

## SWS CAPITAL BERHAD (“SWS” OR THE “COMPANY”)

- (I) PROPOSED ACQUISITION;
  - (II) PROPOSED RIGHTS ISSUE OF IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES (“ICPS”);
  - (III) PROPOSED PRIVATE PLACEMENT OF ICPS; AND
  - (IV) PROPOSED AMENDMENTS
- 

### 1. INTRODUCTION

On behalf of the board of directors of SWS (“**Board**”), Inter-Pacific Securities Sdn. Bhd. (“**IPS**”) wishes to announce that the Company proposes to undertake the following:

- (i) proposed acquisition of 5,250,000 ordinary shares in Ee Jia Housewares (M) Sdn. Bhd. (“**Ee Jia**”) (“**Ee Jia Share(s)**”) (“**Sale Share(s)**”), representing the entire equity interest in Ee Jia for a purchase consideration of RM64.0 million (“**Purchase Consideration**”) to be satisfied via a combination of RM20.0 million in cash (“**Cash Consideration**”) and the issuance of 55,000,000 new ordinary shares in SWS (“**SWS Share(s)**”) (“**Consideration Share(s)**”) at an issue price of RM0.80 each (“**Proposed Acquisition**”);
- (ii) proposed renounceable rights issue of up to 547,031,166 new ICPS at an issue price of RM0.07 each in SWS (“**Rights ICPS**”) on the basis of two (2) Rights ICPS for every one (1) existing SWS Share held at an entitlement date to be determined later (“**Entitlement Date**”) (“**Proposed Rights Issue of ICPS**”);
- (iii) proposed private placement of up to 143,000,000 new ICPS in SWS (“**Placement ICPS**”) at an issue price to be determined later, representing up to approximately 26.14% of the Rights ICPS to be issued pursuant to the Proposed Rights Issue of ICPS (“**Proposed Private Placement of ICPS**”); and
- (iv) the proposed amendments to the Constitution of SWS (“**Proposed Amendments**”).

The Proposed Acquisition, Proposed Rights Issue of ICPS, Proposed Private Placement of ICPS and the Proposed Amendments are collectively referred to as the “**Proposals**”. The Rights ICPS and Placement ICPS are collectively referred to as “**ICPS**”.

### 2. DETAILS OF THE PROPOSALS

#### 2.1 Proposed Acquisition

On 28 January 2019, the Company had entered into a conditional share purchase agreement (“**SPA**”) with Tan Sri Dato’ Seri Dr. Tan King Tai @ Tan Khoo Hai (“**Tan Sri Tan**”), Teoh Han Chuan, Heng Sew Hua, Ooi Chen Hoon and Tan Soon Ping (collectively referred to as the “**Vendors**”) for the Proposed Acquisition to be satisfied via the Cash Consideration and the Consideration Shares.

Pursuant to the terms of the SPA, the Company shall acquire the Sale Shares from the Vendors, free from any claim, charge, mortgage, security, lien, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind (“**Encumbrances**”) and together with all rights and advantages attaching to them as at the completion of the SPA (“**Completion**”), upon the terms and conditions of the SPA.

Upon the completion of the Proposed Acquisition, Ee Jia will become a wholly-owned subsidiary of SWS.

The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) in view of the interests of Tan Sri Tan (being the Chairman of the Board, a major shareholder of SWS and one of the Vendors) and Teoh Han Chuan (being the Managing Director of SWS, a substantial shareholder of SWS, a director of Ee Jia and one of the Vendors) (collectively referred to as the “**Interested Directors**”) as set out in Section 8 of this announcement.

### **2.1.1 Information on Ee Jia**

For information on Ee Jia, please refer to Appendix I of this announcement.

### **2.1.2 Information on the Vendors**

#### **(i) Tan Sri Tan**

Tan Sri Tan, age 63, is a shareholder of Ee Jia who owns approximately 8.57% equity interest in Ee Jia as at 22 January 2019 being the latest practicable date of this announcement (“**LPD**”). He is the Chairman of the Board and a major shareholder of SWS.

#### **(ii) Teoh Han Chuan**

Teoh Han Chuan, age 58, is a director and shareholder of Ee Jia who owns approximately 25.24% equity interest in Ee Jia as at the LPD. He is the Managing Director of SWS and a substantial shareholder of SWS. He is the Managing Director of Ee-Lian Enterprise (M) Sdn. Bhd. (“**ELE**”) and a director of Poh Keong Industries Sdn. Bhd. (“**PKI**”), Ee-Lian Industries Sdn. Bhd. (“**ELI**”) and Ee-Lian Plastic Industries (M) Sdn. Bhd. (“**ELP**”),

#### **(iii) Heng Sew Hua**

Heng Sew Hua, age 71, is a director and shareholder of Ee Jia who owns approximately 16.19% equity interest in Ee Jia as at the LPD. He is a director of ELE and ELP.

#### **(iv) Ooi Chen Hoon**

Ooi Chen Hoon, age 44, is the Managing Director and shareholder of Ee Jia who owns approximately 32.86% equity interest in Ee Jia as at the LPD. He is a director of ELE.

#### **(v) Tan Soon Ping**

Tan Soon Ping, age 47, is a director and shareholder of Ee Jia who owns approximately 17.14% equity interest in Ee Jia as at the LPD. He is a director of ELE and ELP.

For details of the shareholdings of the respective Vendors in SWS, please refer to Section 6.4 of this announcement.

### **2.1.3 Salient terms of the SPA**

The salient terms of the SPA include, amongst others, the following:

### 2.1.3.1 Purchase Consideration

- (i) The Purchase Consideration for the Sale Shares is RM64,000,000 which is to be satisfied as follows:
  - (a) partly by cash of RM20,000,000; and
  - (b) partly by the allotment and issuance of 55,000,000 new SWS Shares at the issue price of RM0.80 per SWS Share having an aggregate value of RM44,000,000.
- (ii) The Cash Consideration will be funded by SWS via proceeds to be raised from the Proposed Rights Issue of ICPS.
- (iii) Save for RM11,200,000 which shall be retained and dealt with in accordance with Section 2.1.3.4 of this announcement ("**Retention Sum**"), the Purchase Consideration shall be paid to the Vendors on Completion in the proportion set out in Section 2.1.6 of this announcement.

### 2.1.3.2 Conditions precedent

The agreement to sell and purchase the Sale Shares is conditional upon (and accordingly beneficial ownership in the Sale Shares will not pass until) the satisfaction of the following conditions:

- (i) SWS conducting, and being satisfied with the results of, financial, legal, taxation and commercial investigations into Ee Jia and its subsidiaries ("**Ee Jia Group**"), and any other reports and investigations that SWS decides are necessary;
- (ii) the passing at a Board meeting to approve the acquisition of the Sale Shares in the agreed terms, the Proposed Rights Issue of ICPS and the proposed amendments to the Constitution of SWS to facilitate the Proposed Rights Issue of ICPS;
- (iii) the passing at a general meeting of SWS to approve the acquisition of the Sale Shares in the agreed terms or without material amendments, the Proposed Rights Issue of ICPS and the proposed amendments to the Constitution of SWS to facilitate the Proposed Rights Issue of ICPS;
- (iv) completion of the Proposed Rights Issue of ICPS where a minimum of RM20,000,000 has been received by SWS;
- (v) all necessary third-party consents to change of control/the assignment or transfer of contracts being granted in a form satisfactory to SWS;
- (vi) the licences, authorisations, orders, grants, confirmations, permissions, registrations, consents, and other approvals necessary or desirable for or in respect of the Proposed Acquisition having been obtained from appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms satisfactory to SWS and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect; and
- (vii) where the terms of any material contracts or any contract or agreement which Ee Jia Group executes in relation to banking facilities granted to Ee Jia Group, contain any restrictions or prohibition on the change in control or shareholdings of Ee Jia and/or the boards of directors of any Ee Jia Group company or including any right to terminate exercisable prior to or as a result of any matter contemplated by the SPA (whether or not subject to the prior written consent or approval from the counterparties), written confirmation in a form and on terms (if any) satisfactory to SWS by the counterparties, of the consent, approval or waiver of such restrictions or prohibition in relation to any such change arising from the transactions under the SPA or of any such right to terminate.

### 2.1.3.3 Completion

On Completion, SWS shall:

- (i) in respect of the Cash Consideration:
  - (a) pay the Cash Consideration less the Retention Sum to the Vendors in the proportion set out in Section 2.1.6 of this announcement; and
  - (b) pay the Retention Sum to the stakeholder to be held in accordance and in the proportion as set out in Section 2.1.3.4 of this announcement; and
- (ii) in respect of the Consideration Shares:
  - (a) issue and allot the Consideration Shares to the Vendors in the proportion set out in Section 2.1.6 of this announcement;
  - (b) deliver or cause to be delivered to Bursa Malaysia Depository Sdn. Bhd. ("**Bursa Depository**") the share certificates for the Consideration Shares registered in the name of the Bursa Depository; and
  - (c) instruct and procure Bursa Depository to credit the securities account of the Vendors with the Consideration Shares in the proportion set out in Section 2.1.6 of this announcement.

### 2.1.3.4 Profit guarantee

- (i) The Vendors guarantee that Ee Jia Group's normalised\* audited consolidated profit after tax attributable to Ee Jia ("**Group PAT**") for the financial year ending ("**FYE**") 31 December 2019 and FYE 31 December 2020 shall not be less than RM5,600,000 for each FYE (each known as the "**2019 Profit Guarantee**" and "**2020 Profit Guarantee**") and have agreed for the aggregate profit guarantee sum of RM11,200,000 ("**Retention Sum**") to be deducted from the Cash Consideration and placed with the stakeholder on Completion until the Group PAT for such FYE is made available.

*\* means excluding extraordinary, one-time and non-recurring items, and other anomalies such as profit from property or share disposal.*

- (ii) If the Group PAT (as guaranteed under the respective 2019 Profit Guarantee or 2020 Profit Guarantee) is less than the Retention Sum for the said FYE, then such sum equivalent to the deficit or shortfall between the Group PAT and the Retention Sum for the said FYE shall be withheld by the stakeholder and paid to SWS, and the balance of the Retention Sum for the said FYE (after deducting the deficit or shortfall) shall be released to the Vendors.
- (iii) However if the deficit or shortfall for the particular FYE shall be more than the profit guarantee for that particular FYE i.e. Ee Jia shall have suffered losses for that particular FYE, it is agreed that the Vendors need not pay to SWS additional monies for the loss incurred and that the profit guarantee for that particular FYE shall be the maximum payable sum by the Vendors for their guarantee of the Group's PAT for that particular FYE and such amount equivalent to that particular FYE profit guarantee shall be released by the stakeholder to SWS.
- (iv) Within 2 business days from the date the Group PAT for the respective FYE is made available to SWS, SWS shall instruct the stakeholder in writing to release the Retention Sum (less any deduction pursuant to paragraph (ii) of this Section 2.1.3.4, if any) to the Vendors in the proportion of their Sale Shares within 12 business days such instruction is received by the stakeholder.

On 28 January 2019, concurrent with the signing of the SPA, SWS and the Vendors had also entered into a separate agreement with the stakeholder ("**Stakeholder Agreement**") to formally appoint the stakeholder and to set out the terms and conditions for the appointment of the stakeholder.

