SWS CAPITAL BERHAD ("SWSCAP" OR THE "COMPANY")

(I) PROPOSED DISPOSAL OF SWSCAP'S ENTIRE EQUITY INTEREST IN SIN WEE SENG INDUSTRIES SDN BHD FOR A CASH CONSIDERATION OF RM30,739,866;

(II) PROPOSED ACQUISITION OF THE REMAINING 29.40% EQUITY INTEREST IN POH KEONG INDUSTRIES SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM3,234,000;

(III) PROPOSED DIVERSIFICATION INTO MANUFACTURING AND TRADING OF PLASTIC WARES, UTENSILS AND GOODS; AND

(IV) PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN EE-LIAN ENTERPRISE (M) SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM36,135,000

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1. INTRODUCTION

M&A Securities Sdn Bhd ("**M&A Securities**") wishes to announce that on 28 February 2017, SWSCAP has entered into the following:-

(i) Share purchase agreement with NS Creative Sdn Bhd ("**NS Creative**" or "**SWSISB Purchaser**") for the proposed disposal by SWSCAP of its entire equity interest in Sin Wee Seng Industries Sdn Bhd ("**SWSISB**") ("**SWSISB SPA**") for a cash consideration of RM30,739,866 ("**Proposed Disposal**");

(ii) Share purchase agreement with Gan Poh Keong and Lee Geok Kim (collectively "**PKI Vendors**") for the proposed acquisition of the remaining 29.40% equity interest in Poh Keong Industries Sdn Bhd ("**PKI**") ("**PKI SPA**") for a total cash consideration of RM3,234,000 ("**PKI Consideration**") ("**Proposed PKI Acquisition**"); and

(iii) Share purchase agreement with Heng Sew Hua, Tan Choon Huak, Chia Kam Peng, Tan Sri Dato' Seri Tan King Tai@ Tan Khoon Hai, Heng Lih Jiun, Teoh Han Chuan, Ooi Chen Hoon and Tan Soon Ping (collectively, the "**ELE Vendors**") for the proposed acquisition of the entire equity interest in Ee-Lian Enterprise (M) Sdn Bhd ("**ELE**") ("**ELE SPA**") for a total cash consideration of RM36,135,000 ("**ELE Consideration**") ("**Proposed ELE Acquisition**").

In conjunction with the Proposed ELE Acquisition, the Company proposes to undertake the proposed diversification of SWSCAP and its subsidiaries ("**SWS Group**" or "**Group**") to include the manufacturing and trading of plastic wares, utensils and goods ("**Proposed Diversification**").

*(The Proposed ELE Acquisition, Proposed PKI Acquisition, Proposed Disposal and Proposed Diversification are collectively referred to as "**Proposals**")*

2. DETAILS OF THE PROPOSALS

2.1 Proposed Disposal

2.1.1 Background information on the Proposed Disposal

SWSISB is a wholly-owned subsidiary of SWSCAP. The Board of Directors of SWSCAP ("**Board**") intends to dispose 10,400,000 ordinary shares in SWSISB ("**SWSISB Shares**"), representing SWSCAP's entire equity interest in SWSISB, together with SWSISB's 3 subsidiaries ("**SWSISB Group**"), to NS Creative for a cash consideration of RM30,739,866 ("**Disposal Consideration**").

The SWSISB Shares are to be disposed free from all encumbrances and together with all rights and advantages attaching to them as at completion.

2.1.2 Key terms of the SWSISB SPA

(i) Disposal Consideration

The Disposal Consideration for the SWSISB Shares is to be paid as follows:-

(a) RM3,073,986.60 as "SWSISB Deposit" is to be paid to SWSCAP's solicitors as stakeholder upon signing the SWSISB SPA. The stakeholder is authorised to release the SWSISB Deposit to SWSCAP (together with interests earned) on the third business day after the last of all the conditions precedent are satisfied; and

(b) the remaining sum of RM27,665,879.40 as the "SWSISB balance consideration" is to be paid to SWSCAP within 7 business days or such later date as may be mutually agreed by the parties, after the last of the conditions precedent has been fulfilled or waived ("**SWSISB Completion Date**").

(ii) Conditions precedent

The Proposed Disposal is subject to the following conditions having been satisfied or waived in accordance with the SWSISB SPA within 6 months from the date of the SWSISB SPA, or such other extended date mutually agreed by the parties:-

(a) the shareholders of SWSCAP having approved the disposal of the SWSISB Shares on the agreed terms of the SWSISB SPA;

(b) the shareholders of NS Creative having approved the acquisition of the SWSISB Shares on the agreed terms of the SWSISB SPA;

(c) the licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals necessary for or in respect of the proposed acquisition of SWSISB by NS Creative having been obtained from appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms satisfactory to NS Creative and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect; and

(d) where the terms of any material contract or banking document contain any restrictions or prohibition on the change in control of the shareholdings of SWSISB, or include any right to terminate exercisable prior to or as a result of any matter contemplated under the SWSISB SPA, written confirmation in a form and on terms (if any) satisfactory to NS Creative by the counterparties, or the waiver of such restrictions or prohibition in relation to any such change arising from the transactions under the SWSISB SPA or of any such right to terminate.

(iii) Release of existing guarantees

(a) SWSCAP has given guarantees to third parties including but not limited to financiers (collectively, the "**Existing Guarantees**").

(b) NS Creative is to procure the relevant third parties to cancel, revoke and release all the Existing Guarantees within 3 months from the SWSISB Completion Date or such other date as may be mutually agreed by the parties. Pending such release, the SWSISB Purchaser shall indemnify SWSCAP against its liabilities under such guarantees arising in respect of or attributable to the period after the SWSISB Completion Date.

(iv) Limitation of liability

The parties agree that in respect of any claims for breach of warranties, by NS Creative against SWSCAP under the SWSISB SPA:-

(a) no claim shall be made by NS Creative unless the aggregate amount of all such claims exceeds RM150,000;

(b) the aggregate liability of SWSCAP shall not exceed the Disposal Consideration;

(c) no claim shall be made by NS Creative unless written notice of such claim has been given to SWSCAP within 24 months from the SWSISB Completion Date; and

(d) no claim shall be made by NS Creative and no notice of any claim shall be given to SWSCAP (and if given, shall be deemed invalid) unless the Disposal Consideration has been received in full by SWSCAP.

(v) Right of termination

(a) If prior to completion, it is found that:-

(i) 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

(ii) any of the party has breached any term of the SWSISB SPA,

then the non-defaulting party will, by written notice to the defaulting party, inform the defaulting party of such non-compliance or breach and the defaulting party shall within 10 business days from the date of its receipt of the written notice, remedy such non-compliance or breach. If the non-compliance or breach is not remedied upon the expiry of 10 business days' period, the non-defaulting party is entitled to terminate the SWSISB SPA (except for surviving provisions) but failure to exercise this right shall not constitute a waiver of any other rights of the non-defaulting party arising out of such breach.

(b) In the event the SWSISB SPA is terminated pursuant to the preceding paragraph (a):-

(i) at the fault of NS Creative, SWSCAP is entitled to forfeit the SWSISB Deposit; or

(ii) at the fault of SWSCAP, SWSCAP is obliged to refund the SWSISB Deposit paid by NS Creative together with interests, within 14 days from its receipt of the termination notice and to pay a further sum calculated at 10% of the Disposal Consideration as agreed liquidated damages to NS Creative,

and upon the forfeiture or refund with liquidated damages as provided above (as the case may be), the parties shall cease to have any claims against each other save for antecedent breach.

2.1.3 Basis and justification on arriving at the Disposal Consideration

The Board arrived at the Disposal Consideration, which will be fully satisfied in cash, on a willing-buyer willing-seller basis after taking into account the following:-

(i) the audited consolidated net assets ("**NA**") of SWSISB of RM30,739,866 as at 31 August 2016;

(ii) the revaluation surplus for the properties amounting to RM5.04 million based on the indicative open market value of the properties owned by the SWSISB Group of RM18.30 million assessed by Raine & Horne International Zaki & Partners Sdn Bhd, an independent valuer; and

(iii) the deferred tax liabilities arising from the revaluation surplus for the properties owned by the SWSISB Group amounting to approximately RM0.65 million.

Based on the foregoing, the effective adjusted audited consolidated NA of SWSISB to be disposed by SWSCAP pursuant to the Proposed Disposal amounts to approximately RM35.13 million. The computation of the adjusted NA is as follows:-

	RM
Audited consolidated NA of SWSISB as at 31 August 2016	30,739,866
Add: Revaluation surplus for the properties owned by the SWSISB Group	5,037,396
Less: Deferred tax liabilities arising from the revaluation surplus for the properties owned by the SWSISB Group	(648,042)
Adjusted audited consolidated NA	**35,129,221**

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The Disposal Consideration of RM30.74 million represents a discount of RM4.39 million or 12.49% over the adjusted audited consolidated NA of SWSISB.

The Board takes note of the discount over the adjusted audited consolidated NA of SWSISB. The Board has also considered the major challenges faced by the SWSISB Group on 2 main fronts: (1) lack of skilled workers and (2) rising material cost.

Leather upholstery sofa manufacturing requires workmanship and craftsmanship and as such, is labour intensive. Foreign workers play a very important role in the furniture manufacturing industry as furniture manufacturers always face difficulties in hiring domestic workers. A common issue for labour oriented industries is a shortage of skilled labour, especially during the end of the 3 years' service contracts for foreign workers. In addition, it takes time to train new workers and for the manufacturing of leather upholstery sofa, it takes between 2 to 3 years to up skill a worker with reasonably good workmanship and craftsmanship. The shortage of skilled labour has intensified when the government suspended the recruitment of foreign workers in February 2016.

The shortage in skilled labour has lengthened lead times, affected delivery of product orders on time as well as lowered production output. The SWSISB Group has had to increase overtime hours and increase subcontracting work – both resulting in extra costs. The SWSISB Group has been recording a declining trend in gross profit ("**GP**") margin since the financial year ended ("**FYE**") 31 August 2013 - from 18.65% to 12.43% for the latest FYE 31 August 2016*. The profitability of the SWSISB Group has also generally been trending downwards. For the trailing last 3 quarters, the SWSISB Group has recorded an operating loss.

* *During the FYE 31 August 2015, the SWSISB Group wrote-off inventories and provided for obsolete goods amounting to RM2.40 million.*

The Board notes these economic challenges and does not anticipate the predicament of the shortage of labour to be resolved rapidly. The Board foresees the continuance of operating loss from this unit and if not divested, may adversely affect the Group's earnings, liquidity and cash flow in the future. The Board is of the view that the Disposal Consideration, although at a discount to the adjusted audited consolidated NA of SWSISB, is reasonable and the offer from the SWSISB Purchaser to acquire the SWSISB is at an opportune time, for which the terms of the offer is also reasonable.

