placement ICPS are expected to be converted over the conversion period of 10 years from the date of issuance of the first ICPS as opposed to a fund-raising exercise via issuance of ordinary shares which will have an immediate dilution effect on SWS Group's EPS;
- (iii) strengthen the financial position and capital base of SWS Group and reduce the Group's gearing ratio via the repayment of bank borrowings. The Proposed Private Placement of ICPS is intended to raise additional funds for the repayment of bank borrowings of the Group and provide additional funds for the working capital of the Group. The Proposed Rights Issue of ICPS will very likely be implemented based on the Minimum Scenario (i.e. the Minimum Subscription Level) where the expected gross funds to be raised will be approximately RM25.5 million, of which RM20.0 million will be utilised for the payment of the Cash Consideration for the Proposed Acquisition. Therefore, the Proposed Private Placement of ICPS is an avenue for SWS to raise additional funds to repay part of the Group's bank borrowings and raise additional funds for the Group's working capital purpose;
- (iv) the Proposed Rights Issue of ICPS is to be undertaken at the Minimum Subscription Level to mainly fund the Cash Consideration of the Proposed Acquisition amounting to RM20.0 million. Only approximately RM3.53 million is earmarked for working capital purposes. SWS proposes to undertake the Proposed Private Placement of ICPS to raise the additional funds required by the Group as SWS does not wish to further seek and burden its shareholders for additional cash for working capital purposes via a rights issue with a higher entitlement ratio;
- (v) the finance costs of SWS Group for the FYE 31 August 2018 amounted to RM3.19 million, representing an increase of RM2.14 million or approximately 203.81% compared to the finance costs for the FYE 31 August 2017 of RM1.05 million. With the high cost of borrowings coupled with the Company's cautious approach to procuring additional borrowings to fund the Group's business operations, the fund raising via the Proposed Private Placement of ICPS will enable the Group to repay part of its bank borrowings.

The proposed dividend rate of 3% for the ICPS is also lower than the average effective interest rates per annum of SWS's bank overdraft facilities ranging from 7.60% to 8.70% for the FYE 31 August 2018. The Board has earmarked approximately RM2.96 million from the Proposed Private Placement of ICPS for the repayment of bank overdraft facilities of the Group which will improve the financial performance of SWS via interest savings arising from the repayment of these bank facilities;

- (vi) RM6.80 million of the proceeds from the Proposed Private Placement of ICPS is earmarked for its day-to-day operating and administrative expenses (i.e. staff salary, utilities and payment to suppliers). The working capital used for the purposes as stated in Section 2.3.6 of this announcement is for the existing business operations of SWS and is expected to provide additional funds and cash flow and enhance the financial position of SWS which will contribute to SWS' business and growth; and
- (vii) raise further proceeds for working capital of SWS Group in the event ICPS holders elect to convert their Placement ICPS by surrendering one (1) Placement ICPS and paying RM0.42 cash for one (1) new SWS Share.

This announcement is dated 28 February 2019.