#### **2.1.3.5 Restriction on the Vendors**

- (i) Each of the Vendors further jointly and severally undertakes to and with SWS as trustee for itself and Ee Jia Group that it will not and will procure that no person, firm or company carrying on with the consent or privity of the relevant Vendor any business in succession to the relevant Vendor will for its or his own account or for that of any person, firm or company (other than SWS and Ee Jia Group) or in any other manner whether through the medium of any company controlled by it or him (for which purpose there shall be aggregated with its or his shareholding or ability to exercise control the shares held or control exercised by any person connected with the Vendors) or as principal, partner, director, employee, consultant or agent ("**Relevant Capacity**") during the 36 months commencing on Completion ("**Restricted Period**"):
  - (a) directly or indirectly carry on any business which is the same or similar to the businesses of Ee Jia Group comprising 'trading and marketing of plastic wares and utensils and cleaning wares for household' ("**Businesses of Ee Jia Group**") and which is or likely to compete with the Businesses of Ee Jia Group;
  - (b) canvass or solicit, accept orders from or otherwise deal with any person, firm or company who is or was a customer of Ee Jia Group who are in the plastic industry business prior to the expiry of the Restricted Period, or who is or was in the process of negotiating or contemplating to do business with Ee Jia Group prior to the expiry of the Restricted Period; and
  - (c) induce or seek to induce any present employee of Ee Jia Group who (I) has access to trade secrets or other confidential information of Ee Jia Group; (II) has participated in discussions relating to the transaction pursuant to the SPA; or (III) holds key management positions in Ee Jia Group ("**Restricted Employee**") to become employed whether as employee, consultant or otherwise by any of the Vendors, whether or not such Restricted Employee would thereby commit any breach of his contract of service.
- (ii) Each of the Vendors further jointly and severally undertakes to and with SWS as trustee for itself and Ee Jia Group that it will not at any time after Completion, use in the course of any business:
  - (a) the words "EE JIA", "E SPONGE", "EBOTTLES", and "EPLAS"; or
  - (b) any trade or service mark, business or domain name, design or logo which, at Completion, was or had been used by Ee Jia Group in connection with its business; or
  - (c) anything which is, in the reasonable opinion of SWS, capable of confusion with such words, mark, name, design or logo.

#### **2.1.3.6 Exceptions for restrictions**

- (i) The parties acknowledge that persons connected with Tan Soon Ping are as at the date of the SPA, engaged in businesses similar to the businesses of Ee Jia Group which are or are likely to compete with the businesses of Ee Jia Group. In connection thereto, the parties collectively agree that the restrictions set out in paragraph (i)(a) and (b) of Section 2.1.3.5 of this announcement shall not apply to Tan Soon Ping and he shall be unrestricted to directly or indirectly carry on such businesses.

- (ii) Additionally, the restrictions in Section 2.1.3.5 of this announcement shall not operate to prohibit any of the Vendors from:
  - (a) carrying on or being engaged in any business which is of the same or similar type to the business as now carried on by Ee Jia Group after such time Ee Jia Group ceases to carry on or be engaged in or economically interested in any such business;
  - (b) holding or being interested in up to 5% of the outstanding issued share capital of a company listed on Bursa Securities;
  - (c) fulfilling any obligation pursuant to the SPA and any agreement to be entered into pursuant to the SPA; or
  - (d) carrying on or being engaged or economically interested in any business (not being part of the business of Ee Jia Group) which at the date of SPA, the Vendors are carrying on or are engaged in.

#### **2.1.3.7 Termination**

If prior to Completion:

- (i) it is found that:
  - (a) any of the warranties was, when given, or will be or would be, at Completion (as if they had been given again at Completion) not complied with or otherwise untrue or misleading; or
  - (b) any of the Vendors has breached any term of the SPA,  
  
the Company shall be entitled (in addition to and without prejudice to all other rights or remedies available to it including the right to claim damages) by notice in writing to the Vendors to terminate the SPA (other than the surviving provisions) but failure to exercise this right shall not constitute a waiver of any other rights of the Company arising out of such breach; or
- (ii) any event shall occur (other than an event constituting or giving rise to a breach of any of the warranties) which (in the reasonable opinion of the Company) affects or is likely to affect adversely to a material degree the financial position or turnover or profitability of Ee Jia Group, SWS shall be entitled by notice in writing to the Vendors to terminate the SPA (other than the surviving provisions). The occurrence of such an event shall not give rise to any right to damages or compensation.

#### **2.1.3.8 Ooi Chen Hoon to continue to serve as Managing Director of Ee Jia Group**

Ooi Chen Hoon (NRIC No. 741214-07-5779) of No. 49 Medan Mahsuri 1, 11900 Bayan Lepas, Penang shall continue his employment as the Managing Director of Ee Jia Group for up to 36 months from Completion.

#### **2.1.4 Basis and justification in arriving at the Purchase Consideration**

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis based on Ee Jia's profit after tax and minority interest of approximately RM5.6 million for the FYE 31 December 2017 and a price to earnings ratio of 11.5 times (RM5.6 million x 11.5). Hence, the value of Ee Jia translated to approximately RM64.4 million. The Purchase Consideration was agreed by the parties at RM64.0 million.

### 2.1.5 Basis and justification of the issue price of the Consideration Shares

The issue price of RM0.80 per Consideration Share was arrived at based on a premium of approximately RM0.1621 or 25.41% over the 5-day volume weighted average market price (“**VWAP**”) of SWS Shares up to and including 22 January 2019, being the latest practicable date prior to entering into the SPA of RM0.6379.

The Purchase Consideration of RM64.0 million will be satisfied via a combination of the Cash Consideration and issuance of the Consideration Shares. The part settlement via the Consideration Shares will ease the strain on SWS and its subsidiaries’ (“**SWS Group**” or “**Group**”) cash flow whilst the Cash Consideration will be financed via proceeds to be raised from the Proposed Rights Issue of ICPS.

Premised on the above, the Board (save for Interested Directors and Tan Kok Tiam) is of the view that the issue price of the Consideration Shares and the part settlement of the Purchase Consideration via the issuance of the Consideration Shares are justifiable.

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## 2.1.6 Mode of satisfaction of the Purchase Consideration

The details of the mode of satisfaction of the Purchase Consideration to the Vendors are as follows:

Vendors	Equity interest in Ee Jia to be acquired from the Vendors by SWS		Apportionment of cash payable to the Vendors on Completion (RM)	Apportionment of Retention Sum (RM)	(A)	(B)		(A) + (B)
	No. of Ee Jia Shares	(%)			Cash Consideration <sup>(1)</sup> (RM)	Settlement of part Purchase Consideration via the issuance of Consideration Shares (RM)	No. of Consideration Shares	Total Purchase Consideration (RM)
Tan Sri Tan	450,000	8.57	754,160	959,840	1,714,000	3,770,800	4,713,500	5,484,800
Teoh Han Chuan	1,325,000	25.24	2,221,120	2,826,880	5,048,000	11,105,600	13,882,000	16,153,600
Heng Sew Hua	850,000	16.19	1,424,720	1,813,280	3,238,000	7,123,600	8,904,500	10,361,600
Ooi Chen Hoon	1,725,000	32.86	2,891,680	3,680,320	6,572,000	14,458,400	18,073,000	21,030,400
Tan Soon Ping	900,000	17.14	1,508,320	1,919,680	3,428,000	7,541,600	9,427,000	10,969,600
<b>Total</b>	<b>5,250,000</b>	<b>100.00</b>	<b>8,800,000</b>	<b>11,200,000</b>	<b>20,000,000</b>	<b>44,000,000</b>	<b>55,000,000</b>	<b>64,000,000</b>

Note:

(1) Equivalent to the sum of the apportionment of cash payable to the Vendors on Completion and the apportionment of Retention Sum.

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### **2.1.7 Ranking of the Consideration Shares**

The Consideration Shares will, upon allotment and issuance, rank pari passu in all respects with the existing SWS Shares, save and except that the Consideration Shares will not be entitled to any dividends, rights, allotment, and/or any other forms of distribution that may be declared, made or paid to shareholders, of which the entitlement date precedes the date of allotment and issuance of the Consideration Shares.

### **2.1.8 Listing and quotation**

An application will be made to Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities.

### **2.1.9 Implications on the Rules on Take-overs, Mergers and Compulsory Acquisitions (“Rules”)**

The Proposed Acquisition will not give rise to any consequences relating to mandatory general offer obligation under the Rules pursuant to the issuance of the Consideration Shares to the Vendors as the individual shareholdings of the respective Vendors or the collective shareholdings of Teoh Han Chuan, Heng Sew Hua, Ooi Chen Hoon and Tan Soon Ping, together with shareholdings of persons connected with them (“**PAC Group**”) respectively will not exceed the 33% threshold as set out in the Rules after the completion of the Proposed Acquisition.

Pursuant to Section 216(3) of the Capital Markets and Services Act 2007 (“**CMSA**”), Tan Sri Tan is not part of the PAC Group as he is neither a director nor a major shareholder of Ee Jia and is not involved in the management or operations of Ee Jia.

### **2.1.10 Liabilities to be assumed**

Save for the liabilities as stated in the financial statements of Ee Jia, the Company will not assume any other liabilities, including contingent liabilities or guarantees pursuant to the Proposed Acquisition.

### **2.1.11 Additional financial commitment required**

The Board does not foresee any other material financial commitments required to put Ee Jia’s existing operations on-stream as Ee Jia is already in operation.

### **2.1.12 Sources of funding**

The Purchase Consideration of RM64.0 million will be satisfied via a combination of the Cash Consideration and issuance of the Consideration Shares. The Cash Consideration will be funded via proceeds to be raised from the Proposed Rights Issue of ICPS.

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### 2.1.13 Original cost of investment

The Vendors' original cost of investment in Ee Jia Shares are as follows:

Vendor	Date of investment	No. of Ee Jia Shares	Cost of investment (RM)
Teoh Han Chuan	10/04/00	1	1
	18/12/00	29,999	29,999
	14/10/03	30,000	30,000
	30/06/05	40,000	-*
	08/08/08	100,000	-*
	22/10/09	200,000	-*
	16/07/13	600,000	-*
	29/05/14	(150,000)	(150,000)
	29/12/15	225,000	350,000
	18/10/16	250,000	250,000
<b>Total</b>		<b>1,325,000</b>	<b>510,000</b>
Heng Sew Hua	10/04/00	1	1
	18/12/00	29,999	29,999
	14/10/03	30,000	30,000
	30/06/05	40,000	-*
	08/08/08	100,000	-*
	22/10/09	200,000	-*
	16/07/13	600,000	-*
	29/05/14	(150,000)	(150,000)
<b>Total</b>		<b>850,000</b>	<b>(90,000)</b>
Tan Soon Ping	10/04/00	1	1
	18/12/00	29,999	29,999
	14/10/03	30,000	30,000
	30/06/05	40,000	-*
	08/08/08	100,000	-*
	22/10/09	200,000	-*
	16/07/13	600,000	-*
	29/05/14	(100,000)	(100,000)
<b>Total</b>		<b>900,000</b>	<b>(40,000)</b>
Ooi Chen Hoon	10/04/00	1	1
	18/12/00	59,999	59,999
	14/10/03	60,000	60,000
	30/06/05	80,000	-*
	08/08/08	200,000	-*
	22/10/09	400,000	-*
	16/07/13	1,200,000	-*
	29/05/14	(100,000)	(100,000)
	29/12/15	(175,000)	(300,000)
<b>Total</b>		<b>1,725,000</b>	<b>(280,000)</b>
Tan Sri Tan	29/05/14	500,000	500,000
	29/12/15	(50,000)	(50,000)
<b>Total</b>		<b>450,000</b>	<b>450,000</b>

Note:

\* No cash consideration was paid as the Ee Jia Shares were issued free pursuant to a bonus issue.

Based on the above, the total original cost of investments in Ee Jia Shares by the Vendors is RM550,000.

## 2.2 Proposed Rights Issue of ICPS

The Company is proposing to issue up to 547,031,166 Rights ICPS on the basis of two (2) Rights ICPS for every one (1) existing SWS Share held by the shareholders of SWS whose name appear in the Record of Depositors of the Company as at the Entitlement Date (“**Entitled Shareholders**”).

For illustrative purposes, the maximum number of 547,031,166 Rights ICPS was arrived at after taking into consideration, the following:

- (i) the existing share capital of SWS as at the LPD of RM91,171,891 comprising 182,343,782 SWS Shares;
- (ii) assuming all the 91,171,801 outstanding warrants (“**Warrant(s)**”) are exercised into 91,171,801 new SWS Shares on the basis of one (1) Warrant for one (1) new SWS Share at an exercise price of RM0.90 per new SWS Share, on or prior to the Entitlement Date; and
- (iii) the Company has no outstanding employee share option scheme options (“**ESOS Options**”) as at the LPD. On 17 August 2018, the Company made an offer of 10,000,000 ESOS Options to eligible directors and employees of the Company but have since lapsed as none of the ESOS Options offered were accepted within the prescribed acceptance period.

The actual number of Rights ICPS to be provisionally allotted and issued to the Entitled Shareholders will depend on the number of issued SWS Shares on the Entitlement Date. The Entitlement Date shall be determined by the Board after obtaining all relevant approvals for the Proposed Rights Issue of ICPS.