2.1.4 Assumption of liabilities

Save as disclosed below, NS Creative, as the SWSISB Purchaser will not assume any additional liabilities (including contingent liabilities and guarantees (if any)) under the Proposed Disposal.

SWSCAP has given guarantees to third parties including but not limited to financiers. NS Creative is to procure the relevant third parties to cancel, revoke and release all the said guarantees within 3 months from the SWSISB Completion Date or such other date as may be mutually agreed by the parties. Pending the release, the SWSISB Purchaser will indemnify SWSCAP against its liabilities under these guarantees attributable to the period after the SWSISB Completion Date.

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2.1.5 Information on SWSISB Group

SWSISB is wholly-owned by SWSCAP. It was incorporated in Malaysia on 8 June 1995 as a private limited company under its present name. SWSISB is principally involved in the business of design, manufacture and sale of leather upholstery settee and sofa whilst the principal activities of its subsidiaries are described below.

Name of subsidiary	Date/ Country of incorporation	Equity interest held by SWSCAP (%)	Issued and paid-up share capital (RM)	Principal activities
Starlight Industry Sdn Bhd	22 June 1993 Malaysia	100.00	1,450,000	Property investment holding
Oriena Industry Sdn Bhd	3 June 1993 Malaysia	100.00	250,000	Property investment holding
SWS Homes (M) Sdn Bhd	3 December 2009 Malaysia	100.00	1,700,000	Dormant

As at the date of this announcement, the share capital of SWSISB is RM10,400,000 consisting of 10,400,000 issued SWSISB Shares which have been fully paid-up.

As at the date of this announcement, the directors of SWSISB are Neo Tiam Hock, Neo Chee Kiat and Neo Chee How.

The original cost and date of investment by SWSCAP in SWSISB are as follows:-

Date of investment	No. of SWSISB Shares	Investment amount (RM)
30.11.2003	750,000	5,676,258
16.08.2006	250,000	250,000
14.08.2014	9,400,000	9,400,000
Total	**10,400,000**	**15,326,258**

Please refer to Appendix I for the summary of financial information of SWSISB.

2.1.6 Information on the SWSISB Purchaser

NS Creative is incorporated in Malaysia on 13 September 2004 as a private limited company under its present name. NS Creative is principally involved in the manufacturing and trading of furniture and furniture parts.

As at the date of this announcement, the share capital of NS Creative is RM2,000,000 consisting of 2,000,000 issued shares which have been fully paid-up.

The directors and shareholders of NS Creative and their shareholdings are as follows:-

		--------Direct---------		--------Indirect-------	
Name	**Nationality**	**No of shares**	**%**	**No of shares**	**%**
Ng Chin Hee	Malaysian	1,000,000	50.00	-	-
Kang Kia Guan	Malaysian	1,000,000	50.00	-	-

2.2 Proposed PKI Acquisition

2.2.1 Background information on the Proposed PKI Acquisition

The Proposed Acquisition involves the acquisition by SWSCAP of 29.40% equity interest in PKI from the PKI Vendors comprising a total of 548,310 ordinary shares in PKI ("**PKI Shares**"), for a total cash consideration of RM3,234,000 in the following manner:-

PKI Vendors	**No. of PKI Shares to be acquired**	**% in PKI (%)**	**Purchase consideration (RM)**
Gan Poh Keong	319,848	17.15	1,886,503
Lee Geok Kim	228,462	12.25	1,347,497
Total	**548,310**	**29.40**	**3,234,000**

The PKI Vendors agree to sell their PKI Shares and SWSCAP, relying on (among other things) the representations, warranties and undertakings contained in the PKI SPA, agrees to purchase the PKI Shares free from all encumbrances and together with all rights and advantages attaching to them as at completion.

Upon completion of the Proposed PKI Acquisition, PKI will be a wholly-owned subsidiary of SWSCAP.

2.2.2 Key terms of the PKI SPA

(i) PKI Consideration

The PKI Consideration for the PKI Shares is to be apportioned among the PKI Vendors and paid as follows:-

(a) upon signing of the PKI SPA, a deposit of 10% of the PKI Consideration ("**PKI Deposit**"); and

(b) the remaining PKI Consideration (which is calculated by deducting the PKI Deposit from the PKI Consideration) within 7 business days or such later date as may be mutually agreed by the parties, after the last of the conditions precedent has been fulfilled or waived ("**PKI Completion Date**").

(ii) Conditions precedent

The Proposed PKI Acquisition is subject to the following conditions having been satisfied or waived in accordance with the PKI SPA within 6 months from the date of the PKI SPA, or such other extended date mutually agreed by the parties:-

(a) the shareholders of SWSCAP having approved the acquisition of the PKI Shares on the agreed terms of the PKI SPA or without material amendments;

(b) the licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals necessary for or in respect of the Proposed PKI Acquisition having been obtained from appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms satisfactory to SWSCAP and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect; and

(c) where the terms of any material contract or banking document contain any restrictions or prohibition on the change in control of the shareholdings of PKI, and/or the board of directors of PKI or include any right to terminate exercisable prior to or as a result of any matter contemplated under the PKI SPA, written confirmation in a form and on terms (if any) satisfactory to SWSCAP by the counterparties, or the waiver of such restrictions or prohibition in relation to any such change arising from the transactions under the PKI SPA or of any such right to terminate.

(iii) Right of termination

(a) 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 PKI Vendors has breached any term of the PKI SPA,

SWSCAP will be entitled (in addition to and without prejudice to all other rights or remedies available to it including the right to claim damages) by written notice to the PKI Vendors to terminate the PKI SPA (except for the surviving provisions) and the PKI Vendors shall within 3 business days from the date of the said notice, return to SWSCAP the PKI Deposit and all payments received from SWSCAP, failing which, an 8% interest per annum on daily basis shall be calculated on all outstanding sum due by the PKI Vendors to SWSCAP from the expiry of the 3 business days' period up to actual payment of all sum due and owing by the PKI Vendors. Notwithstanding, failure to exercise this right shall not constitute a waiver of any other rights of SWSCAP 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 SWSCAP) affects or is likely to affect adversely the PKI Shares, SWSCAP shall be entitled by written notice to the PKI Vendors to terminate the PKI SPA (except for the surviving provisions) and the PKI Vendors shall within 3 business days from the date of the said notice, return to SWSCAP the PKI Deposit and all payments received from SWSCAP, failing which, an 8% interest per annum on daily basis shall be calculated on all outstanding sum due by the PKI Vendors to SWSCAP from the expiry of the 3 business days' period up to actual payment of all sum due and owing by the PKI Vendors. The occurrence of such an event shall not give rise to any right to damages or compensation.

2.2.3 Basis and justification on arriving at the PKI Consideration

The PKI Consideration, which will be fully satisfied in cash, was arrived at based on a willing-buyer willing-seller basis after taking into account the following:-

(i) the latest audited NA of PKI of RM12,349,509 as at 31 August 2016 or audited NA per PKI Share of RM6.62;

(ii) the consideration to be paid is in line with the management's assessment based on common valuation methodologies such as price-to-earnings ("**P/E**") multiples of trading comparables;

(iii) the PKI Consideration of RM5.90 per PKI Share is at the same price as the consideration per PKI Share paid by the Group for the acquisition of the 19.60% additional equity interest in PKI on 30 November 2016;

(iv) the historical financial performance of PKI as set out in Appendix II of this announcement;

(v) the rationale of the Proposed PKI Acquisition as set out in Section 3 of this announcement; and

(vi) SWSCAP's controlling shareholding in PKI of 70.60%.

The PKI Consideration of RM5.90 per PKI Share represents a discount of RM0.72 or 10.88% from the audited NA per PKI Share.

In addition, based on the PKI Consideration of RM5.90 per PKI Share and the assumed value accorded to 100% equity interest in PKI of approximately RM11.00 million, the PKI Consideration represents a P/E multiple of 3.60 times historical earnings based on the latest audited profit after tax ("**PAT**") of PKI of RM3.06 million.

Save for the PKI Consideration and any liabilities arising as a consequence of consolidating PKI as a subsidiary of SWSCAP, SWSCAP will not be assuming any additional liabilities (including contingent liabilities and guarantees (if any)) pursuant to the Proposed PKI Acquisition.

Further, as PKI is already operating, there are no additional financial commitments required by SWSCAP in respect of the Proposed PKI Acquisition.

2.2.4 Source and breakdown of funding

The PKI Consideration will be funded from internally generated funds of SWSCAP.

2.2.5 Information on PKI

PKI was incorporated in Malaysia on 14 January 1994 as a private limited company under its present name. PKI is principally involved in the manufacturing of furniture and furniture parts.

As at the date of this announcement, the share capital of PKI is RM1,865,000 consisting of 1,865,000 issued PKI Shares which have been fully paid-up.

PKI does not have any subsidiary or associated company.

As at the date of this announcement, the directors of PKI are Gan Poh Keong, Lee Geok Kim, Lee Yew Chye, Neo Chee Kiat, Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai and Lim Boon Leong.

The shareholders of PKI and their shareholdings prior to the Proposed PKI Acquisition are as follows:-

Shareholders of PKI	No. of PKI Shares	% of PKI Shares
Gan Poh Keong	319,848	17.15
Lee Geok Kim	228,462	12.25
SWSCAP	1,316,690	70.60
Total	**1,865,000**	**100.00**

Please refer to Appendix II for a summary information on PKI.

2.3 Proposed Diversification

The SWSCAP Group is principally engaged in the:-

(i) manufacturing of furniture and furniture parts;

(ii) dealing of furniture plywood, hardware, parts, equipment and construction materials;

(iii) paper lamination;

(iv) design, manufacture and sale of leather upholstery settee and sofa; and

(v) veneer lamination.

SWSCAP will venture into the manufacturing and trading of plastic wares, utensils and goods by entering into the Proposed ELE Acquisition. The Proposed ELE Acquisition provides the Group with an opportunity to diversity its earnings base and to reduce its reliance on its existing core business in the manufacturing of furniture and furniture parts.

Upon completion of the ELE SPA, the Board anticipates that the Proposed ELE Acquisition may potentially contribute 25% or more of the net profits of the SWSCAP Group and/or result in a diversion of more than 25% of the NA of the SWSCAP Group.

According to Paragraph 10.13(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), SWSCAP must obtain the approval of its shareholders in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

(i) the diversion of 25% or more of the NA of the Group to an operation which differ widely from the operations currently carried on by the Group; or

(ii) the contribution from such an operation of 25% or more of the net profits of the Group.

In this regard, the Board wishes to obtain SWSCAP's shareholders' approval for the Proposed Diversification pursuant to the Listing Requirements. If the Proposed Diversification is approved by the shareholders at an extraordinary general meeting ("**EGM**"), the Group will be subjected to new challenges and risks arising from the Proposed Diversification, which are set out in Section 4 of this announcement.

