Passion Care Continuity Simplicity

PCCS GROUP BERHAD

(Co. No. 280929-K)
Incorporated In Malaysia

ANNUAL REPORT 2019

CONTENTS

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Twenty-Fifth ("**25th**") Annual General Meeting of the Company will be held at PCCS Group Berhad's Corporate Office, Lot 1376, GM127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim on Monday, 26 August 2019 at 10:30 a.m. or at any adjournment thereof for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 March 2019 together with the Reports of the Directors and the Auditors thereon. ***Please refer to Explanatory Note B1***

2. To re-elect the following Directors who retire pursuant to Article 94 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:-

   (a) Mr. Chan Choo Sing ***Resolution 1***
   (b) Mr. Chan Chow Tek ***Resolution 2***

3. To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company until the conclusion of next Annual General Meeting and to authorise the Directors to fix their remuneration. ***Resolution 3***

As Special Business

To consider and, if thought fit, with or without any modification, to pass the following Ordinary and Special Resolutions:-

4. **ORDINARY RESOLUTION**
   - PAYMENT OF DIRECTORS' FEES

   "THAT the Directors' Fees amounting to RM402,000/- (Ringgit Malaysia: Four Hundred and Two Thousand only) for the financial year ended 31 March 2019, be and is hereby approved for payment." ***Resolution 4***

5. **ORDINARY RESOLUTION**
   - AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016

   "THAT pursuant to the Companies Act 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad;

   AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." ***Resolution 5***

6. **SPECIAL RESOLUTION**
- PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY

"THAT approval be and is hereby given to the Company to revoke existing Memorandum and Articles of Association ("**M&A**") of the Company in its entirety and in place thereof, a new Constitution as set out in Appendix I be and is hereby adopted with immediate effect AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things as are necessary and/or expedient with full powers to assent to any conditions, variations, modifications and/or amendments as may be required by any relevant authorities to give full effect to the foregoing." ***Resolution 6***

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 or the Articles of Association of the Company.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
CHENG CHIA PING (MAICSA 1032514)
Company Secretaries

Kuala Lumpur
26 July 2019

Notes:

(A) Information for Shareholders/Proxies

1. For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 66(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 19 August 2019. Only a depositor whose name appears on the Record of Depositors as at 19 August 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

2. A member of the Company entitled to attend and vote at a meeting of a company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting. Where a holder appoints two (2) proxies, he shall specify the proportions of his shareholdings to be represented by each proxy.

4. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account.

(A) Information for Shareholders/Proxies (Cont'd)

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

6. The instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or at any adjournment thereof.

7. Any Notice of Termination of Authority to act as Proxy must be received by the Company before the commencement of the General Meeting or at any adjournment thereof, failing which, the termination of the authority of a person to act as proxy will not affect the following in accordance with Section 338 of the Companies Act 2016:-

   (a) the constitution of the quorum at such meeting;
   (b) the validity of anything he did as chairman of such meeting;
   (c) the validity of a poll demanded by him at such meeting; or
   (d) the validity of the vote exercised by him at such meeting.

Explanatory Notes to Ordinary Business:-

(B) Audited Financial Statements for the financial year ended 31 March 2019

1. This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(C) Resolutions 1 & 2 - Re-election of Directors

1. In determining the eligibility of the Directors to stand for re-election at the forthcoming 25th Annual General Meeting, the Nomination Committee ("**NC**") has considered the requirements under Paragraph 2.20A of the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and recommended Mr. Chan Choo Sing and Mr. Chan Chow Tek for re-election as Directors pursuant to Article 94 of the Articles of Association of the Company ("**Retiring Directors**").

   All the Retiring Directors have consented to their re-election, and abstained from deliberation and voting in relation to their individual re-election at the NC Meeting, where applicable and Board of Directors' Meeting, respectively.

(D) Resolution 3 – Re-appointment of Auditors

1. The Audit Committee ("**AC**") have assessed the suitability, objectivity and independence of the External Auditors and recommended the re-appointment of Messrs. Baker Tilly Monteiro Heng PLT as External Auditors of the Company for the financial year ending 31 March 2020. The Board has in turn reviewed the recommendation of the AC and recommended the same be tabled to the shareholders for approval at the forthcoming 25th Annual General Meeting of the Company under **Resolution 3**.

Explanatory Notes to Special Business:

(E) Resolution 4 – Payment of Directors' Fees

1. The proposed adoption of the Ordinary Resolution is to approve the Proposed Directors' fees for the financial year ended 31 March 2019 of RM402,000/- (2018: RM402,000/-).

   The **Resolution 4**, if approved, will authorise the payment of Directors' Fees pursuant to Article 105(a) of the Articles of Association of the Company.

(F) Resolution 5 – Authority to Issue Shares pursuant to the Companies Act 2016

1. The Company wishes to renew the mandate on the authority to issue shares pursuant to the Companies Act 2016 at the 25th Annual General Meeting of the Company (hereinafter referred to as the "**General Mandate**").

   The Company had been granted a general mandate by its shareholders at the Twenty-Fourth Annual General Meeting of the Company held on 27 August 2018 (hereinafter referred to as the "**Previous Mandate**").

   The Previous Mandate granted by the shareholders had not been utilised and therefore no proceed has been raised pursuant to the Previous Mandate.

   The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting solely for such issuance and allotment of shares. This authority unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

(G) Resolution 6 - Proposed Adoption of the New Constitution of the Company

1. The Resolution 6 is undertaken primarily to streamline the existing M&A of the Company with the Companies Act 2016, which was effective from 31 January 2017. Also, to align the existing M&A with the Bursa Securities Main LR and to provide clarity to certain provision thereof and to render consistency throughout in order to facilitate and further enhance administrative efficiency.

   Further information on the Resolution 6 is set out in the Appendix I.