The entitlement for the Rights ICPS is renounceable in full or in part. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Proposed Rights Issue of ICPS.

Any Rights ICPS which are not validly taken up shall be offered to other Entitled Shareholders and/or their renounees under excess Rights ICPS applications. It is the intention of the Board to reduce the incidence of odd lots and to allocate excess Rights ICPS in a fair and equitable manner in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, on a pro-rata basis and in board lots, to the Entitled Shareholders who have applied for excess Rights ICPS based on their respective shareholdings in the Company as at the Entitlement Date;
- (iii) thirdly, on a pro-rata basis and in board lots, to the Entitled Shareholders who have applied for excess Rights ICPS based on the quantum of their respective excess application; and
- (iv) finally, on a pro-rata basis and in board lots, to the renounee(s) who have applied for excess Rights ICPS based on the quantum of their respective excess application.

The excess Rights ICPS will firstly be allocated to minimise the odd lots (if any) held by each applicant of excess Rights ICPS. Thereafter, the allocation process will be performed following steps (ii), (iii) and (iv) above in succession. Any remaining balance of excess Rights ICPS will be allocated by performing the same sequence of allocation i.e. steps (ii), (iii) and (iv) again in succession until all excess Rights ICPS are allotted.

Fractional entitlements arising from the Proposed Rights Issue of ICPS, if any, will be disregarded and dealt with by the Board in such manner and on such terms and conditions as the Board in its absolute discretion may deem fit or expedient and in the best interests of the Company.

The ICPS will be issued in registered form and will be constituted by the Company's Constitution.

## **2.2.1 Basis of determining and justification for the issue price of the Rights ICPS and the conversion price of the Rights ICPS**

### **(i) Issue price of the Rights ICPS**

The Board has fixed the issue price of the Rights ICPS at RM0.07 each after taking into consideration, amongst others, the following:

- (a) the theoretical ex-all price (“**TEAP**”) of RM0.61 per SWS Share after adjustment pursuant to the Proposed Rights Issue of ICPS, calculated based on the 5-day VWAP of SWS Shares up to and including the LPD of RM0.6379 per SWS Share;
- (b) the conversion ratio and conversion price of the Rights ICPS which have been fixed at either seven (7) ICPS to be converted into one (1) SWS Share or a combination of one (1) ICPS and RM0.42 in cash for one (1) SWS Share;
- (c) the funding requirements of SWS Group as set out in Section 2.2.6 of this announcement; and
- (d) the rationale for the Proposed Rights Issue of ICPS as set out in Section 3.2 of this announcement.

For illustrative purposes, based on the issue price of RM0.07 per Rights ICPS, the conversion ratio of seven (7) ICPS for every one (1) new SWS Share and the conversion price which is fixed at RM0.49 represents a discount of approximately 19.67% to the TEAP of RM0.61 per SWS Share, based on the 5-day VWAP up to and including the LPD of RM0.6379 per SWS Share.

The Board is of the opinion that the discount is reasonably attractive to encourage the Entitled Shareholders to subscribe for their respective entitlements under the Proposed Rights Issue of ICPS.

### **(ii) Conversion price of the Rights ICPS**

The ICPS may be converted into new SWS Shares in the following manner:

- (a) by surrendering for cancellation seven (7) ICPS to be converted into one (1) new SWS Share; or
- (b) by surrendering for cancellation one (1) ICPS and RM0.42 in cash for one (1) new SWS Share.

For illustrative purposes, assuming all the Rights ICPS are converted via surrendering for cancellation of one (1) ICPS and cash payment of RM0.42 for one (1) new SWS Share, the maximum number of new SWS Shares to be issued upon full conversion of the Rights ICPS is 547,031,166 SWS Shares.

Based on the terms of the ICPS, the ICPS can be converted into new SWS Shares anytime from the date of issuance of the ICPS up to the last market day prior to the tenth (10th) anniversary of the date of issuance of the ICPS (“**Maturity Date**”). Any ICPS that are not converted would be mandatorily converted into new SWS Shares on the Maturity Date.

Any fractional new SWS Share arising from the mandatory conversion of the ICPS on the Maturity Date will be disregarded and will be dealt with by the Board as it may deem fit and expedient in the best interests of the Company.

The conversion of the Rights ICPS will provide the Entitled Shareholders with an opportunity to further increase their equity participation in the Company at a predetermined price.

#### **2.2.2 Salient terms of the Rights ICPS**

The salient terms of the Rights ICPS are set out in Appendix II of this announcement.

#### **2.2.3 Ranking of the new SWS Shares to be issued pursuant to the conversion of the Rights ICPS**

The new SWS Shares to be issued pursuant to the conversion of the Rights ICPS shall, upon issue and allotment, rank pari passu in all respects with the then existing SWS Shares, save and except that the new SWS Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders, the entitlement date of which is prior to the date of allotment of such new SWS Shares.

#### **2.2.4 Listing and quotation**

An application will be made to Bursa Securities for the following:

- (i) admission of the Rights ICPS to the Official List of Bursa Securities and the listing of and quotation for the Rights ICPS; and
- (ii) listing of and quotation for the new SWS Shares to be issued arising from the conversion of the Rights ICPS,

on the Main Market of Bursa Securities.

#### **2.2.5 Minimum subscription level and substantial shareholders' undertakings**

The Proposed Rights Issue of ICPS is intended to be implemented on a minimum level of subscription of 364,687,564 Rights ICPS ("**Minimum Subscription Level**"). Based on the issue price of RM0.07 per Rights ICPS, the Company will raise minimum gross proceeds of approximately RM25.53 million from the Proposed Rights Issue of ICPS.

The Minimum Subscription Level was determined by the Board after taking into consideration, amongst others, the funding requirements of SWS Group as set out in Section 2.2.6 of this announcement.

To meet the Minimum Subscription Level, SWS intends to procure irrevocable and unconditional undertakings from its substantial shareholders ("**Undertaking Shareholders**") to fully subscribe for their respective entitlements under the Proposed Rights Issue of ICPS ("**Undertakings**") and that they will not dispose any of their SWS Shares following this announcement up to the Entitlement Date. SWS also intends to seek irrevocable and unconditional undertaking from certain Entitled Shareholder(s) with sizeable holdings in SWS to apply for excess Rights ICPS not taken up by the other Entitled Shareholder(s) ("**Additional Undertakings**").

Underwriting arrangements will be made by the Company for the remaining portion of the Rights ICPS for which no irrevocable undertakings to subscribe has been obtained to achieve the Minimum Subscription Level. The said underwriting arrangements will be in place prior to the implementation of the Proposed Rights Issue of ICPS and the underwriting commission will be borne by the Company.

After taking into consideration the Undertakings and Additional Undertakings, the subscription of the Rights ICPS by the Undertaking Shareholders will not give rise to any consequences of mandatory general offer obligations pursuant to the Malaysian Code on Take-Overs and Mergers 2016 (“Code”) and the Rules as the Rights ICPS do not carry voting rights in the Company until and unless they are converted into new SWS Shares. A mandatory general offer obligation will only be triggered if the conversion and/or exercise of the existing convertible securities of SWS and ICPS held by an individual shareholder together with his/her persons acting in concert with him/her result in any of their shareholdings or their collective shareholdings in the Company exceeding 33%.

The Undertaking Shareholders will be advised to observe and comply with the provisions of the Code and the Rules at all times.

## 2.2.6 Utilisation of proceeds from the Proposed Rights Issue of ICPS

For illustrative purposes, based on the issue price of RM0.07 per Rights ICPS, the Company is expected to raise gross proceeds of approximately RM25.53 million and up to approximately RM38.29 million based on the following scenarios respectively:

<b>Minimum Scenario</b>	Assuming the Proposed Rights Issue of ICPS is implemented at the Minimum Subscription Level.
<b>Maximum Scenario</b>	Assuming all outstanding Warrants are exercised prior to the Entitlement Date and all Entitled Shareholders subscribe for their entitlements to the Rights ICPS in full.

The proposed utilisation of the gross proceeds raised is as follows:

Description	Minimum Scenario RM'000	Maximum Scenario RM'000	Expected time frame for the utilisation of proceeds*
Cash Consideration for the Proposed Acquisition	20,000	20,000	Within 3 months
Repayment of bank borrowings <sup>(1)</sup>	-	4,092	Within 3 months
Working capital <sup>(2)</sup>	3,528	12,200	Within 6 months
Estimated expenses for the Proposed Acquisition and the Proposed Rights Issue of ICPS <sup>(3)</sup>	2,000	2,000	Within 3 months
<b>Total gross proceeds</b>	<b>25,528</b>	<b>38,292</b>	

Notes:

- \* Commencing from the date of listing of the Rights ICPS.
- (1) The Company proposes to utilise approximately RM4.09 million of the proceeds under the Maximum Scenario to reduce the bank borrowings of SWS Group. The repayment of the borrowings is expected to result in an estimated saving in interest payment of approximately RM0.30 million per annum. The total borrowings of SWS Group as at the LPD amounted to approximately RM57.17 million.

The details of the bank borrowings that SWS proposes to repay are as follows:

Description/type of bank facilities	Current interest rate per annum as at 31 December 2018 (%)	Outstanding amount as at the LPD (RM'000)	Amount proposed to repay (RM'000)
Bank overdrafts	6.60 to 7.97	6,830	4,092

- (2) Part of the proceeds amounting to RM3.53 million (under Minimum Scenario) and RM12.20 million (under Maximum Scenario) is intended to be utilised for the Group's working capital purposes as follows:

<b>Description/details</b>	<b>Minimum Scenario</b>	<b>Maximum Scenario</b>
	<b>RM'000</b>	<b>RM'000</b>
Payroll (Staff salary)	-	4,500
Utilities (electricity and water)	500	1,200
Payment to suppliers	3,028	6,500
<b>Total</b>	<b>3,528</b>	<b>12,200</b>

- (3) The estimated expenses for the Proposed Acquisition and the Proposed Rights Issue of ICPS are inclusive of advisory and professional fees, fees payable to the relevant authorities, printing of circulars and abridged prospectuses, advertisement, extraordinary general meeting ("EGM") expenses and other incidental expenses in relation to the Proposed Acquisition and the Proposed Rights Issue of ICPS. Any deviation in the actual amount of expenses for the Proposed Acquisition and the Proposed Rights Issue of ICPS will be adjusted proportionately to/from the working capital of SWS Group.

Pending utilisation of the proceeds from the Proposed Rights Issue of ICPS for the abovementioned purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments as the Board may deem fit. The interests derived from the deposits with the financial institutions or any gain arising from the short-term money market instruments will be used as working capital of SWS Group. Any variation between the actual amount of proceeds raised and the above estimated amount of proceeds will be adjusted to/from the working capital of SWS Group.

The exact quantum of proceeds that may be raised by the Company pursuant to the conversion of the ICPS will depend upon the actual number of ICPS converted by ICPS holders who elect to convert by surrendering for cancellation one (1) ICPS and RM0.42 in cash for one (1) new SWS Share. However, if all the ICPS holders decide to convert their ICPS by surrendering for cancellation seven (7) ICPS for one (1) new SWS Share, no additional proceeds will be raised from the conversion of the ICPS.

## 2.3 Proposed Private Placement of ICPS

The Proposed Private Placement of ICPS entails the issuance of up to 143,000,000 Placement ICPS, representing approximately up to 26.14% of the Rights ICPS to be issued by the Company pursuant to the Proposed Rights Issue of ICPS under the Maximum Scenario.

The maximum number of new SWS Shares which may arise from the conversion of the Placement ICPS is 143,000,000 SWS Shares assuming all the Placement ICPS are converted via surrendering for cancellation of one (1) ICPS and cash payment of RM0.42 for one (1) new SWS Share by the Placement ICPS holders.

For the avoidance of doubt, the Placement ICPS to be issued and allotted pursuant to the Proposed Private Placement of ICPS shall be identical in all respect with the Rights ICPS to be issued and allotted pursuant to the Proposed Rights Issue of ICPS and shall form the same series. The Placement ICPS will be issued in registered form and will be constituted by the same terms and provisions for the Rights ICPS in the Company's Constitution.