2.4 Proposed ELE Acquisition

2.4.1 Background information on the Proposed ELE Acquisition

The Proposed ELE Acquisition involves the acquisition by SWSCAP, in full reliance on (among other things) the warranties, representations and undertakings by the ELE Vendors contained in the ELE SPA and the Profit Guarantee (as defined below), of 11,000,000 ordinary shares in ELE ("**Sale Shares**" or "**ELE Shares**"), representing the entire equity interest in ELE, together with its 77.50% subsidiary, from the ELE Vendors, for a total cash consideration of RM36,135,000 in the following manner:-

ELE Vendors	No. of ELE Shares to be acquired	% in ELE (%)	Purchase consideration (RM)
Heng Sew Hua	2,100,000	19.09	6,898,500
Tan Choon Huak	700,000	6.36	2,299,500
Chia Kam Peng	700,000	6.36	2,299,500
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	900,000	8.18	2,956,500
Heng Lih Jiun	1,000,000	9.09	3,285,000
Teoh Han Chuan	3,400,000	30.91	11,169,000
Ooi Chen Hoon	400,000	3.64	1,314,000
Tan Soon Ping	1,800,000	16.37	5,913,000
Total	**11,000,000**	**100.00**	**36,135,000**

The Sale Shares will be acquired free from all encumbrances, liens, charges and with all rights and advantages accruing to those Sale Shares as at completion.

Upon completion of the Proposed ELE Acquisition, ELE will be a wholly-owned subsidiary of SWSCAP.

2.4.2 Key terms of the ELE SPA

(i) ELE Consideration

The ELE Consideration for the ELE Shares is to be apportioned among the ELE Vendors and paid as follows:-

(a) RM3,613,500 ("**First Cash Consideration**") is to be paid by SWSCAP to SWSCAP's solicitors as stakeholder upon signing of the ELE SPA. The stakeholder is authorised to release the First Cash Consideration to the ELE Vendors (together with interests earned) on the third business day after the last of all the conditions precedent are satisfied;

(b) RM28,521,500 ("**Second Cash Consideration**") is to be paid by SWSCAP to the ELE Vendors within 7 business days or such later date as may be mutually agreed by the parties, after the last of the conditions precedent has been fulfilled or waived ("**ELE Completion Date**"); and

(c) RM4,000,000 ("**Retention Sum**") is to be paid by SWSCAP to the stakeholder on the ELE Completion Date. The Retention Sum (subject to adjustment of the ELE Consideration) together with interests earned, is to be released to the ELE Vendors within 14 days of the actual audited normalised PAT of the ELE Group (on a consolidated basis) for the FYE 31 December 2017 being made available to SWSCAP.

(ii) Conditions precedent

The Proposed ELE Acquisition is subject to the following conditions having been satisfied or waived in accordance with the ELE SPA within 6 months from the date of the ELE SPA, or such other extended date mutually agreed by the parties:-

(a) completion of a due diligence exercise on the ELE Group by SWSCAP and the results of such due diligence exercise being satisfactory to SWSCAP in its sole and absolute discretion;

(b) the shareholders of SWSCAP having approved the acquisition of the ELE Shares on the agreed terms or without material amendments;

(c) the shareholders of SWSCAP having approved the proposed diversification into manufacturing and trading of plastic wares, utensils and goods pursuant to the acquisition of the ELE Shares;

(d) the licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals necessary for or in respect of the Proposed ELE Acquisition having been obtained from appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms satisfactory to SWSCAP and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect; and

(e) where the terms of any material contract or banking document contain any restrictions or prohibition on the change in control of the shareholdings of ELE and/or the boards of directors of the ELE Group or include any right to terminate exercisable prior to or as a result of any matter contemplated under the ELE SPA, written confirmation in a form and on terms (if any) satisfactory to SWSCAP by the counterparties, or the waiver of such restrictions or prohibition in relation to any such change arising from the transactions under the ELE SPA or of any such right to terminate.

(iii) Profit Guarantee through adjustment of ELE Consideration

(a) The parties agree that the ELE Consideration will be adjusted in the event that the actual audited normalised PAT of the ELE Group (on a consolidated basis) for the FYE 31 December 2017 falls below RM4,000,000 ("**Guaranteed Amount**" or "**Profit Guarantee**"). The parties agree that the ELE Consideration will in such event be adjusted by deducting such sum equivalent to the shortfall or deficiency (being the difference between the Guaranteed Amount and the actual audited normalised PAT of the ELE Group (on a consolidated basis) for the FYE 31 December 2017) from the Retention Sum.

(b) The Retention Sum (less any deduction pursuant to the preceding paragraph (a)) shall be released by the stakeholder to the ELE Vendors within 14 days of the actual audited normalised PAT of the ELE Group (on a consolidated basis) for the FYE 31 December 2017) being made available to SWSCAP.

(c) SWSCAP may deduct from any payment under the preceding paragraph (b), an amount in respect of and in satisfaction of any claim for breach of warranty, claim under the tax indemnity or claim under specify indemnity which is subsisting and has not been settled in full by the ELE Vendors at the time that the payment under preceding paragraph (b) is due to be paid.

(iv) Restriction on the ELE Vendors

(a) Each of the ELE Vendors further jointly and severally undertakes with SWSCAP that it will not, and will procure that no person, firm or company carrying on with the consent or privity of the relevant ELE Vendor, any business in succession to the relevant ELE Vendor, will for its or his own account or for that of any person, firm or company (other than SWSCAP and the ELE Group whether through the medium of any company controlled by him (for which purpose there shall be aggregated with his shareholding or ability to exercise control the shares held or control exercised by any person connected with the ELE Vendors) or as principal, partner, director, employee, consultant or agent ("**Relevant Capacity**") during 5 years commencing on completion ("**Restricted Period**"):-

(i) directly or indirectly carry on any business which is the same or similar to the business of the ELE Group and which is or likely to compete with the businesses of the ELE Group;

(ii) canvass or solicit, accept orders from or otherwise deal with any person, firm or company who is or was a customer of the ELE Group prior to the expiry of the Restricted Period, or who is or was in the process of negotiating or contemplating to do business with the ELE Group prior to the expiry of the Restricted Period; and

(iii) induce or seek to induce any present employee of the ELE Group who (i) has access to trade secrets or other confidential information of the ELE Group; (ii) has participated in discussions relating to the transaction pursuant to the ELE SPA; or (iii) holds key management positions in the ELE Group (which includes but is not limited to Mr Teoh Han Chuan) ("**Restricted Employee**") to become employed whether as employee, consultant or otherwise by any of the ELE Vendors, whether or not such Restricted Employee would thereby commit any breach of his contract of service.

(b) Each of the ELE Vendors further jointly and severally undertakes with SWSCAP that it will not at any time after completion, use in the course of any business:

(i) the words "Ee-Lian", "ee-lian", "elianware", and "Elianware"; or

(ii) any trade or service mark, business or domain name, design or logo which, at completion, was or had been used by the ELE Group in connection with its business; or

(iii) anything which is, in the reasonable opinion of SWSCAP, capable of confusion with such words, mark, name, design or logo.

(v) Exceptions for restrictions

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

(b) Additionally, the restrictions in the preceding paragraph (iv) shall not operate to prohibit any of the ELE Vendors from:-

(i) carrying on or being engaged in the existing business of the following companies as at the date of the ELE SPA:-

No.	**Name of company**	**Principal activity**
1	Ee-Jia Housewares (M) Sdn Bhd	Marketing and distribution of plastic wares and other household products to hypermarket, supermarket and chain retailers.
No.	**Subsidiary of Ee Jia Housewares (M) Sdn Bhd**	**Principal activity**
1	EBottles Marketing (M) Sdn Bhd	Manufacturing of water bottles and tumblers
2	E Sponge Household Sdn Bhd	Trading of cleaning products
3	Ruby Vantage Sdn Bhd	Property holdings company

No.	Subsidiary of Ee Jia Housewares (M) Sdn Bhd	Principal activity
4	Eplas Marketing (M) Sdn Bhd	Trading of plastic wares for consignment orders
5	PT Elianware Houseware Trading	Trading of plastic wares in Indonesia

(ii) carrying on or being engaged in any business which is of the same or similar type to the business as now carried on by the ELE Group after such time as SWSCAP ceases to carry on or be engaged in or economically interested in any such business;

(iii) holding or being interested in up to 5% of the outstanding issued share capital of a company listed on Bursa Securities;

(iv) fulfilling any obligation under the ELE SPA and any agreement to be entered into pursuant to the ELE SPA; or

(v) carrying on or being engaged or economically interested in any business (not being part of the business of the ELE Group) which at the date of the ELE SPA, the ELE Vendors are carrying on or are engaged in.

(vi) Right of termination

(a) 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 ELE Vendors has breached any term of the ELE SPA,

SWSCAP will be entitled (in addition to and without prejudice to all other rights or remedies available to it including the right to claim damages) by written notice to the ELE Vendors to terminate the ELE SPA (except for the surviving provisions) but failure to exercise this right shall not constitute a waiver of any other rights of SWSCAP arising out of such breach and the stakeholder is authorised to return the First Cash Consideration (together with interests earned) to SWSCAP and the ELE Vendors shall within 3 business days from the date of the said notice, return all other payments paid by SWSCAP (together with interests earned) to SWSCAP, failing which, an 8% interest per annum on daily basis shall be calculated on all outstanding sum due by the ELE Vendors to SWSCAP from the expiry of the 3 business days' period up to actual payment of all sum due and owing by the ELE Vendors. Notwithstanding, failure to exercise this right shall not constitute a waiver of any other rights of SWSCAP 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 SWSCAP) affects or is likely to affect adversely to a material degree the financial position or turnover or profitability of the ELE Group, SWSCAP shall be entitled by written notice to the ELE Vendors to terminate the ELE SPA (except for the surviving provisions) and the stakeholder shall be authorised to return the First Cash Consideration (together with interests earned) to SWSCAP and the ELE Vendors shall within 3 business days from the date of the said notice, return all other payments paid by SWSCAP (together with interests earned) to SWSCAP, failing which, an 8% interest per annum on daily basis shall be calculated on all outstanding sum due by the ELE Vendors to SWSCAP from the expiry of the 3 business days' period up to actual payment of all sum due and owing by the ELE Vendors. The occurrence of such an event shall not give rise to any right to damages or compensation.

(vii) Service agreement

Teoh Han Chuan is to enter into a service agreement with ELE and SWSCAP to serve as the Chief Executive Officer of the ELE Group for a period of 5 years from the ELE Completion Date.

(viii) Employees to remain and continue as employees

The ELE Vendors jointly and severally undertake to SWSCAP that they will procure the employees of ELE Group as at the date of the ELE SPA to remain and continue as employees of the ELE Group after the ELE Completion Date.