CORPORATE **STRUCTURE**

AS AT 26 JULY 2019

PCCS Group Berhad

(Co. No. 280929-K)

(Incorporated in Malaysia)

- Apparel Division
- Embroidery, Printing & Seamless Bonding Division
- Labelling Division
- Others

- ***100%*** Perusahaan Chan Choo Sing Sdn Bhd
- ***100%*** PCCS Garments Limited
- ***100%*** Beauty Apparels (Cambodia) Ltd
- ***100%*** JIT Textiles Limited
- ***100%*** PCCS Garments (Suzhou) Ltd
  - ***100%*** PCCS Garments Wuhan Limited
- ***100%*** PCCS (Hong Kong) Limited
  - ***60%*** Ample Apparels Limited
- ***100%*** Thirty Three (Hong Kong) Limited
  - ***100%*** Thirty Three (Shanghai) Limited
- ***100%*** Thirty Three Trading Sdn Bhd
  - ***100%*** Beauty Silk Screen (M) Sdn Bhd
    - ***100%*** Beauty Silk Screen Limited
- **100%** Beauty Electronic Embroidering Centre Sdn Bhd
  - ***100%*** JIT Embroidery Limited
- ***100%*** Keza Sdn Bhd
  - ***100%*** Keza (Cambodia) Limited
  - ***100%*** Wan He Da Manufacturing Company Limited
- ***51%*** Perfect Seamless Garments (Cambodia) Limited
- ***100%*** Mega Labels & Stickers Sdn Bhd
  - ***100%*** Mega Labels & Stickers (Cambodia) Co., Ltd.
- ***100%*** Mega Label (Malaysia) Sdn Bhd

BOARD OF DIRECTORS

Julian Lim Wee Liang
Senior Independent Non-Executive Chairman

Dato' Chan Chor Ngiak
Non-Independent Non-Executive Director

Chan Choo Sing
Group Managing Director

Chan Chor Ang
Non-Independent Non-Executive Director

Chan Chow Tek
Executive Director

Piong Yew Peng
Independent Non-Executive Director

AUDIT COMMITTEE

Piong Yew Peng (Chairman)
Independent Non-Executive Director

Julian Lim Wee Liang
Senior Independent Non-Executive Chairman

Dato' Chan Chor Ngiak
Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Julian Lim Wee Liang (Chairman)
Senior Independent Non-Executive Chairman

Piong Yew Peng
Independent Non-Executive Director

Dato' Chan Chor Ngiak
Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Piong Yew Peng (Chairman)
Independent Non-Executive Director

Chan Choo Sing
Group Managing Director

Dato' Chan Chor Ngiak
Non-Independent Non-Executive Director

COMPANY SECRETARIES

Chua Siew Chuan (MAICSA 0777689)
Cheng Chia Ping (MAICSA 1032514)

REGISTERED OFFICE AND CORPORATE OFFICE

Lot 1376, GM 127,
Mukim Simpang Kanan, Jalan Kluang,
83000 Batu Pahat, Johor Darul Takzim
Tel No : 07-456 8866
Fax No : 07-456 8860

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd. (36869-T)
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur,
Wilayah Persekutuan
Tel No : 03-2084 9000
Fax No : 03-2094 9940 / 2095 0292

AUDITORS

Baker Tilly Monteiro Heng PLT
Chartered Accountants
Baker Tilly Tower,
Level 10, Tower 1, Avenue 5,
Bangsar South City,
59200 Kuala Lumpur,
Wilayah Persekutuan

SOLICITORS

Enolil Loo
Advocates & Solicitors
M-2-9 Plaza Damas,
60 Jalan Sri Hartamas 1,
Sri Hartamas,
50480 Kuala Lumpur,
Wilayah Persekutuan

PRINCIPAL BANKERS

- Malayan Banking Berhad (3813-K)
- CIMB Bank Berhad (13491-P)

SUBSIDIARY COMPANIES

Ample Apparels Limited
Beauty Apparels (Cambodia) Ltd
Beauty Electronic Embroidering Centre Sdn. Bhd (102438-U)
Beauty Silk Screen (M) Sdn. Bhd. (583304-X)
Beauty Silk Screen Limited
JIT Embroidery Limited
JIT Textiles Limited
Keza Sdn. Bhd. (138288-U)
Keza (Cambodia) Limited
Mega Labels & Stickers Sdn. Bhd. (190144-X)
Mega Label (Malaysia) Sdn. Bhd. (533197-U)
Mega Labels & Stickers (Cambodia) Co., Ltd.
PCCS Garments Limited
PCCS Garments (Suzhou) Ltd
PCCS Garments Wuhan Limited
PCCS (Hong Kong) Limited
Perusahaan Chan Choo Sing Sdn. Bhd. (70765-W)
Perfect Seamless Garments (Cambodia) Limited
Thirty Three (Hong Kong) Limited
Thirty Three (Shanghai) Limited
Thirty Three Trading Sdn. Bhd. (391830-P)
Wan He Da Manufacturing Company Limited

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

CORPORATE WEBSITE

http://www.pccsgroup.net/

Julian Lim Wee Liang
Senior Independent Non-Executive Chairman
Malaysian, aged 45, Male

Date of appointment as Director	14 November 2011
Length of service as director since appointment (as at 26 July 2019)	7 years 8 months Mr. Julian was appointed as Independent Non-Executive Director on 14 November 2011 and was re-designated as Senior Independent Non-Executive Director on 22 May 2013 and subsequently appointed as Senior Independent Non-Executive Chairman on 6 June 2014.
Board Committee(s) served on	• Member of the Audit Committee • Chairman of the Nomination Committee
Academic/ Professional Qualification(s)	• Bachelor Degree in University of Sheffield, United Kingdom in July 1996 • Member of the Malaysian Institute of Accountants • Fellow member of the Association of Chartered Certified Accountants
Present Directorship(s) in other Public/ Listed Companies	He does not have any directorships in other public company and listed company.
Family relationship with any Director and/or major shareholder of the Company	Nil
Working experience:	Mr. Julian worked with Arthur Andersen & Co and left in January 2000 to further his studies. Subsequently, he joined KY Siow & Co in January 2003 as Audit Manager.
Time committed	Mr. Julian attended all the four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2019.