### 2.3.1 Placement arrangement

The Placement ICPS are intended to be placed with independent third party investor(s) ("**Third Party Investor(s)**") to be identified later. The Placement ICPS are not intended to be placed with the following parties:

- i) directors, major shareholders or chief executive officer of SWS ("**Interested Persons**");
- ii) persons connected with the Interested Persons; and

- iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Third Party Investor(s) shall be person(s) who qualify under Schedules 6 and 7 of the CMSA.

The Proposed Private Placement of ICPS may be implemented in a single or multiple tranche(s) within six (6) months from the date of approval from Bursa Securities for the Proposed Private Placement of ICPS or any extended period as approved by Bursa Securities, to provide the Company with the flexibility to secure interested investors and to maximise the number of Placement ICPS to be placed out. As such, there may be several price fixing dates depending on the number of tranches and timing of implementation.

### **2.3.2 Basis of determining and justification for the issue price of the Placement ICPS and the conversion price of the Placement ICPS**

#### **(i) Issue price of the Placement ICPS**

The Placement ICPS to be issued and allotted pursuant to the Proposed Private Placement of ICPS shall be identical and form the same series as the Rights ICPS to be issued and allotted pursuant to the Proposed Rights Issue of ICPS.

The issue price of the Placement ICPS shall be fixed by the Board at a later date(s) after the receipt of all relevant approvals for the Proposed Private Placement of ICPS. The issue price of the Placement ICPS will be determined by the Board prior to the price-fixing date(s). In any event, the issue price of the Placement ICPS shall not be higher than the Rights ICPS' issue price of RM0.07 or lower than RM0.03 each.

#### **(ii) Conversion price of the Placement ICPS**

Considering that the Placement ICPS is identical to the Rights ICPS, the Placement ICPS may be converted into new SWS Shares in the following manner:

- (a) by surrendering for cancellation seven (7) ICPS to be converted into one (1) new SWS Share; or
- (b) by surrendering for cancellation one (1) ICPS and RM0.42 in cash for one (1) new SWS Share.

The maximum number of new SWS Shares which may arise from the conversion of Placement ICPS is 143,000,000 SWS Shares assuming all the Placement ICPS are converted via surrendering for cancellation of one (1) ICPS and cash payment of RM0.42 for one (1) new SWS Share.

Based on the terms of the ICPS, the ICPS can be converted into new SWS Shares anytime from the date of issuance of the ICPS up to the last market day prior to the Maturity Date. Any ICPS that are not converted would be mandatorily converted into new SWS Shares on the Maturity Date.

Any fractional new SWS Share arising from the mandatory conversion of the Placement ICPS on the Maturity Date will be disregarded and will be dealt with by the Board as it may deem fit and expedient in the best interests of the Company.

### **2.3.3 Salient terms of the Placement ICPS**

The salient terms of the Placement ICPS are set out in Appendix II of this announcement.

### 2.3.4 Ranking of the new SWS Shares to be issued pursuant to the conversion of the Placement ICPS

The new SWS Shares to be issued pursuant to the conversion of the Placement ICPS shall, upon issue and allotment, rank pari passu in all respects with the then existing SWS Shares, save and except that the new SWS Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders, the entitlement date of which is prior to the date of allotment of such new SWS Shares.

### 2.3.5 Listing and quotation

An application will be made to Bursa Securities for the following:

- (i) admission of the Placement ICPS to the Official List of Bursa Securities and the listing of and quotation for the Placement ICPS;
- (ii) listing of and quotation for the new SWS Shares to be issued arising from the conversion of the Placement ICPS,

on the Main Market of Bursa Securities.

### 2.3.6 Utilisation of proceeds from the Proposed Private Placement of ICPS

For illustrative purposes, based on the assumed issue price of RM0.07 per Placement ICPS, the Company is expected to raise gross proceeds of up to approximately RM10.01 million pursuant to the Proposed Private Placement of ICPS. The proposed utilisation of the gross proceeds raised is as follows:

Description	RM'000	Expected time frame for the utilisation of proceeds*
Repayment of bank borrowings <sup>(1)</sup>	2,960	Within 3 months
Working capital <sup>(2)</sup>	6,800	Within 6 months
Estimated expenses for the Proposed Private Placement of ICPS <sup>(3)</sup>	250	Within 3 months
<b>Total gross proceeds</b>	<b>10,010</b>	

Notes:

\* Commencing from the date of listing of the Placement ICPS.

- (1) The Company proposes to utilise up to approximately RM2.96 million of the proceeds to reduce the bank borrowings of SWS Group. The repayment of the borrowings is expected to result in an estimated saving in interest payment of approximately RM0.22 million per annum. The total borrowings of SWS Group as at the LPD amounted to approximately RM57.17 million.

The details of the bank borrowings that SWS proposes to repay are as follows:

Description/type of bank facilities	Current interest rate per annum as at 31 December 2018 (%)	Outstanding amount as at the LPD (RM'000)	Amount proposed to repay (RM'000)
Bank overdrafts	6.60 to 7.97	6,830	2,960

- (2) Part of the proceeds amounting to RM6.80 million is intended to be utilised for the Group's working capital purposes as follows:

Description/details	RM'000
Payroll (Staff salary)	3,000
Utilities (electricity and water)	800
Payment to suppliers	3,000
<b>Total</b>	<b>6,800</b>

- (3) *The estimated expenses are inclusive of placement agent fees and fees payable to the relevant authorities and other incidental expenses in relation to the Proposed Private Placement of ICPS. Any deviation in the actual amount of expenses for the Proposed Private Placement of ICPS will be adjusted proportionately to/from the proposed repayment of bank borrowings of SWS Group.*

Pending utilisation of the proceeds from the Proposed Private Placement of ICPS for the abovementioned purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments as the Board may deem fit. The interests derived from the deposits with the financial institutions or any gain arising from the short-term money market instruments will be used as working capital of SWS Group. Any variation between the actual amount of proceeds raised vis-a-vis the above estimated amount of proceeds will be adjusted to/from the proposed repayment of bank borrowings of SWS Group.

The exact quantum of proceeds that may be raised by the Company pursuant to the conversion of the Placement ICPS will depend upon the actual number of Placement ICPS converted by Placement ICPS holders who elect to convert by surrendering for cancellation one (1) Placement ICPS and RM0.42 in cash for one (1) new SWS Share. However, if all the Placement ICPS holders decide to convert their Placement ICPS by surrendering for cancellation seven (7) Placement ICPS for one (1) new SWS Share, no additional proceeds will be raised from the conversion of the Placement ICPS.

## **2.4 Proposed Amendments**

The Proposed Amendments entails amendments to the Constitution of SWS to facilitate the issuance of the ICPS pursuant to the Proposed Rights Issue of ICPS and the Proposed Private Placement of ICPS.

## **3. RATIONALE OF THE PROPOSALS**

### **3.1 Proposed Acquisition**

The Proposed Acquisition provides an opportunity and platform for SWS Group to expand its plasticware segment and to gain immediate access into Ee Jia Group's profitable business. The Proposed Acquisition will also provide SWS Group with the opportunity to participate in the future earnings of Ee Jia which includes the profit guarantee of two (2) years to be provided by the Vendors of Ee Jia.

Part of the Purchase Consideration is to be satisfied via the issuance of Consideration Shares to the Vendors. The part settlement of the Purchase Consideration via the issuance of the Consideration Shares will allow SWS Group to expand its plasticware segment without any immediate impact on its cash flow as opposed to being fully settled in cash or via borrowings. With a larger asset base, the enlarged SWS Group is expected to gain improved access to both the debt and equity capital markets.

Furthermore, the Proposed Acquisition will mitigate the potential conflict of interest between SWS and its major shareholder and substantial shareholder by consolidating the other plastic businesses privately held by certain major shareholder and substantial shareholder of SWS.

### **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) not dilute the shareholdings of the Entitled Shareholders, assuming all Entitled Shareholders subscribe for their entitlements and fully convert their Rights ICPS respectively;
- (iv) 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;
- (v) 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;
- (vi) strengthen the financial position and capital base of SWS Group and reduce the Group's gearing ratio; and
- (vii) 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.

### **3.3 Proposed Private Placement of ICPS**

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

- (i) to allow SWS to raise funds expeditiously as opposed to a pro-rata issuance of securities such as a rights issue;
- (ii) to provide an avenue for SWS to tap into the equity market to raise additional funds cost effectively without incurring interest costs as compared to funding via bank borrowings;
- (iii) strengthen the financial position and capital base of SWS Group and reduce the Group's gearing ratio via the repayment of bank borrowings; and
- (iv) 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.

### **3.4 Proposed Amendments**

The Proposed Amendments entails amendments to the Constitution of SWS to facilitate the issuance of the ICPS pursuant to the Proposed Rights Issue of ICPS and the Proposed Private Placement of ICPS.

## **4. INDUSTRY OVERVIEW AND FUTURE PROSPECTS OF THE GROUP**

### **4.1 Overview of the Malaysian economy**

The Malaysian economy recorded a sustained growth of 4.4% in the third quarter of 2018 (2Q 2018: 4.5%), supported by expansion in domestic demand amid a decline in net exports growth. Private sector expenditure remained the key driver of growth, expanding at a faster pace of 8.5% (2Q 2018: 7.5%), while public sector expenditure turned around to register a positive growth of 1.1% (2Q 2018: -1.4%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.6% (2Q 2018: 0.3%).

Domestic demand expanded at a faster pace during the quarter (6.9%; 2Q 2018: 5.6%), driven by private sector activity.

Private consumption growth accelerated to 9.0% (2Q 2018: 8.0%). Household spending was boosted in July and August 2018, following the zerorisation of the Goods and Services Tax

(GST) rate, particularly on durable goods such as motor vehicles and furnishings, as well as food and beverages. Continued expansion in income and employment provided key support to household spending.

Private investment growth edged higher to 6.9% (2Q 2018: 6.1%), underpinned mainly by capital spending in the manufacturing and services sectors. During the quarter, firms further expanded their capacity through increased machinery and equipment spending to cater to positive demand.

Public consumption grew at a faster pace (5.2%; 2Q 2018: 3.1%). This was attributable to a higher spending on supplies and services, which more than offset the moderation in emoluments growth.

Public investment registered a smaller decline during the quarter (-5.5%; 2Q 2018: -9.8%), due to improvements in General Government capital spending. However, capital spending by public corporations was lower as some projects were near completion.

Gross fixed capital formation (GFCF) increased at a faster pace of 3.2% (2Q 2018: 2.2%), supported by continued private sector capital spending. By type of assets, capital spending on machinery and equipment was higher at 5.9% (2Q 2018: 3.6%). Investment in other types of assets turned around to register a marginal positive growth of 0.1% (2Q 2018: -2.9%). Investment in structures grew at a moderate pace of 1.8% (2Q 2018: 2.1%), due mainly to continued weak investments in residential property.

*(Source: Developments in the Malaysian Economy in the Third Quarter of 2018, Bank Negara Malaysia)*

## **4.2 Overview of the plastic industry in Malaysia**

The manufacturing sector grew 5%, supported by the higher production of electrical & electronics; petroleum, chemical, rubber and plastic products; transport equipment; as well as other manufacturing and repair.

*(Source: Malaysian Economy 3rd Quarter 2018, Ministry of Finance Malaysia)*

Output of refined petroleum products grew 3.2% (January – August 2016: 3%) supported by higher demand from Australia, Indonesia and Singapore. The growth was also supported by higher demand from domestic energy-intensive and power generation industries. Meanwhile, output of chemicals and chemical products expanded 3.5% attributed to higher production of other chemicals (3.8%) as well as pharmaceuticals, medicinal chemical and botanical products which increased 4.4% (January – August 2016: 4.5%; 2.9%; 4%). Output of basic chemicals, fertilizer and nitrogen compounds grew 3.7% (January – August 2016: 5.9%) in line with higher production in the agriculture sector following firmer commodity prices. Likewise, plastic products expanded 2.7% (January – August 2016; 3.1%) attributed to higher demand from the food packaging industry.

*(Source: 2018 Economic Report, Ministry of Finance Malaysia)*

## **4.3 Prospects of Ee Jia Group**

Ee Jia Group's products are sold in Malaysia and overseas. The majority of Ee Jia Group's revenue is derived from the domestic market. Ee Jia Group's products are also sold in various countries outside of Malaysia such as Indonesia, Cambodia, Singapore, Brunei, Vietnam, Thailand and China. .