2.4.3 Basis and justification on arriving at the ELE Consideration

The ELE Consideration, which will be fully satisfied in cash, was arrived at based on a willing-buyer willing-seller basis after taking into account the following:-

(i) the audited consolidated NA of ELE and its subsidiary ("**ELE Group**") as at 31 December 2015 of RM39.50 million, which translates to an implied price-to-book ("**P/B**") multiple of 0.91 times;

(ii) Profit guarantee by the ELE Vendors that the PAT attributable to the shareholders of ELE for the FYE 31 December 2017 shall be not less than RM4.00 million, which translates to an implied P/E multiple of 9.03 times;

(iii) the ELE Consideration is in line with internal assessment of the management based on common valuation methodologies such as P/E and P/B multiples of trading comparable companies;

(iv) the ELE Consideration is less than the audited NA of the ELE Group as at 31 December 2015 and unaudited NA of the ELE Group as at 30 November 2016 based on the ELE Group's latest management accounts;

(v) the historical financial performance and operating history of the ELE Group; and

(vi) the future earnings potential and growth of the ELE Group after taking into consideration the economic outlook and future prospects of the ELE Group.

Save for the ELE Consideration and any liabilities arising as a consequence of consolidating the ELE Group as a subsidiary of SWSCAP, SWSCAP will not be assuming any additional liabilities (including contingent liabilities and guarantees (if any)) pursuant to the Proposed ELE Acquisition. The existing liabilities of the ELE Group will be settled in the ordinary course of business.

Further, as the ELE Group is already operating, there are no additional financial commitments required by SWSCAP in respect of the Proposed ELE Acquisition.

2.4.4 Source and breakdown of funding

The ELE Consideration will be funded largely from the proceeds of the Proposed Disposal with the balance to be funded from internally generated funds of SWSCAP. In the unlikely event that the Proposed Disposal is not successful, the ELE Consideration is expected to be funded 40% from internally generated funds and 60% from bank borrowings of SWSCAP.

2.4.5 Information on ELE

ELE was incorporated in Malaysia on 3 December 1993 as a private limited company under its present name. The ELE Group is principally a plastic ware solutions provider specialising in designing, developing, manufacturing and distributing a wide range of plastic storage, preparation, containment, serving and cleaning products for the home, office and industrial applications. It is also involved in ancillary services such as importing, manufacturing and/or trading of other household products which includes plastic furniture and gardening products under its own brand names.

Save as disclosed below, ELE has no other subsidiaries or associated companies:-

Name	**Date/Country of incorporation**	**Equity interest held (%)**	**Issued and paid-up share capital (RM)**	**Principal activities**
Ee-Lian Plastic Industries (M) Sdn Bhd	3 September 2002 Malaysia	77.50	2,500,000	Manufacturing of plastic wares

As at the date of this announcement, the share capital of ELE is RM11,000,000 consisting of 11,000,000 issued ELE Shares which have been fully paid-up.

As at the date of this announcement, the directors and shareholders of ELE, all of whom are Malaysian, and their respective shareholdings are as follows:-

Name	**Director/ Shareholder**	**No. of ELE Shares to be acquired**	**% in ELE (%)**
Heng Sew Hua	Director & Shareholder	2,100,000	19.09
Teoh Han Chuan	Director & Shareholder	3,400,000	30.91
Heng Lih Jiun	Director & Shareholder	1,000,000	9.09
Tan Soon Ping	Director & Shareholder	1,800,000	16.37
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	Director & Shareholder	900,000	8.18

Name	Director/ Shareholder	No. of ELE Shares to be acquired	% in ELE (%)
Chia Kam Peng	Shareholder	700,000	6.36
Tan Choon Huak	Shareholder	700,000	6.36
Ooi Chen Hoon	Shareholder	400,000	3.64
Total		**11,000,000**	**100.00**

The investment by Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai, being the related party, in ELE was made in June 2014 and July 2014 with an aggregate investment amount of RM1,000,000.

Please refer to Appendix III for further information on the ELE Group.

3. RATIONALE AND BENEFIT FOR THE PROPOSALS

3.1 Proposed Disposal

The Proposed Disposal is part of SWSCAP's strategic business rationalisation plan to concentrate on the manufacturing of wooden furniture and parts by investing in technology and thereby reducing reliance on labour-intensive manufacturing practices as well as on the new business to be acquired through the Proposed ELE Acquisition.

The SWSISB Group faces 2 major challenges: (1) lack of skilled workers and (2) rising material cost.

Leather upholstery sofa manufacturing requires workmanship and craftsmanship and as such, is labour intensive. Foreign workers play a very important role in the furniture manufacturing industry as furniture manufacturers always face difficulties in hiring domestic workers. A common issue for labour oriented industries is a shortage of skilled labour, especially during the end of the 3 years' service contracts for foreign workers. In addition, it takes time to train new workers and for the manufacturing of leather upholstery sofa, it takes between 2 to 3 years to up skill a worker with reasonably good workmanship and craftsmanship. The shortage of skilled labour has intensified when the government suspended the recruitment of foreign workers in February 2016.

The shortage of skilled labour and the inability to hire domestic workers has lengthened lead times, affected delivery of product orders on time as well as lowered production output. As a result, the SWSISB Group has had to increase overtime hours and subcontracting work – resulting in extra costs.

On these bases, the disposal removes the need for the sustained investment required to enable the business unit to compete independently. The sale enables the Group to channel resources to its other business segments as well as to new profitable businesses, allowing the Board to focus more on its efforts to weather the tough economic climate which is squeezing revenue and earnings.

3.2 Proposed PKI Acquisition

Currently, the Group has a 70.60% equity interest in PKI. The Proposed PKI Acquisition will allow SWSCAP to further consolidate the revenue and profit of PKI, which in turn, will contribute positively to the results of the SWSCAP Group as a whole for the FYE 31 August 2017 and the subsequent years.

3.3 Proposed ELE Acquisition and Proposed Diversification

Presently, the SWSCAP Group is principally involved in the manufacturing of furniture and furniture parts and it intends to continue with its existing core business. The Proposed ELE Acquisition is an opportune venture for the Group into the manufacturing and trading of plastic wares, utensils and goods. The Group's long term growth plan includes growing its furniture manufacturing business as well as expanding its business portfolio into other viable and income-generating businesses. In view of the attractive prospects of the ELE Group and the plastics manufacturing sector, the Board reasonably believes that the manufacturing of plastic wares, utensils and goods is an attractive business proposition. Post-Proposed ELE Acquisition, the SWSCAP Group and the ELE Group may also possibly cross-sell its products to each other's customer base.

On these bases, the Board believes that the Proposed Diversification would contribute positively to the Group's future earnings and financial position of the Group. The additional revenue contribution will also provide the Group with an additional stream of earnings which is expected to enhance the Group's profitability and returns on shareholders' funds. The Board also believes the Group post-Proposed ELE Acquisition has the capacity, capabilities and resources to diversify into the manufacturing of plastic wares, utensils and goods after taking into consideration the track record, competencies and experiences of the existing management team of the ELE Group.

4. RISK FACTORS

The Board does not foresee any new risk factors arising from the Proposed PKI Acquisition apart from the various risk factors arising from SWSCAP's current business operations as SWSCAP currently holds a controlling interest in PKI.

The non-exhaustive risk factors in relation to the Proposed ELE Acquisition are set out below. There can be no assurance that any changes in relation to the risk factors as described below will not have a material adverse effect on the business, operations and financial performance of the SWSCAP Group.

4.1 The SWSCAP Group will be exposed to new business risks in the plastic ware industry that it previous was not exposed to

The SWSCAP Group is principally involved in the manufacturing of furniture and furniture parts, while the ELE Group is primarily involved in the manufacturing of plastic wares. Both the SWSCAP Group and ELE Group are reliant on business conditions and consumer sentiments. Upon completion of the Proposed ELE Acquisition, the enlarged SWSCAP Group will be exposed to both risks occurring in both industries. However, given the prospects and outlook of the manufacturing and plastic industry set out in Section 5 of this announcement, the Board is of the opinion that this risk is manageable.

Notwithstanding the aforesaid, there is no assurance that any change to the general market and/or industry specifics condition will not have a material adverse effect on the enlarged Group's business and financial conditions. Nevertheless, this risk is mitigated as the original management team of ELE, who are familiar with the operating dynamics and customer market of the plastic ware industry will continue to run the operations of the ELE Group after the completion of the Proposed ELE Acquisition.

4.2 The business of ELE is highly competitive, with competition from existing and new market entrants domestically and from abroad which may have a material adverse effect on its financial performance

The ELE Group faces competition from existing competitors and potential new market entrants in Malaysia and from overseas. In general, the barriers to entry into the plastic ware 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 the ELE 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 the ELE Group's market opportunities.

The management of ELE 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 the competition from potential new entrants is mitigated due to the numerous barriers to entry mentioned above. The Board is of the opinion that ELE Group has an established track record and reputation in providing quality plastic wares 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 the ELE 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. Furthermore, the ELE Group is looking at expanding its operations abroad to mitigate against any dependency on the domestic market.

4.3 Continued market acceptance of the ELE Group's products

The market acceptance of the products manufactured by the ELE Group will determine the future financial performance of the enlarged SWSCAP Group's post-Proposed ELE Acquisition. Intense competition or reduction in demand for the ELE Group's existing and future products may result in a material adverse impact on the business, operating and financial conditions. However, the management's strategic business plan of developing quality and innovative products, and development of a more extensive distribution channel should ensure continued acceptance and generate good demand for the ELE Group's products.

However, there is no assurance that the enlarged SWSCAP Group's post-Proposed ELE Acquisition may not be adversely affected by decreasing market acceptance of the ELE Group's products in the future.

4.4 The ELE Group does not enter into long-term contracts with its customers

The ELE Group does not generally enter into long term agreements with its customers. Its sales are based on confirmed sales orders. Although it does not have long-term contracts with its customers, the ELE Group has built a good rapport and long-term strategic working relationships with its customers over the years by providing quality and innovative products at competitive prices.

For example, the ELE Group's long-term relationship customers comprise TCT Trading Sdn Bhd, Jakker Trading Sdn Bhd, Colourland Paints Sdn Bhd, KCC Paints Sdn Bhd, Sunshine Wholesale Mart Sdn Bhd, Eco-Shop Marketing Sdn Bhd, Evergreen (1979) Trading Sdn Bhd, which have been dealing with the ELE Group between 10 and 21 years.

Nevertheless, there is no assurance that the loss of any one or more of its customers resulting from, among others, the cessation of business relations or otherwise, would not have an adverse impact on the enlarged SWSCAP Group's operating results post-Proposed ELE Acquisition in the future.

4.5 The ELE Group depends on the continued supply of raw materials and supplies from its suppliers

The primary raw materials used in the production of the ELE Group's products comprises virgin plastic resin, master batch, colour pigments, packaging materials, semi-complete parts and indirect materials. All the necessary raw materials are sourced from local suppliers. Currently, the ELE Group has a pool of approved suppliers for the supply of its raw materials; and it has not experienced any interruptions and difficulties in purchasing raw materials from any of its suppliers. In addition, over the years, the ELE Group has established close long-term working relationships with its major suppliers, ranging between 5 and 21 years, for the consistent and timely supply of raw materials at competitive prices.