Chan Choo Sing

Group Managing Director
Malaysian, aged 65, Male

Date of appointment as Director	21 June 1995
Length of service as director since appointment (as at 26 July 2019)	24 years 1 month Mr. Chan was appointed as the Group Managing Director of PCCS in 1995 and as Chairman of PCCS on 24 August 2004. He has relinquished his role as Chariman on 6 June 2014 but remains Group Managing Director of PCCS till today.
Board Committee(s) served on	Member of the Remuneration Committee
Academic/ Professional Qualification(s)	Completed Malaysian Certificate of Education, equivalent to O-Level
Present Directorship(s) in other Public/ Listed Companies	Mr. Chan sits on the board of several private limited companies. He does not have any directorships in other public company and listed company.
Family relationship with any Director and/or major shareholder of the Company	Mr. Chan is a substantial shareholder of the Company effective from 20 June 1995. Mr. Chan is the brother of Mr. Chan Chow Tek, Dato' Chan Chor Ngiak and Mr. Chan Chor Ang, all of them are Directors of PCCS and Mr. Chan Chow Tek is major shareholder of PCCS. He is husband of Madam Tan Kwee Kee and father of Mr. Chan Wee Kiang, who are major shareholders of PCCS. He has indirect interest of 34.40% in the equity of Setia Sempurna Sdn. Bhd. and 40.0% in the equity of CCS Capital Sdn. Bhd., who are major shareholders of PCCS.
Working experience	Mr. Chan started his career when he ventured into a garment business known as Chan Trading in 1973. In 1981, he founded Perusahaan Chan Choo Sing Sdn. Bhd. ("**PCCSSB**"), a company primarily involved in the manufacturing of garments. His entrepreneurial skills and ability to recognise business and expansion opportunities have led to successful business ventures including the forming of a number of companies actively involved in the garment industry. PCCS, the holding company of PCCSSB and its associated companies has been successfully listed on the Main Board of Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 16 August 1995 as PCCS. During the period from 2001 to 2006, Mr. Chan was the Chairman of the Chinese Association in Parit Raja, Batu Pahat. Currently, he is the Honorary Member of the Rotary Club of Batu Pahat.
Time committed	Mr. Chan attended all the four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2019.

Chan Chow Tek
Executive Director
Malaysian, aged 62, Male

Date of appointment as Director	21 June 1995
Length of service as director since appointment (as at 26 July 2019)	24 years 1 month
Board Committee(s) served on	Nil
Academic/ Professional Qualification(s)	• Completed Malaysian Certificate of Education, equivalent to O-Level • Part-completion of the Higher Certificate of Education, equivalent to A-Level
Present Directorship(s) in other Public/ Listed Companies	Mr. Chan is a director of several private limited companies. He does not have any directorships in other public company and listed company.
Family relationship with any Director and/or major shareholder of the Company	Mr. Chan is a substantial shareholder of the Company effective from 20 June 1995. Mr. Chan is the brother of Mr. Chan Choo Sing, Dato' Chan Chor Ngiak and Mr. Chan Chor Ang, all of them are Directors of PCCS and Mr. Chan Choo Sing is major shareholder of PCCS. Mr. Chan has indirect interest of 24.4% in the equity of Setia Sempurna Sdn. Bhd., a major shareholder of PCCS.
Working experience	Mr. Chan leads all the marketing activities in the Group and has more than forty (40) years of experience in textile and apparel marketing and merchandising. He started his career in 1973 in marketing the products of Chan Trading to local departmental stores. In 1981, he successfully made the first export order for Perusahaan Chan Choo Sing Sdn. Bhd. and has since brought the company's export sales to greater success. He is also responsible for the development and growth of the Group's garment business. His job includes keeping abreast with the latest development in the apparel and fashion industry by frequent overseas trips to identify new and potential markets.
Time committed	Mr. Chan attended three (3) out of four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2019.

Dato' Chan Chor Ngiak

Non-Independent Non-Executive Director
Malaysian, aged 57, Male

Date of appointment as Director	21 June 1995
Length of service as director since appointment (as at 26 July 2019)	24 years 1 month
Board Committee(s) served on	• Member of the Audit Committee • Member of the Remuneration Committee • Member of the Nomination Committee
Academic/ Professional Qualification(s)	Completed Malaysian Certificate of Education, equivalent to O-Level
Present Directorship(s) in other Public/ Listed Companies	Dato' Chan is a director of several private limited companies. He does not have any directorships in other public company and listed company.
Family relationship with any Director and/or major shareholder of the Company	Dato' Chan is the brother of Mr. Chan Choo Sing, Mr. Chan Chow Tek and Mr. Chan Chor Ang, all of them are Directors of PCCS and Mr. Chan Choo Sing and Mr. Chan Chow Tek, who are major shareholders of PCCS. Mr. Chan has indirect interest of 18.40% in the equity of Setia Sempurna Sdn. Bhd., a major shareholder of PCCS.
Working experience	Dato' Chan started his carreer in 1980 in marketing the products of Chan Trading to local department stores. Dato' Chan has continuously established connections with many business executives in the Chamber of Commerce and Associations. He is the Honorary President of the Chinese Chamber of Commerce in Batu Pahat, the Chairman of the Chinese Association in Parit Raja, Batu Pahat. The Sultan of Pahang on his eighty-first (81st) birthday conferred the "Darjah Indera Mahkota Pahang (D.I.M.P.)" to him that carries the prestigious title of Dato'.
Time committed	Dato' Chan attended all four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2019.

Chan Chor Ang

Non-Independent Non-Executive Director
Malaysian, aged 56, Male

Date of appointment as Director	21 June 1995
Length of service as director since appointment (as at 26 July 2019)	24 years 1 month
Board Committee(s) served on	Nil
Academic/ Professional Qualification(s)	Completed Junior Middle Three in Chinese High School
Present Directorship(s) in other Public/ Listed Companies	Mr. Chan is a director of several private limited companies. He does not have any directorships in other public company and listed company.
Family relationship with any Director and/or major shareholder of the Company	Mr. Chan is the brother of Mr. Chan Choo Sing, Dato' Chan Chor Ngiak and Mr. Chan Chow Tek, all of them are Directors of PCCS and Mr. Chan Choo Sing and Mr. Chan Chow Tek are major shareholders of PCCS. Mr. Chan has indirect interest of 14.00% in the equity of Setia Sempurna Sdn. Bhd., a major shareholder of PCCS.
Working experience	Mr. Chan joined Perusahaan Chan Choo Sing Sdn. Bhd. in 1981 and was transferred to Jusca Garments Sdn. Bhd. as the Factory Manager in 1985. He has more than thirty (30) years of experience in the textile and garment industry.
Time committed	Mr. Chan attended three (3) out of four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2019.

Piong Yew Peng
Independent Non-Executive Director
Malaysian, aged 49, Male

Date of appointment as Director	1 April 2015
Length of service as director since appointment (as at 26 July 2019)	4 years 4 months
Board Committee(s) served on	• Chairman of the Audit Committee • Chairman of the Remuneration Committee • Member of the Nomination Committee
Academic/ Professional Qualification(s)	• Bachelor of Business (Accounting) from RMIT University, Melbourne, Australia • Member of the Malaysian Institute of Accountants • Fellow member of the CPA Australia
Present Directorship(s) in other Public/ Listed Companies	SWS Capital Berhad
Family relationship with any Director and/or major shareholder of the Company	Nil
Working experience	Mr. Piong has more than twenty (20) years of experience in providing audit services to wide range of clients. He is actively involved in assisting clients in Initial Public Offering (IPO), merger and acquisition, and other corporate exercises. He regularly provides value added services to update clients in financial reporting standards, listing requirements, and tax planning advisory.
Time committed	Mr. Piong attended all the four (4) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2019.