Ee Jia Group's plasticware is mainly plastic household products, making them relatively inexpensive in comparison to other glass and metallic household products. Plastic household products are commonly used by families, making the market potential for plastic household products very substantial, especially in developing countries. The management of Ee Jia expects the prospects of the household plasticware markets to remain positive.

It is constantly expanding its product offerings and product mix to increase its recognition and market share in the plasticware industry. In an effort to differentiate itself from its competitors due to the competitiveness of the plasticware industry, Ee Jia Group is focused on the development and improvisation of its brands, quality of its products, product design uniqueness and strong product mix to cater to its customers' demands.

Premised on the above, the management of Ee Jia expects the continued growth of Ee Jia Group in the future and the prospects of the household plasticware markets to remain positive.

*(Source: Management of Ee Jia)*

## **5. RISK FACTORS**

### **5.1 Acquisition risk**

The Proposed Acquisition is being undertaken by SWS Group to expand their plasticware business. However, there is no guarantee that the anticipated benefits from the Proposed Acquisition will be realised, or that the Group will be able to generate sufficient returns through the business of Ee Jia Group to offset the associated costs of investment. As such, there is no assurance that the Proposed Acquisition will enhance the Group's financial performance, or that the duration required for SWS to recoup its costs of investment will be as anticipated.

Nevertheless, the Board has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisition and believes that the Proposed Acquisition will be value-accretive to the enlarged SWS Group.

### **5.2 Business risk**

The Proposed Acquisition is subject to risks inherent in the plasticware industry. Such risks may include changes in demand for types of consumer products, competition from other competitors, delays in the supply chain, shortages in labour and raw materials and fluctuations in the costs thereof. Any occurrence of these events may have an adverse material effect on the enlarged Group's performance. SWS Group seeks to limit these risks through prudent management policies, efficient human resource management, effective cost control policies and careful planning.

### **5.3 Competition risk**

Ee Jia Group faces competition from existing competitors and potential new market entrants in Malaysia and from overseas. In general, the barriers to entry into the plasticware industry are somewhat high due to relatively high capital investment, established distribution channels, access to retail shelf space, high cost of marketing, compliance with stringent quality standards and strong research & development capabilities. However, the markets that Ee Jia Group operates in are also characterised by frequent product innovations, technological changes and evolving industry standards. There may be competitors with deeper financial resources, better networks and superior technologies that may produce products that are more sought after and which may threaten Ee Jia Group's market opportunities.

The management of Ee Jia is of the view that its competition, to a certain extent, is mitigated as it can leverage on its competitive strengths to defend its market position and the impact of competition from potential new entrants is mitigated due to the numerous barriers to entry mentioned above. The Board is of the opinion that Ee Jia Group has an established track record and reputation in providing quality plasticware products by placing great emphasis and focus on continuous improvements in the manufacturing process to increase productivity and quality to stay competitive within the industry.

Although Ee Jia Group seeks to continuously adopt appropriate strategies to remain competitive, there can be no assurance that competition from existing competitors and/or potential new entrants will not have a material adverse effect on its performance.

#### **5.4 Non-completion of the SPA**

The Proposed Acquisition is subject to the fulfilment of the respective obligations of the contracting parties pursuant to the terms and conditions as stipulated in the SPA. In the event any of the conditions precedent is not fulfilled or waived, the Proposed Acquisition may be delayed or terminated, and the potential benefits arising thereon may not materialise.

In addition, the Proposed Acquisition is conditional upon the approvals from the non-interested shareholders of the Company as well as other relevant authorities or parties. The Proposed Acquisition is also inter-conditional upon the Proposed Rights Issue of ICPS.

Nevertheless, the Board will take reasonable steps to ensure that the conditions precedent as set out in the SPA are met within the stipulated timeframe and that every effort is made to obtain all necessary approvals for the Proposed Acquisition in order to complete the Proposed Acquisition in a timely manner.

#### **5.5 Economic, political and regulatory risks**

Adverse developments in political, economic, regulatory and social conditions could materially affect SWS Group's financial performance and business prospects. Other political uncertainties that could unfavourably affect SWS Group include changes in political leadership, economic downturn, financial crisis expropriation, nationalisation, re-negotiation or nullification of existing contracts, changes in interest rates and methods of taxation. Much of the above changes are beyond SWS Group's control. SWS Group will continue to review its business development strategies in response to these changes.

#### **5.6 Seasonality of sales**

Ee Jia Group's products are consumable products, and its revenue is subject to seasonal fluctuations during the year. The peak seasons for Ee Jia Group are prior to festive seasons and in the fourth quarter of each year - prior to the commencement of the new school year in January. The management of Ee Jia believes that it is exposed to the risks associated with such seasonal factors and the fluctuation of demand of Ee Jia Group's products. Should there be any adverse change of market condition during these periods, Ee Jia Group's profitability may be adversely affected. In order to mitigate the risk of seasonality of sales, Ee Jia Group constantly introduces new innovative and improved products that meet the needs of the customers on a regular basis.

#### **5.7 Achievability of the Profit Guarantee**

The Profit Guarantee was agreed between SWS and the Vendors after considering the historical revenue and the profit after taxation after minority interest of Ee Jia Group from the FYE 31 December 2015 to FYE 31 December 2017, which are deemed reasonable by both SWS and the Vendors, but nevertheless subject to certain uncertainties and contingencies, which are out of SWS or Ee Jia's control.

There can be no assurance that the Profit Guarantee will be met.

Nonetheless, the Profit Guarantee is secured by the Retention Sum.

#### **5.8 Dependence on key management and personnel**

Ee Jia Group's continued success will depend, to a significant extent, on the experience, knowledge, abilities and continued efforts of its existing directors and key management personnel of Ee Jia Group. Ee Jia Group's directors and key management personnel have been instrumental in the growth of Ee Jia Group and are critical in maintaining the quality of its services, products and key relationships with its customers. Therefore, the resignation of any of these directors or key management personnel without suitable and timely replacements may adversely affect Ee Jia Group's operations.

The Board recognised the importance of Ee Jia Group's ability to retain its existing directors and key management personnel as well as attracting new skilled personnel and have in place, various human resource strategies, which include, amongst others, competitive compensation packages and provision of extensive training to develop and enhance Ee Jia Group's employees' knowledge and capabilities, as well as personal development programmes.

Notwithstanding the above, a term was provided in the SPA that on Completion, Ooi Chen Hoon, the existing Managing Director of Ee Jia shall enter into a service agreement with Ee Jia to continue his service as the Managing Director of Ee Jia Goup for a period of thirty-six (36) months from the date of Completion of the SPA.

Further, as part of the Group's management succession plan, SWS will groom the younger members of its Group and upon completion of the Proposed Acquisition, also groom Ee Jia's management team to gradually take on more responsibilities and gain more exposure in the various aspects of the Group's business. However, in spite of the abovementioned measures, there can be no assurance that SWS will be successful in retaining the existing directors and key management of Ee Jia or that there will be a smooth transition should changes occur which may have an adverse effect on SWS Group.

## 6. EFFECTS OF THE PROPOSALS

The Proposed Amendments will not have any effect on the issued share capital, net assets ("NA"), gearing, earnings, EPS, substantial shareholders' shareholdings and the convertible securities of SWS.

The pro forma effects of the Proposals are based on the following scenarios:

<b>Minimum Scenario</b>	<p>Assuming the following:</p> <ul style="list-style-type: none"> <li>(i) none of the 91,171,801 outstanding Warrants as at the LPD are exercised prior to the Entitlement Date;</li> <li>(ii) the Proposed Rights Issue of ICPS is implemented at the Minimum Subscription Level; and</li> <li>(iii) all ICPS are converted by surrendering for cancellation seven (7) ICPS for one (1) new SWS Share.</li> </ul>
<b>Maximum Scenario</b>	<p>Assuming the following:</p> <ul style="list-style-type: none"> <li>(i) all the 91,171,801 outstanding Warrants as at the LPD are exercised prior to the Entitlement Date;</li> <li>(ii) all Entitled Shareholders subscribe for their entitlements for the Rights ICPS in full; and</li> <li>(iii) all ICPS are converted by surrendering for cancellation one (1) ICPS and RM0.42 cash for one (1) new SWS Share.</li> </ul>

## 6.1 Share capital

The pro forma effects of the Proposals on the Company's share capital are as follows:

	Minimum Scenario				Maximum Scenario			
	No. of SWS Shares	RM	No. of ICPS	RM	No. of SWS Shares	RM	No. of ICPS	RM
As at LPD	182,343,782	91,171,891	-	-	182,343,782	91,171,891	-	-
To be issued pursuant to the full exercise of Warrants	-	-	-	-	91,171,801	<sup>(4)</sup> 82,054,621	-	-
<b>To be issued pursuant to the Proposed Rights Issue of ICPS</b>	182,343,782	91,171,891	-	-	273,515,583	173,226,512	-	-
	-	-	<b>364,687,564</b>	<b>25,528,129</b>	-	-	<b>547,031,166</b>	<b>38,292,182</b>
<b>To be issued pursuant to the Proposed Acquisition</b>	182,343,782	91,171,891	364,687,564	25,528,129	273,515,583	173,226,512	547,031,166	38,292,182
	<b>55,000,000</b>	<b>44,000,000</b>	-	-	<b>55,000,000</b>	<b>44,000,000</b>	-	-
<b>To be issued pursuant to the Proposed Placement of ICPS</b>	237,343,782	135,171,891	364,687,564	25,528,129	328,515,583	217,226,512	547,031,166	38,292,182
	-	-	<b>143,000,000</b>	<b>10,010,000</b>	-	-	<b>143,000,000</b>	<b>10,010,000</b>
To be issued pursuant to the full exercise of Warrants and adjustment warrants	237,343,782	135,171,891	507,687,564	35,538,129	328,515,583	217,226,512	690,031,166	48,302,182
	<sup>(1)</sup> 101,441,152	<sup>(2)</sup> 82,167,333	-	-	-	-	-	-
Assuming full conversion of ICPS	338,784,934	217,339,224	507,687,564	35,538,129	328,515,583	217,226,512	690,031,166	48,302,182
	72,526,795	35,538,129	<sup>(3)</sup> (507,687,564)	(35,538,129)	690,031,166	338,115,271	<sup>(5)</sup> (690,031,166)	(48,302,182)
<b>Enlarged share capital</b>	<b>411,311,729</b>	<b>252,877,353</b>	-	-	<b>1,018,546,749</b>	<b>555,341,783</b>	-	-

Notes:

- (1) Assuming the total number of outstanding Warrants is adjusted from 91,171,801 to 101,441,152 following the issuance of 10,269,351 adjustment warrants resulting from the adjustments to be made pursuant to the Proposed Rights Issue of ICPS ("**Adjustment Warrants**").
- (2) Assuming full exercise of the entire 101,441,152 Warrants (including Adjustment Warrants) at RM0.81 (adjusted exercise price) per new SWS Share.
- (3) Assuming full conversion of the entire 507,687,564 ICPS by surrendering for cancellation seven (7) ICPS for one (1) new SWS Share.
- (4) Assuming full exercise of the entire 91,171,801 Warrants at RM0.90 per new SWS Share.
- (5) Assuming full conversion of the entire 690,031,166 ICPS by surrendering for cancellation one (1) ICPS and RM0.42 cash for one (1) new SWS Share.