4.6 The ELE Group may face intellectual property rights disputes

All the products distributed by the ELE Group are marketed under 4 main house brands namely "ELIANWARE", "EZY-LOCK", "eLOCK" and "TRUELOCK". "ELIANWARE" and the upcoming new brand "Apple Lemon" have registered trademarks in Malaysia and overseas. Despite the protection of the ELE Group's trademark under the intellectual property laws of Malaysia, such laws may not be adequate or effectively enforced against third parties who violate its proprietary rights by illegally using the ELE Group's trademarks or brand name. Policing unauthorised use of trademarks or brand is difficult and costly. Any unauthorised use of the ELE Group's trademarks and brand may damage the brand, recognition and reputation of the ELE Group. This may lead to the ELE Group's consumers losing confidence in the ELE Group's brand and products, which in turn may lead to a loss in business and hence revenue.

4.7 The business of the ELE Group is concentrated in Malaysia, which may result in a higher level of risk compared to competitors whose revenue stream are spread over diverse locations

For the FYE 31 December 2015, 87.2% of the ELE Group's revenue was derived from within Malaysia and all of its assets were employed within Malaysia. The concentration of revenue stream and asset locations in Malaysia may entail a higher level of risk as compared to competitors which have revenue streams and/or assets spread over different countries. As a result, revenue derived by the ELE Group depends on the continued strength of Malaysia's economy, which is in turn, affected by general economic and business conditions in the Asian region and globally.

4.8 Developments in the social, political, regulatory, legislative and economic environment in Malaysia may have a material adverse impact on the ELE Group

As with any business, the ELE Group's business is not impervious to adverse developments in the economic, socio-economic, political, legislative and social conditions both on the domestic and international front. Any adverse developments of such nature could materially and adversely affect the ELE Group's business, operations and financial performance. The Malaysian economy registered a growth of 4.3% in the third quarter of 2016 (2Q 2016: 4.0%), underpinned mainly by continued expansion in private sector spending and additional support from net exports, amid subdued growth outlook and low inflation in the global economy. *(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2016: Bank Negara Malaysia)*.

A deterioration of economic conditions in Malaysia or globally or from systemic risks may lead to a decrease in revenue and/or credit lending, which will affect the business, financial condition and results of operations of the ELE Group.

Although the overall Malaysian economic environment appears to be supported, there can be no assurance that this will continue to prevail in the future.

4.9 The ELE Group experiences seasonality of its sales

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

4.10 A deterioration in the ELIANWARE, EZY-LOCK, eLOCK and TRUELOCK brand names may materially and adversely affect the business, financial condition and operating results of the ELE Group

The ELE Group relies to an extent on its brand names to attract potential customers. Any negative incident or negative publicity concerning the ELE Group, the ELIANWARE, EZY-LOCK, eLOCK and TRUELOCK brand names or its products may materially and adversely affect the ELE Group's reputation and business prospects. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade consumer trust. The demands for the ELIANWARE, EZY-LOCK, eLOCK and TRUELOCK brand value may diminish significantly if the Group fails to preserve the quality of its products, or fails to deliver a consistently positive consumer experience in its products. Any negative publicity and resulting decrease in these brand values, and/or failure to maintain its brand names may have a material adverse effect on the enlarged SWSCAP Group's business, financial conditions and results of operations.

4.11 The ELE Group depends on the recruitment and retention of qualified personnel and any failure to attract and retain such personnel could affect its business. The ELE Group, to a significant extent, relies on its directors and key management for its business direction and business strategy.

The loss of directors or members of the senior management team could adversely affect the ELE Group's ability to operate its business or to compete effectively, which in turn, could affect its financial performance and prospects. There can be no assurance that there will be continuity in the ELE Group's present management team post-Proposed ELE Acquisition. The ELE Group's success depends on the ability and experience of its senior management and other key employees.

Competition for personnel is intense and the enlarged SWSCAP Group may not be successful in attracting or retaining qualified personnel. The loss of any senior management members or key employees, the enlarged SWSCAP Group's inability to attract new qualified employees or adequately trained employees, or the delay in hiring key personnel could affect the ELE Group's business, financial condition and results of operations. Competition for skilled personnel also places upward pressure on wage rates generally and may lead to the restructuring of remuneration packages of key personnel in order for the ELE Group to maximise its retention rates. Restructuring of remuneration packages may impose additional costs on the enlarged SWSCAP Group, both in terms of the costs of salary and non-salary items that make up the restructured remuneration packages and in terms of management time and expertise taken up in developing and implementing the restructured remuneration packages. General upward pressure on wage rates and the costs associated with restructuring of remuneration packages could affect the enlarged SWSCAP Group's business, financial condition and results of operations.

4.12 The SWSCAP Group may not achieve the anticipated benefits of the Proposed ELE Acquisition

The Proposed ELE Acquisition is expected to contribute positively to the SWSCAP Group. However, there is no assurance that the anticipated benefits of the Proposed ELE Acquisition will be realised or that the SWSCAP Group will be able to generate sufficient revenue and earnings in the ELE Group to offset the associated acquisition costs incurred. There is also no assurance that the enlarged SWSCAP Group will be able to maintain or improve the quality of services and/or products currently offered.

In mitigating this risk, in addition to the Profit Guarantee, the SWSCAP management together with the management team of the ELE Group will oversee the daily operations and be involved in the decision making of strategic matters of the ELE Group.

4.13 The ELE Group may not achieve the Profit Guarantee

While the Board has taken reasonable steps to assess the achievability of the Profit Guarantee, there can be no assurance that the Profit Guarantee will be met.

To mitigate this risk, the ELE Vendors are required to place part of their ELE Consideration as security for the Profit Guarantee with the stakeholder and in the case where the Profit Guarantee is not met, the stakeholder will deduct any shortfall from the security it holds to SWSCAP. However, there is no guarantee that the security will be sufficient to make good any shortfall between the Profit Guarantee and the actual audited normalised PAT achieved by the ELE Grooup during the Profit Guarantee period.

4.14 SWSCAP and the ELE Vendors may not be able to complete the transaction within the agreed time period

The completion of the Proposed ELE Acquisition is conditional upon the conditions precedent under the ELE SPA as set out in Section 2.4.2 of this announcement, being fulfilled or waived. There is no assurance that the Proposed ELE Acquisition can be completed within the time period permitted under the ELE SPA. In the event that the conditions precedent are not fulfilled within the stipulated time period or in the event any approvals shall contain terms which are not acceptable to the parties to the ELE SPA, the said parties may either mutually extend the stipulated period or terminate the ELE SPA. Nevertheless, the ELE Vendors and SWSCAP anticipate that this risk can be mitigated by proactively engaging with the third parties to obtain all the necessary documents required for the completion of the Proposed ELE Acquisition within the timeframe stipulated in the ELE SPA. However, should there be any delay beyond the agreed timeframe, the Board shall endeavour to negotiate to mutually extend the timeframe prior to its expiry.

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 4.3% in the third quarter of 2016 (2Q 2016: 4.0%), underpinned mainly by continued expansion in private sector spending and additional support from net exports. On the supply side, growth continued to be driven by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.5% (2Q 2016: 0.7%).

Overall, domestic demand grew at a more moderate pace, as the sustained growth in private sector activity was more than offset by the slower growth in public spending. Private consumption grew by 6.4% (2Q 2016: 6.3%), supported by continued wage and employment growth as well as the increase in minimum wage effective 1 July 2016. Private investment registered a growth of 4.7% in the third quarter (2Q 2016: 5.6%), supported primarily by continued capital spending in the services and manufacturing sectors. Growth of public consumption moderated to 3.1% during the quarter (2Q 2016: 6.5%) due to lower spending on supplies and services, which partially offset the higher spending on emoluments. Public investment growth contracted by 3.8% (2Q 2016: 7.5%), attributable mainly to lower spending on fixed assets by the Federal Government.

On the supply side, growth in the third quarter was supported mainly by the services and manufacturing sectors, while the agriculture sector remained weak. The expansion in the services sector was underpinned primarily by private consumption activity, while growth in the manufacturing sector was supported by export-oriented industries.

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The Malaysian economy is expected to expand by 4-4.5% in 2016. Domestic demand, particularly private sector activity will continue to be the key driver of growth. Private consumption is expected to remain supported by wage and employment growth, with additional impetus coming from announced Government measures to increase disposable income. Investment activity will continue to be anchored by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors. On the external front, export growth is expected to remain weak following subdued demand from Malaysia's key trading partners. Overall, while domestic conditions remain resilient, uncertainties in the external environment may pose downside risks to Malaysia's growth prospects.

(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2016, Bank Negara Malaysia)

The Malaysian economy is expected to expand between 4% and 5% in 2017 (2016: 4%-4.5%) with nominal gross national income per capita increasing 5% to RM39,699 (2016: 4.8%; RM37,812). Economic growth will be underpinned by strong domestic demand, especially private sector expenditure. Private sector activity will be supported by pro-growth fiscal and accommodative monetary policies in an environment of stable inflation, which is projected to range between 2% and 3% (2016: 2%-2.5%). Meanwhile, public sector expenditure will be driven mainly by higher capital investment by public corporations.

(Source: Economic Report 2016/2017, Ministry of Finance)

5.2 Overview and prospects of the manufacturing industry in Malaysia

The manufacturing sector registered a growth of 4.2% in 3Q 2016 (2Q 2016: 4.1%). Growth continued to be driven mainly by the export-oriented industries. This reflected the higher production of chemical-related products resulting from sustained regional demand as well as continued strength in the electronics segment, particularly semiconductors in line with recent recovery in global semiconductor sales. In the domestic-oriented industries, growth was underpinned by the production of food and construction-related products. However, the transport equipment segment remained weak as reflected by the contraction in the production of passenger cars during the quarter due to subdued consumer demand.

(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2016, Bank Negara Malaysia)

5.3 Overview and prospects of the plastic industry in Malaysia

The Malaysia plastic industry can be divided into seven sub-sectors, namely:-

- Packaging - the largest market for the plastic industry mainly comprise plastic bags (packaging, shopping and garbage) containers, films, plates, sheets, foil, strip bottles and boxes;
- Electrical & Electronics - the second largest consumer of plastic in Malaysia. These items include electrical components/parts and home appliances such as casings for television sets, video compact disc ("**VCD**") players, radio, air-conditioning, vacuum cleaner, fridge, telephone, computer and accessories;
- Household - The third major sub-sector is household wares products which include plastic table ware, kitchen wares and toiletries products;
- Automotive - Plastic in this sub-sector is used for a wide range of automotive parts and components such as dashboard, bumpers, motorcycle parts, side view mirrors and hood;

- Construction - In the construction industry, plastics are used for items such as pipes and valves. Among other products are, pipe fittings, cable shield for the power or telecommunication industry, film that can be used to reduce water absorption during construction works;
- Agriculture - among the products used in the agriculture sub-sector are, polyethylene cover sheets, raffia string, rain shield, nursery trays and flower pots; and
- Others - A sub-sector which contribute 5% of the total market share of the plastic industry includes, medical devices (such as medical pouches, urine bag, clinical waste bags, syringes), plastic furniture, parts and component, stationeries, toys, gift and premiums.