Note :

1) Other than traffic offences, if any, none of the Directors have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies for the financial year ended 31 March 2019.
2) None of the Directors have any conflict of interest with the Company.

PROFILE OF **KEY SENIOR MANAGEMENT**

Chan Wee Kiang
Deputy Group General Manager
Malaysian, aged 41, Male

Date of appointment as Deputy Group General Manager	30 March 2008
Academic/ Professional Qualification(s)	Bachelor of Accounting & Finance, Monash University, Clayton Campus, Melbourne, Australia
Present Directorship(s) in other Public/ Listed Companies	Nil
Family relationship with any Director and/or major shareholder of the Company	Mr. Chan is a substantial shareholder of the Company effective from 20 March 2018. Mr. Chan is the son of Mr. Chan Choo Sing, who is a Director and major shareholders of PCCS and Madam Tan Kwee Kee, who is a major shareholder of PCCS. Mr. Chan has indirect interest of 30% and 8.8 % in the equity of CCS Capital Sdn. Bhd and Setia Sempurna Sdn. Bhd. respectively, the major shareholders of PCCS.
Working experience	Mr. Chan started his career in Perusahaan Chan Choo Sing Sdn. Bhd. as a Marketing Executive since 2002 and subsequently being promoted as Marketing Manager in year 2003. In year 2007, Mr. Chan was appointed as Group Marketing Manager in PCCS and subsequently promoted as Deputy Group General Manager in year 2008.
List of convictions for offences	Other than traffic offences, if any, Mr. Chan does not have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies for the financial year ended 31 March 2019.
Conflict of Interest	Nil

PROFILE OF **KEY SENIOR MANAGEMENT**
(CONT'D)

Tang Lai Huat
Corporate Controller
Malaysian, aged 36, Male

Date of appointment as Corporate Controller	1 March 2018 Mr. Tang was appointed as Financial Controller of PCCS on 1 September 2016 and subsequently appointed as Corporate Controller on 1 March 2018.
Academic/ Professional Qualification(s)	• Doctorate Degree in Business Administration (Accounting & Finance), International American University • Master of Business Administration, Business School Netherlands EMBA (CEO Class), Tsinghua University • Certificate in Financial Strategies for Cross Border Expansion from Harvard Business School
Present Directorship(s) in other Public/ Listed Companies	Nil
Family relationship with any Director and/or major shareholder of the Company	Nil
Working experience	Mr. Tang began his career as an audit assistant in LNB Management Consultancy and he was the Financial Controller of LimKokWing University of Creative Technology before he joined the Company in year 2013 and served as General Manager of Finance & Account. Currently he is also a committee member of Chung De Classics Education Association Malaysia. The past working experiences of Mr. Tang were as follows:- March 2018 to current - Corporate Controller (PCCS Group Berhad) 2016 to 2018 - Financial Controller (PCCS Group Berhad) 2013 to 2016 - General Manager of Account & Finance (JIT Textiles Limited) 2012 to 2013 - Financial Controller (LimKokWing University of Creative Technology) 2010 to 2011 - Financial Controller (Delano Furniture Industries (M) Sdn. Bhd.) 2008 to 2009 - Director (Ci Xin Enterprise Limited) 2006 to 2007 - Finance Admin Assistant Manager (Eng Lian Hup Trading Sdn. Bhd. and Engtex Group Berhad) 2004 to 2005 - Finance Executive (Pechem Industries Sdn. Bhd.) 2002 to 2004 - Audit Assistant (LNB Management Consultancy)
List of convictions for offences	Other than traffic offences, if any, Mr. Tang does not have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies during financial year ended 31 March 2019.
Conflict of Interest	Nil

Chan Wee Boon

Group General Manager for
Mega Label (Malaysia) Sdn. Bhd.
Malaysian, aged 39, Male

Date of appointment as Group General Manager for Mega Label (Malaysia) Sdn Bhd	1 July 2014
Academic/ Professional Qualification(s)	Bachelor of Civil Engineering, Monash University, Clayton Campus, Melbourne, Australia
Present Directorship(s) in other Public/ Listed Companies	Nil
Family relationship with any Director and/or major shareholder of the Company	Mr. Chan is the son of Mr. Chan Choo Sing, who is a Director and major shareholders of PCCS and Madam Tan Kwee Kee, who is a major shareholders of PCCS. He is the brother of Mr. Chan Wee Kiang, who is a major shareholders of PCCS.
Working experience	Mr. Chan started his career in China as Project Manager in 2004. In year 2010, he joined Mega Labels & Stickers Sdn. Bhd. as General Manager and subsequently being promoted as Group General Manager for Label Division in year 2014. The past working experiences of Mr. Chan were as follows:- 2014 to current - Group General Manager (Mega Label (Malaysia) Sdn. Bhd.) 2010 to 2014 - General Manager (Mega Labels & Stickers Sdn. Bhd.) 2008 to 2010 - Assistant General Manager (Trio Paper Mill Sdn. Bhd.) 2005 to 2007 - Marketing Manager, South China (Guangdong Haohe Construction Pte. Ltd.) 2004 to 2005 - Project Manager (Blopak China Private Ltd.)
List of convictions for offences	Other than traffic offences, if any, Mr. Chan does not have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies during financial year ended 31 March 2019.
Conflict of Interest	Nil