## 6.2 NA and gearing

The pro forma effects of the Proposals on the NA and gearing of SWS Group based on the audited consolidated financial statements of SWS as at 31 August 2018 are as follows:

### Minimum Scenario

	(I)	(II)	(III)	(IV)	(V)	
	Audited as at 31 August 2018	After (I) and the Proposed Rights Issue of ICPS	After (II) and the Proposed Acquisition	After (III) and the Proposed Private Placement of ICPS	After (IV) and assuming full exercise of Warrants and Adjustment Warrants	After (IV) and assuming full conversion of ICPS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	91,172	91,172	135,172	135,172	<sup>(6)</sup> 217,339	<sup>(7)</sup> 252,877
Share premium	71	71	71	71	71	71
Warrants reserve	68,816	68,816	68,816	68,816	-	-
Discount on shares	(68,816)	(68,816)	(68,816)	(68,816)	-	-
Revaluation reserve	8,994	8,994	8,994	8,994	8,994	8,994
Accumulated losses	(1,437)	<sup>(1)</sup> (3,437)	(3,437)	<sup>(4)</sup> (3,687)	(3,687)	(3,687)
<b>Equity attributable to owners / NA</b>	<b>98,800</b>	<b>96,800</b>	<b>140,800</b>	<b>140,550</b>	<b>222,717</b>	<b>258,255</b>
No of SWS Shares ('000)	182,344	182,344	237,344	237,344	338,785	411,312
No of ICPS ('000)	-	364,688	364,688	507,688	507,688	-
No of Warrants ('000)	91,172	<sup>(2)</sup> 101,441	101,441	101,441	-	-
NA per SWS Share (RM)	0.54	0.53	0.59	0.59	0.66	0.63
Borrowings (RM'000)	54,771	54,771	<sup>(3)</sup> 69,158	<sup>(5)</sup> 66,198	66,198	66,198
Gearing (times)	0.55	0.57	0.49	0.47	0.30	0.26

*Notes:*

- (1) After deducting estimated expenses for the Proposals of approximately RM2 million.*
- (2) After the issuance of 10,269,351 Adjustment Warrants.*
- (3) Including Ee Jia Group's borrowings of approximately RM14.39 million.*
- (4) After deducting estimated expenses for the Proposed Private Placement of ICPS of approximately RM0.25 million.*
- (5) After the repayment of bank borrowings of approximately RM2.96 million from the proceeds raised from the Proposed Private Placement of ICPS.*
- (6) Assuming full exercise of the entire 101,441,152 Warrants (including Adjustment Warrants) at RM0.81 (adjusted exercise price) per new SWS Share.*
- (7) Assuming full conversion of the entire 507,687,564 ICPS by surrendering for cancellation seven (7) ICPS for one (1) new SWS Share.*

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**Maximum Scenario**

	(I)	(II)	(III)	(IV)	(V)	
	Audited as at 31 August 2018	After (I) and assuming full exercise of Warrants	After (II) and the Proposed Rights Issue of ICPS	After (III) and the Proposed Acquisition	After (IV) and the Proposed Private Placement of ICPS	After (V) and assuming full conversion of ICPS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	91,172	<sup>(1)</sup> 173,227	173,227	217,227	217,227	<sup>(7)</sup> 555,342
Share premium	71	71	71	71	71	71
Warrants reserve	68,816	-	-	-	-	-
Discount on shares	(68,816)	-	-	-	-	-
Revaluation reserve	8,994	8,994	8,994	8,994	8,994	8,994
Accumulated losses	(1,437)	(1,437)	<sup>(2)</sup> (3,437)	(3,437)	<sup>(5)</sup> (3,687)	(3,687)
<b>Equity attributable to owners / NA</b>	<b>98,800</b>	<b>180,855</b>	<b>178,855</b>	<b>222,855</b>	<b>222,605</b>	<b>560,720</b>
No of SWS Shares ('000)	182,344	273,516	273,516	328,516	328,516	1,018,547
No of ICPS ('000)	-	-	547,031	547,031	690,031	-
No of Warrants ('000)	91,172	-	-	-	-	-
NA per SWS Share (RM)	0.54	0.66	0.65	0.68	0.68	0.55
Borrowings (RM'000)	54,771	54,771	<sup>(3)</sup> 50,679	<sup>(4)</sup> 65,066	<sup>(6)</sup> 62,106	62,106
Gearing (times)	0.55	0.30	0.28	0.29	0.28	0.11

*[The rest of this page has been intentionally left blank]*

Notes:

- (1) *Assuming full exercise of the entire 91,171,801 Warrants at RM0.90 per new SWS Share.*
- (2) *After deducting estimated expenses for the Proposals of approximately RM2 million.*
- (3) *After the repayment of bank borrowings of approximately RM4.09 million from proceeds raised from the Proposed Rights Issue of ICPS.*
- (4) *Including Ee Jia Group's borrowings of approximately RM14.39 million.*
- (5) *After deducting estimated expenses for the Proposed Private Placement of ICPS of approximately RM0.25 million.*
- (6) *After the repayment of bank borrowings of approximately RM2.96 million from proceeds raised from the Proposed Private Placement of ICPS.*
- (7) *Assuming full conversion of the entire 690,031,166 ICPS by surrendering for cancellation one (1) ICPS and RM0.42 cash for one (1) new SWS Share.*

### **6.3 Earnings and EPS**

The Proposals are not expected to have an immediate material effect on the consolidated earnings and EPS of SWS Group for the FYE 31 August 2019 as the Proposals are only expected to be completed in the 2nd quarter of 2019 whilst the proceeds to be raised are expected to be utilised within 6 months from the date of the listing of the ICPS. Nevertheless, the potential profit contribution from Ee Jia Group after the Proposed Acquisition coupled with the benefits of the utilisation of proceeds pursuant to the Proposed Rights Issue of ICPS and the Proposed Private Placement of ICPS are expected to contribute positively to the future earnings of the Group.

The EPS of the Group will be correspondingly diluted as a result of the increase in the number of SWS Shares in issue arising from the issuance of the Consideration Shares and conversion of the ICPS in the future.

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## 6.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposals on the substantial shareholders' shareholdings are as follows:

### Minimum Scenario

	(I)				(II)				(III)			
	As at LPD				After (I) and the Proposed Rights Issue of ICPS				After (II) and the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Tan Sri Tan	17,397,025	9.54	<sup>(1)</sup> 31,855,325	17.47	17,397,025	9.54	<sup>(1)</sup> 31,855,325	17.47	22,110,525	9.32	<sup>(1)</sup> 31,855,325	13.42
Teoh Han Chuan	10,625,000	5.83	<sup>(2)</sup> 1,941,250	1.06	10,625,000	5.83	<sup>(2)</sup> 1,941,250	1.06	24,507,000	10.33	<sup>(2)</sup> 1,941,250	0.82
Puan Sri Datin Chan	8,774,656	4.81	<sup>(3)</sup> 40,477,694	22.20	8,774,656	4.81	<sup>(3)</sup> 40,477,694	22.20	8,774,656	3.70	<sup>(3)</sup> 45,191,194	19.04
Neo Tiam Hock	6,460,056	3.54	<sup>(4)</sup> 5,476,896	3.00	6,460,056	3.54	<sup>(4)</sup> 5,476,896	3.00	6,460,056	2.72	<sup>(4)</sup> 5,476,896	2.31
Dato' Seri Mr. Serm	11,692,625	6.41	-	-	11,692,625	6.41	-	-	11,692,625	4.93	-	-
Heng Sew Hua	3,875,000	2.13	<sup>(5)</sup> 4,172,125	2.29	3,875,000	2.13	<sup>(5)</sup> 4,172,125	2.29	12,779,500	5.38	<sup>(5)</sup> 4,172,125	1.76
Ooi Chen Hoon	770,000	0.42	<sup>(6)</sup> 127,000	0.07	770,000	0.42	<sup>(6)</sup> 127,000	0.07	18,843,000	7.94	<sup>(6)</sup> 127,000	0.05
Tan Soon Ping	3,375,000	1.85	<sup>(7)</sup> 1,875,000	1.03	3,375,000	1.85	<sup>(7)</sup> 1,875,000	1.03	12,802,000	5.39	<sup>(7)</sup> 1,875,000	0.79

	(IV)				(V)							
	After (III) and the Proposed Private Placement of ICPS				After (IV) and assuming full exercise of Warrants and Adjustment Warrants				After (V) and assuming full conversion of ICPS <sup>(8)</sup>			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Tan Sri Tan	22,110,525	9.32	<sup>(1)</sup> 31,855,325	13.42	31,788,814	9.38	<sup>(1)</sup> 49,577,034	14.63	36,759,393	8.94	<sup>(1)</sup> 58,678,555	14.27
Teoh Han Chuan	24,507,000	10.33	<sup>(2)</sup> 1,941,250	0.82	30,417,885	8.98	<sup>(2)</sup> 3,021,203	0.89	33,453,599	8.13	<sup>(2)</sup> 3,575,846	0.87
Puan Sri Datin Chan	8,774,656	3.70	<sup>(3)</sup> 45,191,194	19.04	13,656,161	4.03	<sup>(3)</sup> 67,709,689	19.99	16,163,206	3.93	<sup>(3)</sup> 79,274,744	19.27
Neo Tiam Hock	6,460,056	2.72	<sup>(4)</sup> 5,476,896	2.31	10,053,905	2.97	<sup>(4)</sup> 8,523,796	2.52	11,899,635	2.89	<sup>(4)</sup> 10,088,623	2.45
Dato' Seri Mr. Serm	11,692,625	4.93	-	-	16,742,120	4.94	-	-	20,082,870	4.88	-	-
Heng Sew Hua	12,779,500	5.38	<sup>(5)</sup> 4,172,125	1.76	14,935,234	4.41	<sup>(5)</sup> 6,493,155	1.92	16,042,377	3.90	<sup>(5)</sup> 7,685,191	1.87
Ooi Chen Hoon	18,843,000	7.94	<sup>(6)</sup> 127,000	0.05	19,271,365	5.69	<sup>(6)</sup> 197,652	0.06	19,491,365	4.74	<sup>(6)</sup> 233,938	0.06
Tan Soon Ping	12,802,000	5.39	<sup>(7)</sup> 1,875,000	0.79	14,679,575	4.33	<sup>(7)</sup> 2,918,097	0.86	15,643,861	3.80	<sup>(7)</sup> 3,453,811	0.84

Notes:

- (1) *Deemed interested by virtue of his spouse, son and daughters' direct interests in the Company.*
- (2) *Deemed interested by virtue of his spouse and son's direct interests in the Company.*
- (3) *Deemed interested by virtue of her spouse, son and daughters' direct interests in the Company.*
- (4) *Deemed interested by virtue of his spouse and sons' direct interests in the Company.*
- (5) *Deemed interested by virtue of his spouse, son and daughters' direct interests in the Company.*
- (6) *Deemed interested by virtue of his spouse's direct interest in the Company.*
- (7) *Deemed interested by virtue of his spouse's direct interest in the Company.*
- (8) *Assuming full conversion of the entire 507,687,564 ICPS by surrendering for cancellation seven (7) ICPS for one (1) new SWS Share.*

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**Maximum Scenario**

	(I)				(II)				(III)			
	As at LPD				After (I) and assuming full exercise of Warrants and Adjustment Warrants				After (II) and the Proposed Rights Issue of ICPS			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Tan Sri Tan	17,397,025	9.54	<sup>(1)</sup> 31,855,325	17.47	26,095,537	9.54	<sup>(1)</sup> 47,782,985	17.47	26,095,537	9.54	<sup>(1)</sup> 47,782,985	17.47
Teoh Han Chuan	10,625,000	5.83	<sup>(2)</sup> 1,941,250	1.06	15,937,500	5.83	<sup>(2)</sup> 2,911,875	1.06	15,937,500	5.83	<sup>(2)</sup> 2,911,875	1.06
Puan Sri Datin Chan	8,774,656	4.81	<sup>(3)</sup> 40,477,694	22.20	13,161,984	4.81	<sup>(3)</sup> 60,716,538	22.20	13,161,984	4.81	<sup>(3)</sup> 60,716,538	22.20
Neo Tiam Hock	6,460,056	3.54	<sup>(4)</sup> 5,476,896	3.00	9,690,084	3.54	<sup>(4)</sup> 8,215,344	3.00	9,690,084	3.54	<sup>(4)</sup> 8,215,344	3.00
Dato' Seri Mr. Serm	11,692,625	6.41	-	-	16,230,937	5.93	-	-	16,230,937	5.93	-	-
Heng Sew Hua	3,875,000	2.13	<sup>(5)</sup> 4,172,125	2.29	5,812,500	2.13	<sup>(5)</sup> 6,258,187	2.29	5,812,500	2.13	<sup>(5)</sup> 6,258,187	2.29
Ooi Chen Hoon	770,000	0.42	<sup>(6)</sup> 127,000	0.07	1,155,000	0.42	<sup>(6)</sup> 190,500	0.07	1,155,000	0.42	<sup>(6)</sup> 190,500	0.07
Tan Soon Ping	3,375,000	1.85	<sup>(7)</sup> 1,875,000	1.03	5,062,500	1.85	<sup>(7)</sup> 2,812,500	1.03	5,062,500	1.85	<sup>(7)</sup> 2,812,500	1.03