(Source: www.matrade.gov.my)

In 2015, the Malaysian plastics industry registered a total sales turnover of RM24.77 billion, representing a huge increase of 27.29% compared to RM19.46 billion in 2014. However, the significant increase is not comparable as the Department of Statistics had adopted a different method of compiling the statistics for the industry for the year under review. The export sector achieved a 8.5% growth, from RM11.94 billion in 2014 to RM12.96 billion in 2015. The export sector would remain the main driver for the industry's growth over the next few years.

The plastic industry face challenges in managing rising costs, particularly the cost of labour, the difficulties associated with employing foreign workers, environment, safety and health issues, increased competition from emerging economies as well as slower demand arising from the mild recovery in the economies in the European Union and Japan.

Meeting the challenges of 2015-2016
The major issues faced by the plastics industry during the period under review were labour issues, including the freeze in the intake of foreign workers, increase in foreign workers levy and other processing fees as well as the ban of certain types of plastic products imposed by several State Governments and City Councils.

Increase in levy for foreign workers
On 30 January 2016, the government unexpectedly announced an increase of RM1,250, which represented a massive 100% hike in foreign workers levy for the manufacturing sector effective February 2016. The announcement had a significant and adverse effect on businesses and left sectors of the country's business community in the state of 'shock'. Although there was an appeal by the trade associations to withdraw the increase in levy, the appeal was not accepted by the government as the Ministry of Home Affairs announced that the levy for the manufacturing sector would be increased, albeit at a lower rate of RM600 for Peninsular Malaysia effective 18 March 2016.

Reinvestment Allowance
During the 2016 National Budget presentation, the Prime Minister-cum-Finance Minister announced that companies in the manufacturing and agriculture sectors whose Reinvestment Allowance incentive has expired, a new incentive called the Special Reinvestment Allowance will be provided for year of assessment 2016 to 2018.

(Source: President's Review; Malaysian Plastics Manufacturers' Association, Annual Report 2016)

5.4 Overview and prospects of the ELE Group

The ELE Group's products are sold in Malaysia and overseas. Although the majority of the ELE Group's revenue is derived from the domestic market, it is making efforts to further expand its export markets to the ASEAN countries, People's Republic of China ("**China**") and India after taking into consideration the following attributes of the said markets:-

(a) population growth;
(b) increasing number of households ;
(c) rising per capita income; and
(d) growing consumption from different demographic profile

The ELE Group's plastic wares are mainly plastic household products; hence they are inexpensive in comparison to glass and metallic household products. Most importantly, household products are commonly used by families. As such, the market potential for plastic household products is massive, especially in developing countries.

Due to the growing demand for household plastic wares and the abovementioned factors, the management of ELE Group expects the prospects of the plastic ware markets to remain positive for further growth.

In addition, the ELE Group intends to further expand its manufacturing and warehousing capabilities to cater for the growing demand of its products. It is constantly expanding its product offerings and product mix in order to increase its recognition and market share in the plastic ware industry. Currently, the ELE Group outsources approximately half of its production to approved external contract manufacturers. As such, to cope with the continuous product expansion, the ELE Group has plans to expand production and warehouse capacities by acquiring land for the construction of a new production facility-cum-warehouse. It is projected that by expanding its manufacturing capacity, the ELE Group is able to cater for the growing demand of plastic wares domestically and internationally, particularly to the ASEAN countries, China and India.

As the plastic ware industry is highly competitive and in effort to differentiate itself from its competitors, the ELE Group is focused on the development and improvisation of its brands, products' quality acceptance, value propositions, products' design uniqueness and strong product mix to cater to its customers' requirement.

Given the track record, reputation, capabilities and the future plans of the ELE Group, the management of SWSCAP Group is optimistic of the prospects of the ELE Group.

(Source: Management of the SWSCAP Group and the ELE Group)

6. EFFECTS OF THE PROPOSALS

6.1 Issued and paid-up share capital and substantial shareholders' shareholding

The Proposals will not have any effect on the issued and paid-up share capital of SWSCAP and the substantial shareholders' shareholding in SWSCAP as the Proposals do not involve any issuance of SWSCAP Shares.

6.2 NA and gearing

The Proposed Diversification will not have any effect on the NA and gearing of the SWSCAP Group.

Based on the audited consolidated financial statements of SWSCAP as at 31 August 2016, the pro forma effects of the Proposed Disposal, Proposed PKI Acquisition and Proposed ELE Acquisition on the consolidated NA and gearing of SWSCAP are as follows:-

	(I) Audited as at 31 August 2016 RM'000	**(II) After the Proposed Disposal RM'000**	**(III) After (II) and the Proposed PKI Acquisition RM'000**	**(IV) After (III) and Proposed ELE Acquisition RM'000**
Share capital	72,937	72,937	72,937	72,937
Share premium	18,305	18,305	18,305	18,305
Revaluation reserve	239	239	239	239
Accumulated losses	(10,600)	(10,600)	(9,940)(3)	(2,559)(5)
Equity attributable to owners of the parent	**80,881**	**80,881**	**81,541**	**88,922**
No. of shares ('000)	145,875	145,875	145,875	145,875
NA per share (RM)	0.55	0.55	0.56	0.61
Borrowings	26,824	8,158(2)	8,158(4)	50,403(6)(7)
Gearing ratio (times)	0.33	0.10	0.10	0.57
Net gearing ratio (times)(1)	0.04	(0.11)	(0.11)	0.48

Notes:-

(1) *Net gearing is defined as interest bearing borrowings net of cash and bank balances. Negative net gearing ratio indicates that cash and bank balances are more than borrowings.*
(2) *After excluding the interest bearings borrowings of the SWSISB Group.*
(3) *After incorporating the gain on acquisition of RM0.66 million. The said gain includes the gain of acquisition for the earlier tranche of 19.60% equity interest in PKI which was completed on 30 December 2016.*
(4) *Assuming the PKI Consideration will be funded via internally generated funds.*
(5) *After incorporating the negative goodwill arising from the Proposed ELE Acquisition of approximately RM7.98 million as at 30 November 2016 based on the 11-month management accounts of the ELE Group and deducting estimated expenses for the corporate exercise amounting to approximately RM0.60 million charged to accumulated losses.*
(6) *Assuming the ELE Consideration will be funded from the proceeds of the Proposed Disposal and internally generated funds.*
(7) *After incorporating the interest bearing borrowings of the ELE Group of approximately RM42.25 million as at 30 November 2016 based on the 11-month management accounts of the ELE Group.*

6.3 Earnings and earnings per share ("EPS")

6.3.1 Proposed Disposal

The Group is not expected to realise any gain or loss from the Proposed Disposal as the Disposal Consideration is equal to its NA as at 31 August 2016. However, at the company level, SWSCAP expects to realise a net gain of approximately RM15.41 million from the Proposed Disposal, against its cost of investment amounting to RM15.33 million as at 31 August 2016.

6.3.2 Proposed PKI Acquisition and Proposed ELE Acquisition

The actual impact of the Proposed PKI Acquisition and Proposed ELE Acquisition on the consolidated earnings and EPS of SWSCAP moving forward will depend on, among others, the successful integration of the ELE Group's operations into SWSCAP. Nevertheless, the Proposed PKI Acquisition and Proposed ELE Acquisition are expected to be earnings accretive and to contribute positively to the future earnings of the SWSCAP Group after completion. In addition, the ELE Vendors have provided a profit guarantee of RM4.00 million for the FYE 31 December 2017.

6.4 Dividend

The Proposals are not expected to affect the dividend policy, if any, of the Company as future dividend payable by the Company would depend on inter-alia, the future profitability and cashflow position of the enlarged SWSCAP Group.

6.5 Convertible securities

The Company does not have any outstanding convertible securities as at the date of this announcement.

7. OTHER INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

(i) The highest percentage ratio applicable to the Proposed Disposal under paragraph 10.02(g) of the Listing Requirements is 48.15%. Based on the highest percentage ratio, the Proposed Disposal requires the approval of the shareholders of SWSCAP.

(ii) The highest percentage ratio applicable to the Proposed PKI Acquisition under paragraph 10.02(g) of the Listing Requirements is 33.99%. Based on the highest percentage ratio, the Proposed PKI Acquisition requires the approval of the shareholders of SWSCAP.

(iii) The highest percentage ratio applicable to the Proposed ELE Acquisition under paragraph 10.02(g) of the Listing Requirements is 99.49%. Based on the highest percentage ratio, the Proposed ELE Acquisition requires the approval of the shareholders of SWSCAP.

(iv) The Company does not have any other corporate exercises which have been announced but yet to be implemented.

8. APPROVALS REQUIRED

The Proposals are subject to the approvals and/or consents being obtained from the following:-

(a) Shareholders of SWSCAP at an extraordinary general meeting ("**EGM**") to be convened; and

(b) Any other relevant authorities and/or parties, if required.

The Proposed ELE Acquisition is inter-conditional with the Proposed Diversification. The Proposals are not inter-conditional or conditional upon one another. The Proposals are also not conditional on any other corporate exercise/scheme undertaken or to be undertaken by SWSCAP.

9. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

Save as disclosed below, none of the Directors and major shareholders of SWSCAP, and persons connected with them has any interests, direct or indirect in the Proposals:-

(a) Proposed PKI Acquisition

Neo Chee Kiat and Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai are Directors of SWSCAP and Directors of PKI. However, Neo Chee Kiat and Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai are representatives of SWSCAP on the Board of Directors of PKI.

(b) Proposed ELE Acquisition

Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai, the Chairman of SWSCAP is also a Director of ELE and is one of the vendors disposing his equity interest in ELE to SWSCAP pursuant to the Proposed ELE Acquisition. Therefore, he is deemed to be interested in the Proposed ELE Acquisition.

Accordingly Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai has abstained and will continue to abstain from deliberating and voting at the relevant Board meetings in relation to the Proposed ELE Acquisition. Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai will abstain from voting in respect of his direct and/or indirect shareholdings in SWSCAP pertaining to the Proposed ELE Acquisition at the forthcoming EGM of SWSCAP. Further, Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai will ensure that persons connected with him, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in SWSCAP, in relation to the Proposed ELE Acquisition at the forthcoming EGM of SWSCAP.