Tan Kwee Kee
Manufacturing Director
Malaysian, aged 61, Female

Date of appointment as Manufacturing Director	1 October 2012
Academic/ Professional Qualification(s)	Completed Primary School Evaluation Test
Present Directorship(s) in other Public/ Listed Companies	Nil
Family relationship with any Director and/or major shareholder of the Company	Madam Tan is a substantial shareholder of the Company effective from 17 July 2014. Madam Tan is the wife of Mr. Chan Choo Sing, who is a Director and major shareholders of PCCS. Madam Tan has indirect interest 20% in the equity of CCS Capital Sdn. Bhd, the major shareholders of PCCS.
Working experience	Prior to the establishment of PCCS Group Berhad ("**PCCS**"), Madam Tan started her career in Chan Trading in 1973 as the first employee. After twenty-two (22) years of hardwork with her husband, Mr. Chan Choo Sing, they have successfully listed PCCS in Main Market of Bursa Malaysia Securities Berhad. With her extensive industrial experience accumulated for the past forty-five (45) years in the management of business operation, marketing, sales and development of new business, Madam Tan has been instrumental in the growth and development of PCCS and commencement of those subsidiaries in Cambodia and Republic of China. Being an integral part of the management team, Madam Tan is jointly responsible for implementation of PCCS's broad operational strategies and policies. She also oversees the day-to-day operations and performance of the manufacturing sector of those subsidiaries. Madam Tan does not possess tertiary education qualification but her extensive experience accumulated in PCCS has gained for herself the management skills required to manage the business. She had attended several management courses i.e. Japan Lean Monozukuri Study in 2017, Program Wealth Master and Design of Equity Incentive Scheme in 2018, which allowing her to play a positive role in PCCS.
List of convictions for offences	Other than traffic offences, if any, Madam Tan does not have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies for the financial year ended 31 March 2019.
Conflict of Interest	Nil

CHAIRMAN'S LETTER **TO SHAREHOLDERS**

Dear Shareholders,

*I am pleased to enclose herewith the Annual Report 2019 and the Audited Financial Statements for the financial year ended 31 March 2019 ("**AFS 31 March 2019**").*

OUR BUSINESS

The origin of our Group can be traced back to the year 1973 when we ventured into the garments manufacturing business. Since then, we have continued to enjoy a good reputation for producing quality products and services to reputable international customers. Our Group's pursuit of a concentrated growth strategy has led to the subsequent establishment of the packaging and other apparel related businesses including embroidery services, labeling, fabric knitting, plastic packaging, silk screen elastic webbing etc.

OUR VISION

From the initial years of being a pure garment manufacturer, we have now evolved and sets our vision to have a great platform in the apparel and labeling & stickers manufacturing industries with happy stakeholders.

OUR MISSION

Moving ahead to realise our vision of having a great platform in apparel and labeling & stickers industries, we have pursue a strategy to expedite on growth in our business which involves the utilisation of our existing specialised to provide business solutions and satisfactions for customers. We aim to provide our customers with world-class quality products and services in a timely manner at effective cost and competitive price level.

OUR COMPETITIVE ADVANTAGE

With forty (40) years of experience in the textile market together with a dynamic marketing team, Our Group has managed to carve a name to compete with other successful world renowned competitors in the textile and apparel market. Products of our apparel division include adult and children clothes, jackets, suits, blouses, shirts and sport wears.

We provide our customers with quality products and services at competitive price by following a cost-leadership strategy augmented by on time delivery. We work closely with our customers and suppliers to ensure our sourcing and processing are designed to minimise production costs.

To remain competitive in the challenging market environment and catching up with fast-changing global business trend, our Group has always believed in technology advancement by earmarking certain amount of working capital for capital expenditures purposes annually. Simultaneously, as detailed in our Sustainability Statement, we have also ensure sufficient attention and allocation be made for the training and development, as well as the well being of the employees of the Group. With the fully trained and equipped workforce, we are optimistic that our Group will be able withstand the rapid changes in commercial environment and thereby ensure the sustainability of the Group.

OUR FORTHCOMING TWENTY-FIFTH ("25TH") ANNUAL GENERAL MEETING ("AGM")

I wish to inform that the 25th AGM of the Company will be held at PCCS Group Berhad's Corporate Office, Lot 1376, GM127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim on Monday, 26 August 2019 at 10:30 a.m.

At the forthcoming 25th AGM, the following resolutions shall be put forward for your consideration:-

- Our Directors, namely Mr. Chan Choo Sing and Mr. Chan Chow Tek are offering themselves for re-election at the 25th AGM.

- Upon the review and recommendation of the Audit Committee, the Board recommended the re-appointment of Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company for the financial year ending 31 March 2020.

- As per the previous financial year, the proposed total Directors' fees for the financial year ended 31 March 2019 remained at RM402,000/-.

- The Company would like to seek a general mandate for you to allot shares pursuant to the Companies Act 2016 ("**General Mandate**"). The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting solely for such issuance and allotment of shares. This authority unless revoked or varied by the Company in a general meeting, will expire at the next AGM. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

- The Company would like to seek approval from you to streamline its existing Memorandum and Articles of Association of the Company with the Companies Act 2016, align with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to provide clarity to certain provisions by adopting a new Constitution.

The Board believes that the above resolutions are in the best interest of the Company and all shareholders. Therefore, the Directors unanimously recommend that you vote in favour of the above resolutions.

The 25th AGM of the Company represents an important opportunity for all shareholders to express their views by asking questions on the above resolutions and/or any other topic relevant to our business and resolutions. As provided under the Companies Act 2016, at the forthcoming 25th AGM, you have the right to attend, speak, participate and vote at the said Meeting, either in person or vide proxy(ies).

If you are not able to attend the 25th AGM, you may complete the Form of Proxy in accordance with the instructions printed on the form and return it to the Share Registrar's Office located at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or at any adjournment thereof i.e. **on or before Saturday, 24 August 2019 at 10:30 a.m.**

As in previous AGM, we will call for a poll on each resolution at the forthcoming 25th AGM, which will administratively be conducted by the Poll Administrator upon the completion of deliberations on all resolutions. An independent scrutineer shall be appointed to verify and confirm the votes tabulated by the Poll Administrator.

Yours sincerely,

Julian Lim Wee Liang
Senior Independent Non-Executive Chairman

26 July 2019

Dear Shareholders,

*On behalf of the executive management of the PCCS Group Berhad, I am pleased to present the Management's Discussion and Analysis ("**MD&A**") for your information. The MD&A aims to provide you and the stakeholders with an overview of our business, operations and financial performance of the Group for the financial year ended ("**FYE**") 31 March 2019.*

OUR BUSINESS

As indicated by the Board Chairman in his Letter to Shareholders, our mission is to expedite growth and bring satisfaction to its stakeholders. In order to realise our mission, we have pursued a concentrated growth strategy which involves the setting-up of various specialised subsidiaries to supplement the services of embroidery, printing, seamless bonding, labels, marketing and distribution of products overseas, in addition to the core business of garment manufacturing and marketing.

Began from in-house needs and demand, Mega Label (Malaysia) Sdn. Bhd. was established in 1987 to supply apparels labels to its sister company. After years of expansion, our labels printing division covers a wide range of market segments including pharmaceutical, electronics, personal care and cosmetics, food and beverages, household and toiletries and industrial products. Products including prime labels, heat-transfer labels, in mould labels, textiles labels, twill-tape and promotional labels.