	(IV)				(V)							
	After (III) and the Proposed Acquisition				After (IV) and the Proposed Private Placement of ICPS				After (V) and assuming full conversion of ICPS <sup>(8)</sup>			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Tan Sri Tan	30,809,037	9.38	<sup>(1)</sup> 47,782,985	14.55	30,809,037	9.38	<sup>(1)</sup> 47,782,985	14.55	83,000,111	8.15	<sup>(1)</sup> 143,348,955	14.07
Teoh Han Chuan	29,819,500	9.08	<sup>(2)</sup> 2,911,875	0.89	29,819,500	9.08	<sup>(2)</sup> 2,911,875	0.89	61,694,500	6.06	<sup>(2)</sup> 8,735,625	0.86
Puan Sri Datin Chan	13,161,984	4.01	<sup>(3)</sup> 65,430,038	19.92	13,161,984	4.01	<sup>(3)</sup> 65,430,038	19.92	39,485,952	3.88	<sup>(3)</sup> 186,863,114	18.35
Neo Tiam Hock	9,690,084	2.95	<sup>(4)</sup> 8,215,344	2.50	9,690,084	2.95	<sup>(4)</sup> 8,215,344	2.50	29,070,252	2.85	<sup>(4)</sup> 24,646,032	2.42
Dato' Seri Mr. Serm	16,230,937	4.94	-	-	16,230,937	4.94	-	-	48,692,811	4.78	-	-
Heng Sew Hua	14,717,000	4.48	<sup>(5)</sup> 6,258,187	1.90	14,717,000	4.48	<sup>(5)</sup> 6,258,187	1.90	26,342,000	2.59	<sup>(5)</sup> 18,774,561	1.84
Ooi Chen Hoon	19,228,000	5.85	<sup>(6)</sup> 190,500	0.06	19,228,000	5.85	<sup>(6)</sup> 190,500	0.06	21,538,000	2.11	<sup>(6)</sup> 571,500	0.06
Tan Soon Ping	14,489,500	4.41	<sup>(7)</sup> 2,812,500	0.86	14,489,500	4.41	<sup>(7)</sup> 2,812,500	0.86	24,614,500	2.42	<sup>(7)</sup> 8,437,500	0.83

Notes:

- (1) *Deemed interested by virtue of his spouse, son and daughters' direct interests in the Company.*
- (2) *Deemed interested by virtue of his spouse and son's direct interests in the Company.*
- (3) *Deemed interested by virtue of her spouse, son and daughters' direct interests in the Company.*
- (4) *Deemed interested by virtue of his spouse and sons' direct interests in the Company.*
- (5) *Deemed interested by virtue of his spouse, son and daughters' direct interests in the Company.*
- (6) *Deemed interested by virtue of his spouse's direct interest in the Company.*
- (7) *Deemed interested by virtue of his spouse's direct interest in the Company.*
- (8) *Assuming full conversion of the entire 690,031,166 ICPS by surrendering for cancellation one (1) ICPS and RM0.42 cash for one (1) new SWS Share.*

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## 6.5 Convertible securities

As at the LPD, the Company does not have any other existing convertible securities save for the outstanding Warrants as set out in Section 2.2 of this announcement.

The Proposed Rights Issue of ICPS will give rise to adjustments to the exercise price of the Warrants and/or the number of Warrants as at the Entitlement Date pursuant to the provisions of the deed poll dated 10 April 2018 (“**Deed Poll**”) constituting the Warrants. Any such adjustment will only be finalised on the Entitlement Date. In addition, a written notification will be despatched to the holders of Warrants in the event of any such adjustment.

## 7. APPROVALS REQUIRED AND INTER-CONDITIONALITY OF THE PROPOSALS

The Proposals are subject to the following approvals being obtained from:

- (i) Bursa Securities for the following:
  - (a) listing and quotation for the Consideration Shares on the Main Market of Bursa Securities;
  - (b) listing and quotation for the Adjustment Warrants on the Main Market of Bursa Securities in accordance with the provisions of the Deed Poll;
  - (c) admission, listing and quotation for the ICPS on the Main Market of Bursa Securities;
  - (d) listing and quotation of new SWS Shares to be issued pursuant to the exercise of the Adjustment Warrants on the Main Market of Bursa Securities; and
  - (e) listing and quotation of new SWS Shares to be issued pursuant to the conversion of the ICPS on the Main Market of Bursa Securities;
- (ii) the shareholders of SWS for the Proposals at an EGM to be convened;
- (iii) financiers of Ee Jia in relation to Ee Jia’s financial covenants, if any; and
- (iv) any other relevant authorities and/or parties, if required and the fulfilment of all conditions attached to such approvals, if any.

The Proposed Acquisition, the Proposed Rights Issue of ICPS and the Proposed Amendments are inter-conditional upon each another.

The Proposed Private Placement of ICPS is conditional upon the Proposed Amendments and the Proposed Rights Issue of ICPS.

The Proposed Acquisition is not conditional upon the Proposed Private Placement of ICPS.

The Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by SWS.

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

Save as disclosed below, none of the directors, major shareholders of SWS and/or persons connected with them have any interest, directly or indirectly in the Proposals:

- (i) Tan Sri Tan is the Chairman of the Board and a major shareholder of SWS; and
- (ii) Teoh Han Chuan is the Managing Director of SWS and a substantial shareholder of SWS.

The shareholdings of Tan Sri Tan and Teoh Han Chuan in SWS are as follows:

	Direct shareholdings		Indirect shareholdings	
	No. of SWS Shares	%	No. of SWS Shares	%
Tan Sri Tan	17,397,025	9.54	31,855,325	17.47
Teoh Han Chuan	10,625,000	5.83	1,941,250	1.06

Tan Sri Tan and Teoh Han Chuan are both interested in the Proposed Acquisition by virtue of them being part of the Vendors, making them parties to the transaction and Teoh Han Chuan being a director of Ee Jia.

Considering the inter-conditionality of the Proposed Acquisition, the Proposed Rights Issue of ICPS and the Proposed Amendments as set out in Section 7 of this announcement, Tan Sri Tan and Teoh Han Chuan will abstain from all Board deliberations and voting in relation to the Proposed Acquisition, the Proposed Rights Issue of ICPS and the Proposed Amendments. They will abstain and have undertaken to ensure that persons connected with them will also abstain from voting in respect of their direct and/or indirect shareholdings in SWS on the resolutions pertaining to the Proposed Acquisition, the Proposed Rights Issue of ICPS and the Proposed Amendments to be tabled at a general meeting to be convened.

## 9. TRANSACTIONS WITH THE INTERESTED DIRECTORS, INTERESTED SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save for the Proposals and recurrent related party transactions which are not required to be disclosed pursuant to Paragraph 10.09(1)(a) of the Listing Requirements, there were no other transactions entered into by the Company with the Interested Directors, the interested shareholders and/or persons connected with them for the twelve (12) months preceding the LPD.

## 10. PERCENTAGE RATIO

Based on the Purchase Consideration, the highest percentage ratio of SWS pursuant to Chapter 10.02(g) of the Listing Requirements is approximately 64.78%.

## 11. STATEMENT OF THE AUDIT COMMITTEE

The Audit Committee of SWS (save for Tan Kok Tiam), having considered and deliberated on all aspects of the Proposals, is of the opinion that the Proposals are:

- (i) in the best interest of SWS Group;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of SWS.

The opinion of the Audit Committee (save for Tan Kok Tiam) was arrived after having considered, inter alia, the terms and conditions, rationale, pro forma effects of the Proposals to the Group and the prospects of Ee Jia Group.

The Proposed Acquisition and the Proposed Rights Issue of ICPS will be further assessed by M&A Securities Sdn. Bhd. (“**M&A Securities**”) and the Audit Committee will take into consideration the opinion of M&A Securities once made available to them.

Tan Kok Tiam is the Head of the Corporate Finance Department in IPS. He is an independent non-executive director of the Company and also a part of the Audit Committee of the Company. As at the LPD, he does not hold any SWS Shares. He has abstained and will continue to abstain from the Board’s deliberation and recommendation in relation to the Proposals in order to mitigate any conflict of interest situations by virtue of IPS being the Adviser to SWS in relation to the Proposals. He has also abstained and will continue to abstain from advising SWS on any matters relating to the Proposals.

Additionally, if Tan Kok Tiam becomes a shareholder in SWS, he has voluntarily chosen to abstain from voting on the resolutions pertaining to the Proposals to be tabled at a general meeting to be convened.

## **12. DIRECTORS’ STATEMENT**

The Board (save for the Interested Directors in relation to the Proposed Acquisition, the Proposed Rights Issue of IPCS and the Proposed Amendments and Tan Kok Tiam in relation to the Proposals), having considered and deliberated on all aspects of the Proposals including the terms and conditions, rationale, pro forma effects of the Proposals to the Group and the prospects of Ee Jia Group, is of the opinion that the Proposals are in the best interest of SWS Group.

## **13. ADVISERS**

IPS has been appointed as the principal adviser to the Company in respect of the Proposals.

The Proposed Acquisition is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of Tan Sri Tan and Teoh Han Chuan in the Proposed Acquisition as set out in Section 8 of this announcement. Considering the inter-conditional nature of the Proposed Acquisition, the Proposed Rights Issue of ICPS and the Proposed Amendments as set out in Section 7 of this announcement, M&A Securities has been appointed as the independent adviser to provide the non-interested directors and non-interested shareholders of SWS with:

- (i) an opinion as to whether the Proposed Acquisition and the Proposed Rights Issue of ICPS are fair and reasonable and whether the proposals are detrimental to the non-interested shareholders of the Company; and
- (ii) a recommendation as to whether non-interested shareholders of the Company should vote for or against the resolutions pertaining to the Proposed Acquisition and the Proposed Rights Issue of ICPS to be tabled at an EGM.

## **14. APPLICATION TO THE RELEVANT AUTHORITIES AND ESTIMATED TIME FRAME FOR COMPLETION**

An application to the relevant authorities seeking approval for the Proposals will be made within two (2) months from the date of this announcement.

Subject to all relevant approvals being obtained, the Proposals are expected to be completed by 2nd quarter of year 2019.

**15. DOCUMENTS FOR INSPECTION**

The SPA and the Stakeholder Agreement will be made available for inspection at the registered office of the Company at No.7 (1<sup>st</sup> Floor), Jalan Pesta 1/1, Taman Tun Dr Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Ta'zim, during normal business hours (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 28 January 2019.

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**INFORMATION ON EE JIA**


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**1. History and principal activities**

Ee Jia is a private limited company incorporated in Malaysia on 10 April 2000 under the Companies Act, 1965 and is deemed registered under the Companies Act, 2016.

The principal activity of Ee Jia consists of trading and marketing of plasticware and utensils. The principal activities of its subsidiary companies are investing in landed properties and collecting rental, trading and marketing of plasticware and utensils and goods.

**2. Share capital**

As at the LPD, the issued share capital of Ee Jia is RM5,250,000 comprising 5,250,000 Ee Jia Shares.