10. DIRECTORS' STATEMENT

After considering all aspects of the Proposals, including the rationale and benefit and financial effects of the Proposals, the Board (save for Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai who has abstained from deliberating and voting on the resolution in respect of the Proposed ELE Acquisition due to his common directorship SWSCAP and ELE, as well as his interest as one of the ELE Vendors) is of the opinion that the Proposals are in the best interest of the SWSCAP Group and its shareholders.

11. STATEMENT BY AUDIT COMMITTEE

The audit committee of SWSCAP, having considered all aspects of the Proposed Diversification and Proposed ELE Acquisition, including but not limited to the rationale and the financial effects, as well as having sought the advice of the Independent Adviser, is of the opinion that the Proposed Diversification and Proposed ELE Acquisition are:-

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

12. TOTAL AMOUNT OF RELATED PARTY TRANSACTIONS WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

There was no transaction entered into between SWSCAP with the related party, Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai, within the preceding 12 months of the date of this announcement.

13. ADVISERS

M&A Securities has been appointed as Adviser for the Proposals.

The Proposed ELE Acquisition is deemed a related party transaction under Paragraph 10.08 of the Listing Requirements. Accordingly, TA Securities Holdings Berhad has been appointed as the Independent Adviser to advise the non-interested directors and non-interested shareholders of SWSCAP on the Proposed ELE Acquisition in accordance with the Listing Requirements.

14. APPLICATIONS TO THE RELEVANT AUTHORITIES AND ESTIMATED TIMEFRAME FOR COMPLETION

The Board expects the applications to the relevant authorities in respect of the Proposals to be submitted within 2 months from the date of this announcement. Barring any unforeseen circumstances, the Board expects the Proposed Disposal and Proposed PKI Acquisition to complete by the 3rd quarter of 2017 and the Proposed ELE Acquisition to complete by the 2nd half of 2018 after the payment of the Retention Sum to the ELE Vendors.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SWSISB SPA, PKI SPA and ELE SPA can be inspected at SWSCAP's registered office at No.7 (1st Floor) Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor during normal office hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 28 February 2017.

1. HISTORICAL FINANCIAL INFORMATION OF SWSISB

The financial information of SWSISB based on its pro forma audited financial statements for the FYEs 31 August 2014 and 31 August 2015 and the audited consolidated financial statements for the FYE 31 August 2016 are set out below:-

	Audited FYE 31 August		
	2014	**2015**	**2016**
	RM	**RM**	**RM**
Revenue	78,673,917	81,794,182	99,848,607
GP	12,000,151	10,506,578	12,406,977
Other income	1,642,615	3,008,777	1,815,692
Profit/(Loss) before taxation ("**PBT**")/("**LBT**")	3,005,382	(724,898)	(633,098)
Profit/(Loss) after taxation ("**PAT**")/("**LAT**")	2,514,569	(213,769)	(706,701)
Profit/(Loss) after taxation and minority interest ("**PATAMI**")	2,514,569	(213,769)	(706,701)
GP margin (%)	15.25	12.85	12.43
PBT/(LBT) margin (%)	3.82	(0.89)	(0.63)
Issued and paid-up capital	10,400,000	10,400,000	10,400,000
Shareholders' funds	33,699,853	32,246,567	30,739,866
Borrowings	15,363,743	14,039,696	18,666,115
Gearing ratio (times)	0.46	0.44	0.61
Net gearing ratio (times)	0.35	0.29	0.40

Financial commentaries:-

FYE 31 August 2014

The SWSISB Group recorded revenue of RM78.67 million, representing an increase of approximately 28.31% as compared to the preceding financial year's revenue of RM61.32 million. The higher revenue was mainly attributable to the increase in sales from the SWSISB Group's European market from RM23.71 million in the FYE 31 August 2013 to RM37.43 million in the FYE 31 August 2014.

Despite the improvement in revenue, GP margin decreased from 18.65% in the FYE 31 August 2013 to 15.25% in the FYE 31 August 2014. The decrease in GP margin was due to the increase in the cost of materials (FYE 31 August 2013: leather price USD1.45 per square feet vs FYE 31 August 2014: USD1.49 per square feet) and the increase in labour cost due to the enforcement of minimum wages beginning 1 January 2014 for small medium enterprises.

The SWSISB Group registered a higher PBT of RM3.01 million, an improvement by RM0.57 million as compared to the preceding year of RM2.44 million. The higher PBT for the FYE 31 August 2014 was due mainly to the gain on fair value adjustment for investment property of RM0.16 million and unrealised gain on foreign currency of RM0.41 million.

FYE 31 August 2015

For the FYE 31 August 2015, revenue increased marginally by 3.97% to RM81.79 million due to the appreciation of the USD. Although revenue increased albeit marginally, total sales in USD decreased due to the weaker purchasing power from the European market as a result of the strong USD (FYE 31 August 2015: Total sales in USD22.30 million vs FYE 31 August 2014: Total sales in USD23.76 million).

Despite the improvement in revenue, GP margin decreased from 15.25% in the FYE 31 August 2014 to 12.85% in the FYE 31 August 2015. The decrease in GP margin was mainly due to the increase in materials cost (FYE 31 August 2014: leather price USD1.49 per square feet vs FYE 31 August 2015: USD1.51 per square feet).

The SWSISB Group recorded LBT of RM0.72 million in the FYE 31 August 2015 as compared to the preceding year PBT of RM3.01 million mainly due to the write-off of inventory and provision for obsolete goods which was approximately RM2.40 million. In addition, the SWSISB Group had also incurred expenses for exhibitions such as RM0.31 million for the China International Furniture Fair in Guangzhou, China and RM0.79 million for the local furniture fairs.

FYE 31 August 2016

For the FYE 31 August 2016, the SWSISB Group intensified its penetration into the Australian market. Revenue increased 22.07% to RM99.85 million from RM81.79 million due to the increase in sales from the Australian market segment from RM6.40 million in the FYE 31 August 2015 to RM17.26 million in the FYE 31 August 2016, contributing 17.29% of the SWSISB Group's revenue. For the FYE 31 August 2015, Australia only contributed 7.82% of the SWSISB Group's revenue.

Despite the improvement in revenue, GP margin further decreased from 12.85% in the FYE 31 August 2015 to 12.43% in the FYE 31 August 2016. The marginal decrease in GP margin was due to additional subcontract charges paid to ensure timely delivery to customers due to shortage of skilled foreign workers. The SWSISB Group was unable to transfer the cost to customers who had placed their orders earlier.

The SWSISB Group recorded LBT of RM0.63 million due mainly to expenses incurred for exhibitions of local furniture fairs of RM1.33 million during the year and management fee of RM0.30 million paid to the holding company.

Note:-

USD: United States Dollar

1. HISTORICAL FINANCIAL INFORMATION OF PKI

The financial information of PKI based on its audited financial statements for the FYEs 31 August 2014, 31 August 2015 and 31 August 2016 are set out below:-

	Audited FYE 31 August		
	2014	**2015**	**2016**
	RM	**RM**	**RM**
Revenue	20,756,999	18,344,991	23,602,794
GP	5,212,091	5,189,559	8,018,584
Other income	110,280	451,666	322,460
PBT	1,714,715	2,105,572	3,864,056
PAT	2,242,910	1,672,779	3,057,818
PATAMI	1,143,884	853,118	1,559,487
GP margin (%)	25.11	28.29	33.97
PBT margin (%)	8.26	11.48	16.37
Issued and paid-up capital	1,865,000	1,865,000	1,865,000
Shareholders' funds	3,240,495	4,093,612	6,298,250
Borrowings	791,462	990,554	2,792,974
Gearing ratio (times)	0.24	0.24	0.44
Net gearing ratio (times)	(0.05)	(0.05)	0.01

Financial commentaries:-

FYE 31 August 2014

PKI recorded revenue of RM20.76 million, representing an increase of approximately 22.31% as compared to the preceding financial year's revenue of RM16.97 million. The higher revenue was mainly attributable to the change in marketing strategy for its European market to focus on the medium high furniture market. Previously, PKI's focus was on the low to medium European furniture market, hence its selling price was lower. With the change in marketing strategy, GP margin increased from 15.01% from the preceding year to 25.11% for the FYE 31 August 2014.

* The European market contributes approximately 78% of PKI's total revenue.

PKI registered a higher PBT of RM1.71 million, an improvement by RM1.10 million as compared to the preceding year. The higher PBT for the FYE 31 August 2014 was in line with the increase of revenue. In addition, the management derived better cost efficiencies and effective cost management across all functions.

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FYE 31 August 2015

PKI recorded revenue of RM18.34 million, representing a decrease of approximately 11.62% as compared to the preceding year's revenue. The decrease in revenue was primarily due to the drop in buying power in PKI's Central Asian market due to economic and political uncertainties. The Central Asian market contributed approximately 11% of PKI's revenue for the FYE 31 August 2014 but reduced to 1.4% for the FYE 31 August 2015.

Despite the decrease of 11.62% in revenue, GP remained relatively stable at RM5.19 million for the FYE 31 August 2015. This was because GP margin increased from 25.11% in the FYE 31 August 2014 to 28.29% for the FYE 31 August 2015 as a result of a change in operational strategy in converting production wastages into useful raw material for new products and strengthening of the procurement operations.

The Group registered a higher PBT of RM2.11 million for the FYE 31 August 2015 compared to RM1.71 million registered for the FYE 31 August 2014 in line with the marginal reduction in GP for the FYE 31 August 2015. Other income increased by approximately RM0.34 million primarily due to foreign exchange gain of RM0.21 million.

FYE 31 August 2016

PKI recorded revenue of RM23.60 million, representing an increase of approximately 28.66% as compared to the preceding year's revenue. The increase in revenue was mainly due to the increase of demand from the European market. GP margin for the FYE 31 August 2016 increased steadily from 28.29% in the FYE 31 August 2015 to 33.97% in the FYE 31 August 2016 due mainly to the appreciation of US Dollars.

Accordingly, PKI registered an increase in PBT of approximately RM3.86 million as compared to PBT of RM2.11 million reported in the preceding year.

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1. HISTORY OF ELE GROUP

ELE was incorporated in 1993 and commenced operations in 1994. ELE was founded by Teoh Han Chuan and Heng Sew Hua, when they foresaw a market potential in the plastic ware industry.

ELE began operations in a shophouse located in Georgetown, Penang focusing on the trading of plastic wares under its own brand "ELIANWARE". At that time, its products were manufactured by contract manufacturers in Malaysia and China.

The first product in ELE's portfolio was plastic food trays, which was made in a variety of colours and designs, with and without lid covers. With limited capital and resources, the initial marketing strategy was to leverage on ELE's distributors and wholesalers to distribute its products to the mass market.

Through business development efforts, ELE continued to expand its product portfolio. In 1996, ELE rented a bigger factory in Sungai Lokan, Penang with a size of 1,728 square feet to cater for its increased warehousing needs. It also expanded its staff strength from 4 to 8 personnel as well as increased its product mix to over 80 types of plastic wares which were distributed to over 100 customers domestically.