With forty (40) years' experience in apparel manufacturing industry, we have a skilled grounding and a powerful team as well as we pay great attention to human resource development, meanwhile upholding the concept of "society must be rewarded", thus leading us to adapt to the commercial environment changes and thus enabling the sustainability of the Group.

The Group always believes that technology is the key to help the Group to remain competitive in the challenging market environment and catching up with fast-changing global business trend and therefore, our factories are well equipped with the necessary tools in every stage of job processing.

Key business units

In order to realise our vision and mission, the Group has been organised into business units based on their products and services, and has three (3) reportable operating segments as follows:

(i) Apparel Division

The core activities of the Apparel Division are manufacturing and marketing of apparels.

The flagship subsidiaries of the Group under this Division are:-

(a) Apparel Division:-

Manufacturing location - Cambodia

- JIT Textiles Limited

Manufacturing location – People's Republic of China ("**PRC**")

- PCCS Garments (Suzhou) Ltd

OUR BUSINESS (CONT'D)

Key business units (Cont'd)

(i) Apparel Division (Cont'd)

(b) Apparel marketing – based in Hong Kong, Special Administrative Region ("**SAR**")

- PCCS (Hong Kong) Limited

(c) Trading of apparels and provide design service – based in PRC

- Thirty Three (Shanghai) Limited

(ii) Labelling Division

The core activities of the Labelling Division are the printing of labels and stickers for garment and other products, to meet mainly the in-house requirements of the Apparel Division.

The flagship subsidiaries of the Group under this Division are:-

(a) Labelling Facilities - Malaysia

- Mega Label (Malaysia) Sdn. Bhd. – Shah Alam and Batu Pahat

(b) Labelling Facility - Cambodia

- Mega Labels & Stickers (Cambodia) Co., Ltd.

(iii) Others

The Others include investment holding and provision for management services, manufacturing of seamless bonding; printing and marketing of silk screen printing products and etc.

The entities under this Division are:-

(a) Investment holding

- PCCS Group Berhad – being the holding company of the Group

(b) Facilities in Cambodia

- Perfect Seamless Garment (Cambodia) Limited
- Beauty Silk Screen Limited

The Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss whiles Group financing costs and income taxes are managed on a group basis.

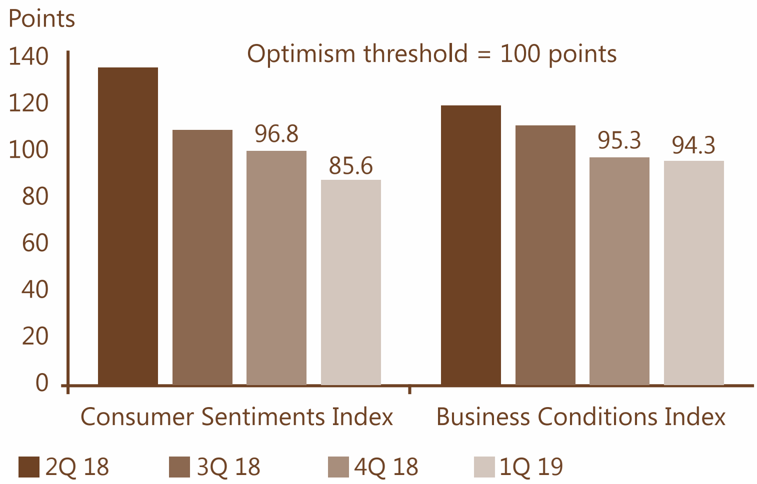
OUR BUSINESS (CONT'D)

Financial Highlights

Growth in the Malaysian economy to remain steady in 2019

Moderating sentiments in 1Q 2019

Chart 25 : MIER Consumer Sentiments and Business Conditions Index



Source: Malaysian Institute of Economic Research (MIER)

Against the backdrop of a challenging global environment, growth in the Malaysian economy is expected to remain broadly sustained for the year. Growth will be supported by continued expansion in domestic demand amid a moderate support from the external sector.

Private sector spending is expected to remain the key driver of growth. Although consumer sentiments have moderated from its recent peak, household spending will be underpinned by continued income and employment growth. Investment activity is estimated to improve, driven by ongoing capacity expansion in key sectors, with additional support from new manufacturing investments, as reflected by the high MIDA investment approvals. Nevertheless, overall growth may be partially weighed down by lower public sector spending.

Risks to growth remain tilted to the downside, arising mainly from external uncertainties such as further weakening of global growth and heightened financial market volatility. On the domestic front, unexpected interruptions in commodity production could also affect Malaysia's growth prospects.

(Source: extracted from Quarterly Bulletin – First Quarter 2019, Bank Negara Malaysia)

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

Industrial Profits Decreased 2.3 percent in the First Five (5) Months of 2019 in China

In the first five months of 2019, the profits made by industrial enterprises above the designated size achieved 2,379.02 billion yuan, a year-on-year decrease of 2.3 percent (calculated on comparable basis, taking into account factors such as the standard adjustment according to the statistical system, the enhancement of statistical law enforcement, the elimination of repeating data, and the enterprise reform and divestiture, entities inventory checking of the fourth economic census, see Annotations IV for details), and the pace of decline narrowed 1.1 percentage points than that in the first four months.

In the first five months, among the industrial enterprises above the designated size, the profits of state-holding industrial enterprises gained 734.23 billion yuan, a decrease of 9.7 percent year-on-year; that of joint-stock enterprises stood at 1,699.31 billion yuan, up by 0.4 percent; that of foreign funded enterprises, and enterprises funded from Hong Kong, Macao and Taiwan achieved 577.58 billion yuan, decreased by 8.3 percent; and that of private enterprises gained 607.27 billion yuan, an increase of 6.6 percent.

In the first five months, the profits of mining and quarrying reached 231.12 billion yuan, an increase of 4.7 percent year-on-year; that of manufacturing was 1,951.94 billion yuan, a decrease of 4.1 percent; that of production and distribution of electricity, heat, gas and water reached 195.96 billion yuan, up by 9.6 percent.