**3. Directors of Ee Jia**

As at the LPD, the directors of Ee Jia and their respective shareholdings in Ee Jia are as follows:

Directors	Direct shareholdings		Indirect shareholdings	
	No. of Ee Jia Shares	%	No. of Ee Jia Shares	%
Teoh Han Chuan	1,325,000	25.24	-	-
Heng Sew Hua	850,000	16.19	-	-
Ooi Chen Hoon	1,725,000	32.86	-	-
Tan Soon Ping	900,000	17.14	-	-

**4. Substantial shareholders of Ee Jia**

As at the LPD, the substantial shareholders of Ee Jia and their respective shareholdings in Ee Jia are as follows:

Substantial shareholders	Direct shareholdings		Indirect shareholdings	
	No. of Ee Jia Shares	%	No. of Ee Jia Shares	%
Tan Sri Tan	450,000	8.57	-	-
Teoh Han Chuan	1,325,000	25.24	-	-
Heng Sew Hua	850,000	16.19	-	-
Ooi Chen Hoon	1,725,000	32.86	-	-
Tan Soon Ping	900,000	17.14	-	-

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## INFORMATION ON EE JIA (Cont'd)

## 5. Subsidiaries and associate companies

As at the LPD, the subsidiaries of Ee Jia are as follows:

Subsidiaries	Place of incorporation	Equity interest held (%)	Principal activities
Ruby Vantage Sdn. Bhd.	Malaysia	100	Investment holding
PT. Elianware Houseware Trading	Indonesia	51	Large trading of equipment and houseware
Ebottles Marketing (M) Sdn. Bhd.	Malaysia	100	Trading and marketing of original equipment manufacturer products under own brand name, plastic wares and utensils
Eplas Marketing (M) Sdn. Bhd.	Malaysia	100	Marketing of plastic wares and utensils
E Sponge Household Sdn. Bhd.	Malaysia	100	Marketing of cleaning wares for household

As at the LPD, Ee Jia has no associate company.

## 6. Financial information

A summary of the audited financial information of Ee Jia for the FYE 31 December 2015, 2016, 2017 and the unaudited 9-month financial period ending ("FPE") 30 September 2018 are as follows:

	Audited FYE 31 December			Unaudited 9-month FPE 30 September 2018 RM'000
	2015 RM'000	2016 RM'000	2017 RM'000	
Revenue	37,048	39,332	40,672	29,533
Profit before taxation ("PBT")	8,316	8,650	8,027	4,214
Profit after taxation ("PAT")	6,056	6,511	5,954	3,107
PAT after minority interest	6,113	6,406	5,600	2,904
Gross EPS (RM)	1.66	1.65	1.53	0.80
Net EPS (RM)	1.21	1.24	1.13	0.59
Share Capital	5,000	5,250	5,250	5,250
No. of Ee Jia Shares ('000)	5,000	5,250	5,250	5,250
Shareholders' funds/NA	22,795	29,463	35,010	38,690
NA per Ee Jia Share (RM)	4.56	5.61	6.67	7.37
Current ratio (times)	2.29	1.42	3.96	4.54
Total borrowings (RM'000)	4,480	3,778	14,387	11,006
Gearing ratio (times)	0.20	0.13	0.41	0.28

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**INFORMATION ON EE JIA (Cont'd)**

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**Commentary****FYE 31 December 2015**

Ee Jia's revenue for the FYE 31 December 2015 increased by approximately RM4.3 million, representing approximately 13.2% to RM37.0 million as compared to the FYE 31 December 2014 of approximately RM32.7 million. The increase was mainly due to sales to new customers (including Giant hypermarket).

Ee Jia's PBT for the FYE 31 December 2015 had decreased by approximately RM0.6 million, representing approximately 7.2% to RM8.3 million as compared to the FYE 31 December 2014 of approximately RM9.0 million. The decrease in PBT was mainly attributable to depreciation charges on the new warehouse which was acquired in the FYE 31 December 2015 and term loan interest.

**FYE 31 December 2016**

Ee Jia's revenue for the FYE 31 December 2016 increased by approximately RM2.3 million, representing approximately 6.2% to RM39.3 million as compared to the FYE 31 December 2015 of approximately RM37.0. The increase was mainly due to business expansion to the Indonesian market.

Ee Jia's PBT for the FYE 31 December 2016 had increased by approximately RM0.4 million, representing approximately 4.0% to RM8.7 million as compared to the FYE 31 December 2015 of approximately RM8.3 million. The increase in PBT was consistent with the increase in revenue.

**FYE 31 December 2017**

Ee Jia's revenue for the FYE 31 December 2017 increased by approximately RM1.3 million, representing approximately 3.4% to RM40.7 million as compared to the FYE 31 December 2016 of approximately RM39.3. The slight increase in revenue in FYE 31 December 2017 was mainly due to the selling price revision of its products. The decrease in the Hari Raya season promotions also contributed to the dismal increase in revenue. The management had decided to limit the Hari Raya promotions due to sales return issues and lower gross profit margin.

Ee Jia's PBT for the FYE 31 December 2017 had decreased by approximately RM0.7 million, representing approximately 7.2% to RM8.0 million as compared to the FYE 31 December 2016 of approximately RM8.7 million. The decrease in PBT was mainly attributable to depreciation charges on the new warehouse which was acquired in the FYE 31 December 2017 and term loan interest.

**FPE 30 September 2018**

Ee Jia's revenue for the FPE 30 September 2018 increased by approximately RM2.2 million, representing approximately 8.0 % to RM29.5 million as compared to the FPE 30 September 2017 of approximately RM27.3 million. The increase was mainly due to the expansion in Indonesia market through participating sales exhibitions.

Ee Jia's PBT for the FPE 30 September 2018 had decreased by approximately RM0.7 million, representing approximately 14.2% to RM4.2 million as compared to the FPE 30 September 2017 of approximately RM4.9 million. The decrease in PBT was mainly due to the price revisions from suppliers.

**SALIENT TERMS OF THE ICPS**

The salient terms of the Rights ICPS and Placement ICPS (collectively known as “**ICPS**”) to be issued pursuant to the Proposed Rights Issue of ICPS and Proposed Private Placement of ICPS are set out as follows:

- Issue Size : (i) Up to 547,031,166 Rights ICPS to be issued pursuant to the Proposed Rights Issue of ICPS; and
- (ii) Up to 143,000,000 Placement ICPS to be issued pursuant to the Proposed Private Placement of ICPS
- Issue Price : (i) Issue price for the Rights ICPS is RM0.07; and
- (ii) The issue price of the Placement ICPS shall be fixed by the Board at a later date(s) after the receipt of all relevant approvals for the Proposed Private Placement of ICPS. The issue price of the Placement ICPS will be determined by the Board prior to the price-fixing date(s). In any event, the issue price of the Placement ICPS shall not be higher than the Rights ICPS’ issue price of RM0.07 or lower than RM0.03.
- Dividend rate : A cumulative preference dividend rate of 21 sen per hundred (100) ICPS per annum, if declared, shall be payable annually (“**ICPS Dividend Date**”) in arrears and out of post-taxation profits. For the avoidance of doubt, the ICPS Dividend Date shall refer to a market day immediately before the ICPS anniversary date of the issue date and if such date is not a market day, then on immediate preceding market day.
- No dividend shall be paid on the ordinary shares of SWS unless the dividends on the ICPS have first been paid and shall be in priority over the ordinary shares of SWS.
- The right to receive dividends, including dividends in arrears, shall cease (save for dividends declared and unpaid) once the ICPS are converted into SWS Shares (including where the ICPS are mandatorily converted in accordance with the terms of the ICPS).
- Maturity date : The market day immediately preceding the date which is the 10th anniversary from the date of issuance of the first ICPS (“**Maturity Date**”). If such day falls on a day which is not a market day, then on the preceding market day.
- Tenure : 10 years commencing from and inclusive of the date of issuance of the first ICPS. For each ICPS issued, the tenure will commence from the date of issuance of the relevant ICPS up to the Maturity Date.
- Board lot : For the purpose of trading on Bursa Securities, a board lot of ICPS shall be 100 units of ICPS, or such other number of units as may be prescribed by Bursa Securities.
- Form and denomination : The ICPS will be issued in registered form and will be constituted by SWS’ Constitution.

**SALIENT TERMS OF THE ICPS (Cont'd)**

- Conversion rights : (a) Each ICPS carries the entitlement to convert into new SWS Shares at the conversion ratio through the surrender of the ICPS.
- (b) No adjustment to the conversion price shall be made for any declared and unpaid dividends on the ICPS surrendered for conversion.
- (c) If the conversion results in a fractional entitlement to ordinary shares of SWS, such fractional entitlement shall be disregarded and no refund or credit, whether in the form of the ICPS, cash or otherwise, shall be given in respect of the disregarded fractional entitlement.
- Conversion period : The ICPS may be converted into new SWS Shares on any market day commencing on and including the issue date of the ICPS up to and including the Maturity Date. Any remaining ICPS that are not converted by the Maturity Date shall be automatically converted into new SWS Shares based on the conversion mode (a) below.
- Conversion ratio and conversion price : The conversion price is RM0.49 per new SWS Share.
- The ICPS may be converted into new SWS Shares in the following manner:
- (a) by surrendering for cancellation seven (7) ICPS to be converted into one (1) new SWS Share; or
- (b) by surrendering for cancellation one (1) ICPS and paying RM0.42 in cash for one (1) SWS Share.
- Ranking of the ICPS and liquidation preference : The ICPS shall rank *pari passu* amongst themselves and shall rank in priority to any other class of shares in the capital of SWS. In the event of liquidation, dissolution, winding-up, reduction of capital or other repayment of capital:
- (a) The ICPS shall confer on the holders the right to receive in priority to the holders of ordinary shares in SWS, cash repayment in full of the amount of any cumulative preferential dividend that has been declared and remaining in arrears. After the payment of any dividends to the holders of ICPS, the remaining assets shall be distributed first to the holders of ICPS in full of the amount which is equal to the issue price for each ICPS, provided that there shall be no further right to participate in any surplus capital or surplus profits of SWS.
- (b) In the event that SWS has insufficient assets to permit payment of the full issue price to the ICPS holders, the assets of SWS shall be distributed *pro rata* on an equal priority, to the ICPS holders in proportion to the amount that each ICPS holder would otherwise be entitled to receive.
- Ranking of new SWS Shares to be issued pursuant to the conversion of the ICPS : All new SWS Shares to be issued pursuant to the conversion of the ICPS shall, upon allotment and issuance, rank *pari passu* in all respects with the existing SWS Shares except that such new SWS Shares shall not be entitled to any dividends, rights, allotments and/or other distribution, the entitlement date of which is prior to the date of allotment and issuance of the new SWS Shares arising from the conversion of the ICPS.

**SALIENT TERMS OF THE ICPS (Cont'd)**

- Adjustment to Conversion Price and Conversion Ratio : The conversion price and/or conversion ratio will be adjusted at the determination of SWS, in all or any of the following cases:
- (a) an alteration to the number of SWS Shares by reason of consolidation or subdivision; or
  - (b) a bonus issue of fully paid-up ordinary shares by SWS or any other capitalisation issue for accounting purposes; or
  - (c) a capital distribution to shareholders made by SWS whether on a reduction of capital or otherwise, but excluding any cancellation of capital which is loss or unrepresented by assets; or
  - (d) a rights issue of ordinary shares by SWS; or
  - (e) any other circumstances that the Board deems necessary, provided that any adjustment to the conversion price will be rounded down to the nearest one sen (RM0.01). No adjustment to the conversion price and/or conversion ratio will be made unless the computation has been certified by the external auditors of SWS.
- Rights of the ICPS holders : The ICPS holders are not entitled to any voting right or participation in any rights, allotments and/or other distribution in SWS except in the following circumstances:
- (a) when the dividend or part of the dividend on the ICPS is in arrears for more than 6 months;
  - (b) on a proposal to reduce SWS' share capital;
  - (c) on a proposal for the disposal of the whole of SWS' property, business and undertaking;
  - (d) on a proposal that affects their rights and privileges attached to the ICPS;
  - (e) on a proposal to wind-up SWS; or
  - (f) during the winding-up of SWS.
- Listing : The ICPS will be listed and traded on the Main Market of Bursa Securities. Approval will be obtained from Bursa Securities for the admission of the ICPS to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the ICPS and the new SWS Shares to be issued pursuant to the conversion of the ICPS on the Main Market of Bursa Securities.
- Transfer : The ICPS will be transferable only by instrument in writing in the usual or common form or such other form as the Directors of SWS and the relevant authorities may approve. As the ICPS will be listed on and traded on the Main Market of Bursa Securities, they will be deposited in a central depository system and may be subject to the rules of such system.

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**SALIENT TERMS OF THE ICPS (Cont'd)**

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- Modification of rights : SWS may from time to time with the consent or sanction of all the holders of the ICPS make modifications to the terms of which in the opinion of SWS are not materially prejudicial to the interest of the holders of the ICPS or are to correct a manifest error or to comply with mandatory provisions of the laws of Malaysia and the relevant regulations.
- Governing law : The laws of Malaysia.

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