In 2001, ELE marked one of its major milestones when it commenced exporting its products, firstly to the Middle East. Since then, ELE has expanded its export market reach to over 28 countries, including Singapore, China, Thailand, Philippines, New Zealand, India, Indonesia, Fiji, Brunei, Mauritius, Vietnam, South Africa, Australia, Kuwait, Papua New Guinea, Canada, Puerto Rico, Myanmar, North Korea, Qatar, Yemen, Cyprus, Seychelles, Hong Kong and Cambodia.

In 2002, Ee-Lian Plastic Industries (M) Sdn Bhd (now a 77.50% owned subsidiary of ELE), was incorporated to commence manufacturing of plastic wares. The plastic ware industry in Malaysia is very competitive with various local producers as well as importers of internationally-made plastic wares suppliers, especially from China. By designing and manufacturing its own products, this allowed the ELE Group to minimise the impact of its revenue if there is a decline in demand for a particular product segment, remain competitive by having better control of its product quality and integrity, as well as enabling it to provide a wider range of quality and innovative products.

Although the ELE Group manufactures its products for cost efficiency purposes, it also outsources some of its production. Currently, the ELE Group outsources half of its production to approved external contract manufacturers. These external contract manufacturers are primarily involved in the manufacturing of the ELE Group's plastic wares' parts and accessories and have at least a minimum of 8 years relationship with the ELE Group. Nonetheless, to ensure that the quality of the ELE Group's products remain consistent, the ELE Group provides moulds, tools and raw materials to these external contract manufacturers for the manufacturing of its products.

In 2000, ELE acquired a vacant land at 947, Lorong Perindustrian Bukit Minyak 11, Bukit Minyak Industrial Park, 14100 Simpang Ampat, Penang, for the construction of its first manufacturing facility-cum-warehouse.

In 2005, the ELE Group acquired another parcel of 1.62 acres vacant land at 923 Lorong Perindustrian Bukit Minyak 11, Bukit Minyak Industrial Park, 14100 Simpang Ampat, Penang to expand its production and warehousing capacities. This factory was subsequently sold in 2010.

In 2007, the ELE Group acquired a parcel of 4.11 acres vacant land, which is at No. 1027 Lengkok Perindustrian Bukit Minyak 1, Bukit Minyak Industrial Park, 14100 Simpang Ampat, Penang. Subsequently in 12 August 2013, it acquired an adjoining 1 acre parcel of land and building for its packaging and warehousing purposes.

In 2009, the ELE Group was awarded the Malaysia Golden Bull Award by Nan Yang Siang Pau Group in recognition of its outstanding performance as a Small Medium Enterprise. In the same year, it also obtained the licensing rights to produce and distribute plastic wares in Malaysia bearing the characters depicted in the "TOM & JERRY"* animated shorts, the comic book series "JUSTICE LEAGUE"* and the Disney copyrighted "DISNEY BABIES" and "BABY POOH" characters.

* *The licensing rights to use "TOM & JERRY" and "JUSTICE LEAGUE" characters have expired on 31 December 2016 and are currently under review for renewal.*

In 2010, Ee-Lian Plastic Industries (M) Sdn Bhd obtained the ISO 9001:2008 certification from BM Trada Certification Limited for the recognition of its quality management system in the manufacturing of plastic injected moulded products.

As the majority of its customers are located in the Klang Valley, the ELE Group established a showroom-cum-administration office in Cheras in 2013, to showcase its entire existing products and to provide customers a visual concept of its products.

Over the past 23 years, the ELE Group has evolved and expanded through product innovations and improvement as well as capacity expansion. Initially, the ELE Group started with only 4 personnel including its founders, operating from a rented shophouse in 1993 and today, the ELE Group has expanded its workforce of 281 personnel operating in 3 manufacturing and warehousing facilities in Penang, with a total investment of over RM52.00 million in land and buildings, plant and machineries and a fleet of 4 transportation trucks for the distribution of its products.

Presently the manufacturing of the ELE Group's products is carried out by Ee-Lian Plastic Industries (M) Sdn Bhd while ELE carries out heat transfer, printing and packaging processes. The ELE Group also offers services for its customers to help them design and produce plastic wares specific to customers' specific requirements and occasions, i.e., premium gifts, and gifts on purchases.

Except for original equipment manufactured ("**OEM**") products, all the products distributed by the ELE Group are marketed under 4 main house brands namely "ELIANWARE", "EZY-LOCK", "eLOCK" and "TRUELOCK". "ELIANWARE" and the upcoming new brand "Apple Lemon" have registered trademarks in Malaysia and overseas.

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2. PRINCIPAL LOCATION OF OPERATIONS

The ELE Group's manufacturing activities are carried out in 3 manufacturing facilities. It also has a showroom as follows:-

Address	Activity	Built-up /Land area	Tenancy
1027 Lengkok Perindustrian Bukit Minyak 1, Bukit Minyak Industrial Park, 14100 Simpang Ampat, Penang	Manufacturing of product parts for our plastic wares and product finishing	140,812 square feet / 4.1 acres	Owned Leasehold, 60 years expiring on 12 October 2068
1028 Lengkok Perindustrian Bukit Minyak 1, Bukit Minyak Industrial Park, 14100 Simpang Ampat, Penang	Product packaging	31,822 square feet /1.0 acre	Owned Leasehold, 60 years expiring on 12 October 2068
947, Lorong Perindustrian Bukit Minyak 11, Bukit Minyak Industrial Park, 14100 Simpang Ampat, Penang	Manufacturing of plastic wares	53,000 square feet / 1.62 acres	Owned Leasehold, 60 years expiring on 31 January 2062
C43A-2, Block C, 2nd Floor, Jalan C180/1, Dataran C180, 43200 Cheras, Selangor	Administration and marketing office-cum-showroom	3,418 square feet	Rented (2 years tenancy from 1 July 2015 to 30 June 2017)

3. PRINCIPAL PRODUCTS

The principal products of the ELE Group can be segmented into the following categories:-

(a) Housewares which comprise tableware, kitchenware, toilet ware, laundry products, gardening products, plastic furniture and cleaning products;

Tableware

Kitchenware

Toilet ware

Laundry products

Gardening products

Plastic furniture

(b) Storage and containers;

(c) Water bottles and tumblers;

Water bottles and tumblers are produced under the ELE Group's own brand "ELIANWARE" as well as third party brands such as Disney.

(d) Water dispensers; and

(e) Industrial goods

Most of the ELE Group's products are distributed to the domestic market, contributing approximately 87.24% of the ELE Group's total revenue for the FYE 31 December 2015. The remaining 12.76% of revenue is exported; with Singapore, Canada, Vietnam, Philippines and Cambodia, being the top 5 countries the ELE Group exports to.

4. KEY MANAGEMENT OF THE ELE GROUP

Name	Role(s)	Tenure with ELE Group
Heng Sew Hua	• Co-founder and Executive Chairman	24 years (since 1993)
Teoh Han Chuan	• Co-founder and group Managing Director / Chief Executive Officer • Responsible for overall strategic direction and business operations	24 years (since 1993)
Tan Sri Dato Seri' Tan King Tai @ Tan Khoon Hai	• Executive Director	3 years (since 2014)
Tan Soon Ping	• Executive Director	21 years (since 1996)
Heng Lih Jiun	• Executive Director • Oversees the group's production and information technology division	12 years (since 2005)
Lee Chaw Hsien	• Accountant	3 years (since 2014)
Choong Jee Von	• Personal Assistant to group Managing Director • Help oversees the group's business operations	3 years (since 2014)
Cheah Guang Zheng	• Human Resource Manager	4 years (since 2013)
Law Swee Kia	• Product Development Manager	7 years (since 2010)
Teoh Thai Lee	• Store Manager	24 years (since 1993)

The abovementioned key management intends to continue with the ELE Group under the enlarged SWSCAP Group upon completion of the Proposed ELE Acquisition.

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5. HISTORICAL FINANCIAL INFORMATION OF ELE

The financial information of ELE based on its audited consolidated financial statements for the FYEs 31 December 2013, 31 December 2014 and 31 December 2015 are set out below:-

	Audited FYE 31 December		
	2013	**2014**	**2015**
	RM	**RM**	**RM**
Revenue	74,190,751	77,942,336	74,794,925
GP	16,199,816	15,665,109	21,333,504
Other income	126,302	142,368	839,725
PBT	6,403,267	3,105,399	6,797,983
PAT	4,712,877	2,201,784	4,346,688
PATAMI	4,551,557	2,227,982	4,385,785
GP margin (%)	21.84	20.10	28.52
PBT margin (%)	8.63	3.98	9.09
Shareholders' funds	28,597,686	35,097,641	39,496,883
Borrowings	31,429,550	39,118,397	41,302,130
Gearing ratio (times)	1.10	1.11	1.05
Net gearing ratio (times)	0.87	0.89	0.87

Financial commentaries:-

FYE 31 December 2013

For the FYE 31 December 2013, revenue increased by 4.27% from RM71.15 million in the preceding year due to the increase in selling prices during the year arising from higher cost of plastic resins. The higher price of plastic resins was attributed to higher global crude oil prices.

PBT increased by 87.47% from RM3.42 million to RM6.40 million for the FYE 31 December 2013 due to lower distribution and administrative expenses. The lower expenses was a result of a reduction in depreciation for the year as compared to the preceding year since no depreciation was taken up during the year arising from the revaluation of land and property. In addition, the ELE Group together with its external auditors undertook a re-computation of its depreciation and reversed overcharged depreciation in prior years.

FYE 31 December 2014

For the FYE 31 December 2014, revenue increased by 5.06% from RM74.19 million in the preceding year to RM77.94 million due to increase in domestic demand.

Despite the increase in revenue, PBT reduced by 51.50% from RM6.40 million to RM3.11 million for the FYE 31 December 2014. The reduction in PBT was primarily due to higher depreciation charges of RM2.33 million (2013: RM1.16 million), higher finance charges of RM2.33 million (2013: RM1.91 million) and provision for legal charges of RM0.30 million.

FYE 31 December 2015

For the FYE 31 December 2015, revenue decreased marginally by 4.04% from RM77.94 million in the preceding year to RM74.94 million due to the slowdown in the demand in the domestic market arising from the implementation of the goods and services tax in April 2015. The reduction in domestic demand was however mitigated by the increase in exports.

GP margin increased from 20.10% to 28.52% due in part to the upward revision in selling prices in the last quarter of the FYE 31 December 2014 arising from higher cost of plastic resins as well as the subsequent reduction in the cost of plastic resins during the FYE 31 December 2015.

The higher PBT for the year of RM6.78 million as compared to RM3.11 million in the preceding year was in line with the higher GP for the year, an increase in other income from gain in foreign exchange of RM0.35 million and gain on disposal of 2 motor vehicles of RM0.27 million.

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