In the first five months, within 41 branches of industrial divisions, the industrial profits of 26 industrial divisions increased year-on-year, and that of 15 decreased. In view of the profit growth of major industries, that of extraction of petroleum and natural gas increased by 24.0 percent year on year, that of manufacture of special-purpose machinery up by 17.7 percent, that of manufacture of electrical machinery and equipment increased by 15.9 percent, that of production and supply of electric power and heat power up by 13.7 percent, that of manufacture of non-metallic mineral products increased by 12.9 percent, that of manufacture of general-purpose machinery up by 7.4 percent, that of manufacture of textile up by 3.2 percent, that of manufacture and processing of non-ferrous metals increased by 2.6 percent, that of processing of petroleum, coal and other fuels decreased by 51.3 percent, that of manufacture of motor vehicles decreased by 27.2 percent, that of manufacture and processing of ferrous metals decreased by 22.4 percent, that of manufacture of chemical raw material and chemical products decreased by 13.6 percent, that of manufacture of computer, communication equipment and other electronic equipment decreased by 13.0 percent, that of the profits of mining and washing of coal decreased by 9.4 percent, that of processing of food from agricultural products decreased by 3.7 percent.

In the first five months, the revenue from activities of industrial enterprises above the designated size reached 41.61 trillion yuan, increased by 5.1 percent year-on-year. The costs of activities were 35.10 trillion yuan, up by 5.4 percent. The profit rate of revenue from activities was 5.72 percent, a decrease of 0.43 percentage point year-on-year.

By the end of May, the total assets of industrial enterprises above the designated size was 113.35 trillion yuan, increased by 6.3 percent year-on-year; the total liabilities reached 64.39 trillion yuan, increased by 5.3 percent; the total owners' equity was 48.96 trillion yuan, increased by 7.7 percent. The asset-liability ratio was 56.8 percent, a decrease of 0.6 percentage point year-on-year.

By the end of May, the total volume of Notes receivable and Accounts Receivable for industrial enterprises above designated hit 16.30 trillion yuan, went up by 4.5 percent year-on-year. The total value of finished products for industrial enterprises accounted for 4,194.49 billion yuan, increased by 4.1 percent.

In the first five months, the costs for per-hundred-yuan stood at 84.36 yuan, an increase of 0.21 yuan year-on-year; the expenses for per-hundred-yuan stood at 8.64 yuan, an increase of 0.21 yuan year-on-year.

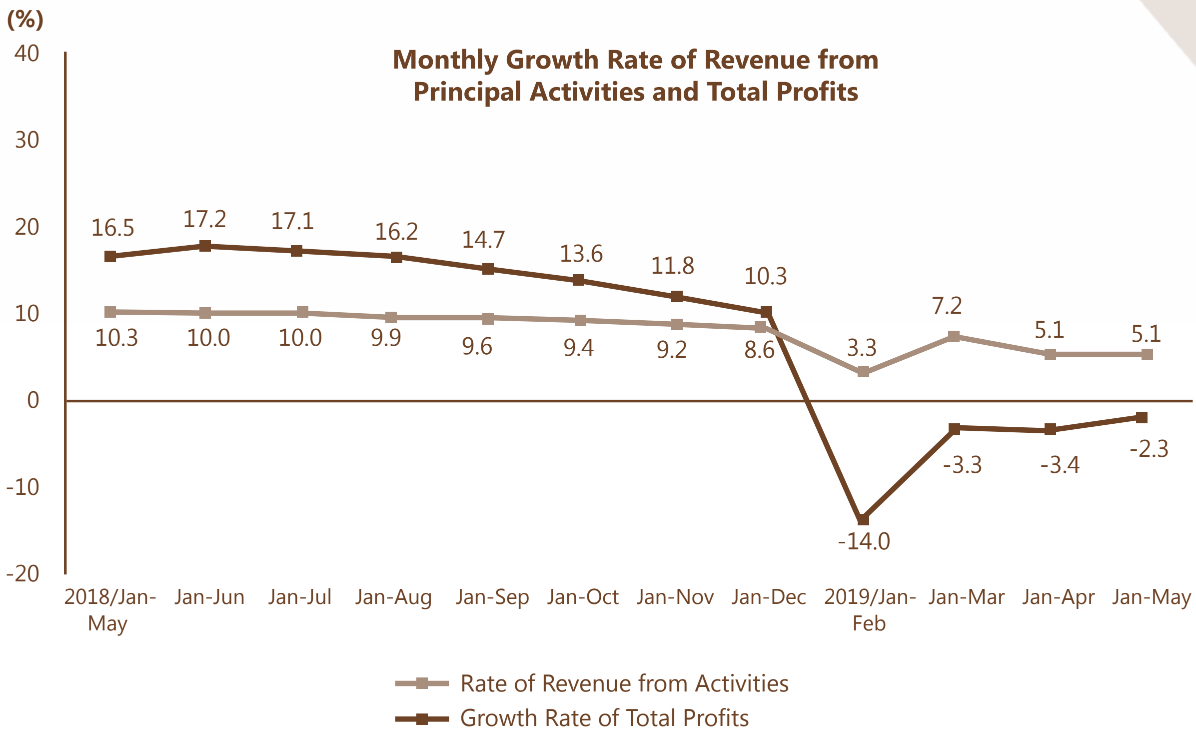
OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

Industrial Profits Decreased 2.3 percent in the First Five (5) Months of 2019 in China (Cont'd)

By the end of May, the revenue activities brought by per-hundred-yuan assets above the designated size was 89.5 yuan, a decrease of 1.1 yuan year-on-year; the revenue from activities per capita was 1,328 thousand yuan, an increase of 111 thousand yuan year-on-year; the turnover days of finished goods were 17.5 days, 0.1 day decrease than that in the previous year; the days of Notes receivable and Accounts Receivable hit an average of 54.9 days, an increase of 1.4 days year-on-year.

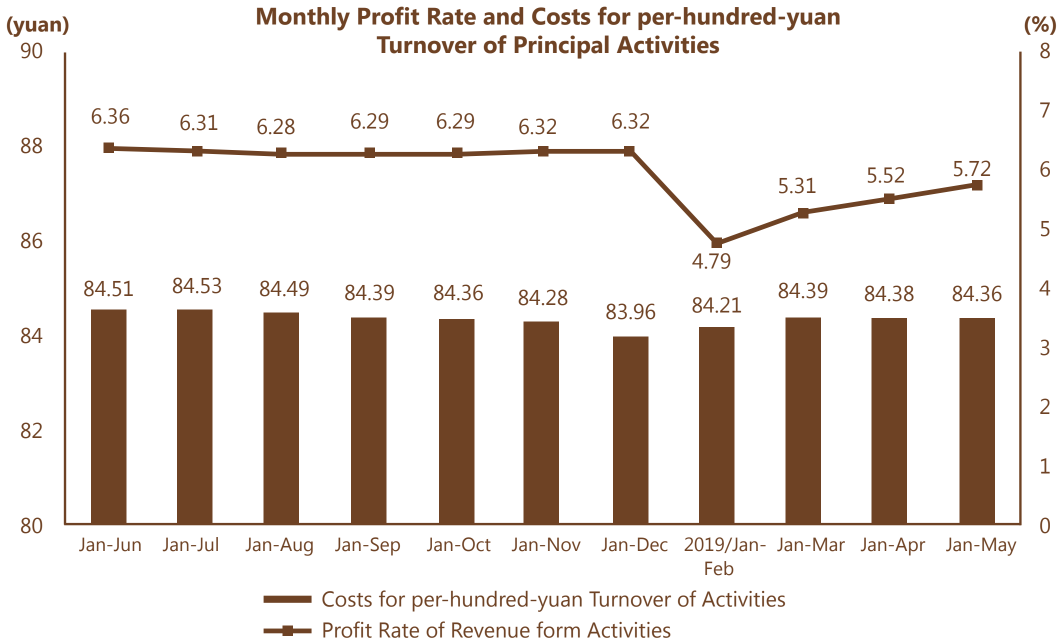
In May, the profits made by industrial enterprises above the designated size achieved 565.56 billion yuan, an year-on-year increase of 1.1 percent, while that in April was 3.7 percent decrease year on year.

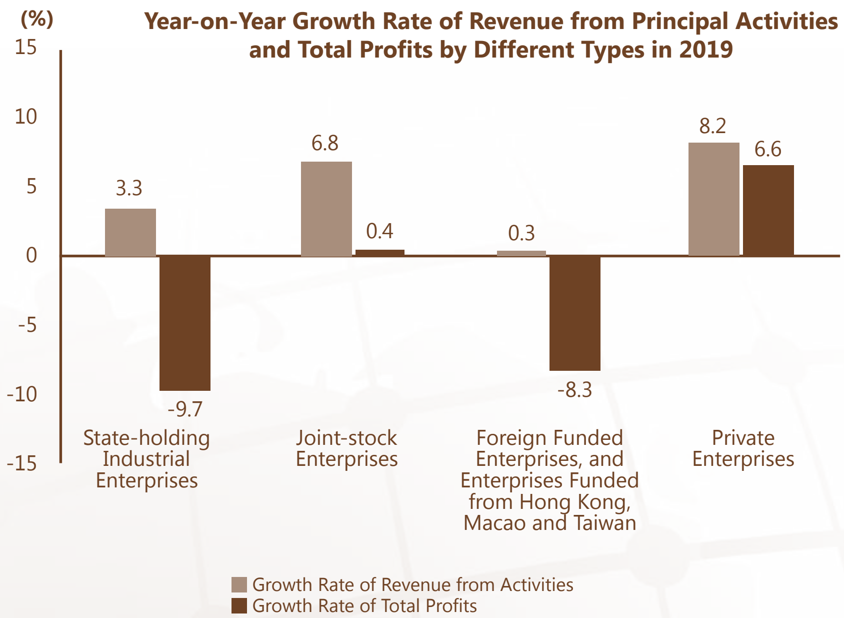


OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

Industrial Profits Decreased 2.3 percent in the First Five (5) Months of 2019 in China (Cont'd)





(Source: National Bureau of Statistics of China, http://www.stats.gov.cn/english/PressRelease/201906/t20190627_1672893.html)

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

Summary financial performance

Summary of the financial performance for the past two (2) audited financial statements for the FYEs 31 March 2017 to 2018 as well as the audited financial statements for the FYE 31 March 2019 is as follows:

	FYE 31 March 2017 (RM'000)	FYE 31 March 2018 (RM'000)	FYE 31 March 2019 (RM'000)
Revenue	484,353	528,964	438,483
Gross profit	73,213	103,710	89,128
(Loss After Tax ["**LAT**"])/ Profit After Tax ["**PAT**"] attributable to owners of the Company	(9,236)	4,524	20,475
Weighted average number of Shares in issue ('000)	60,012	210,042	210,042
(Loss Per Share ["**LPS**"])/ Earnings Per Share ["**EPS**"] / (sen):	(15.4)	2.2	9.7
Gross profit margin (%)	15.12	19.61	20.33
(LAT)/ PAT margin (%)	(1.91)	0.86	4.67

Operating segments information

Summary of the revenue and Operating Profit/(Operating Loss) based on the Group's operating segments for the past two (2) audited financial statements for the FYEs 31 March 2017 to 2018 as well as the audited financial statements for the FYE 31 March 2019 are as follows:

	FYE 31 March 2017 (RM'000)	FYE 31 March 2018 (RM'000)	FYE 31 March 2019 (RM'000)
External revenue			
Apparel	418,029	448,992	345,930
Labelling	48,688	60,877	72,585
Others*	17,636	19,095	19,968
Total	**484,353**	**528,964**	**438,483**

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

Operating segments information (Cont'd)

	FYE 31 March 2017 (RM'000)	FYE 31 March 2018 (RM'000)	FYE 31 March 2019 (RM'000)
Operating Profit/(Loss)			
Apparel	(1,112)	14,215	26,219
Labelling	3,118	4,174	4,247
Others*	(37,674)	(6,804)	17,597
Discontinue operation- Apparel	(8,265)	–	–
Inter-company adjustments and eliminations	48,467	(1,608)	(21,937)
Total	**4,534**	**9,977**	**26,126**

Note:

* *Others division includes investment holding and provision of management services, manufacturing of seamless bonding, embroidering of logos and emblems, printing and marketing of silk screen printing products.*

FYE 31 March 2019 vs FYE 31 March 2018

(i) Apparel division

The revenue from the Group's Apparel division decreased by approximately 22.95% or RM103.06 million from approximately RM448.99 million recorded in the FYE 31 March 2018 to approximately RM345.93 million in the FYE 31 March 2019. The decrease in revenue was mainly due to the slow down of operation in China apparel division.

The Group's Apparel division registered an Operating Profit of approximately RM26.22 million in the FYE 31 March 2019 as compared to an Operating Profit of approximately RM14.22 million in the FYE 31 March 2018 mainly due to the contribution made by the Cambodia apparels division.

(ii) Labelling division

The revenue from the Group's Labelling division increased by approximately 19.23% or RM11.71 million from approximately RM60.88 million recorded in the FYE 31 March 2018 to approximately RM72.59 million in the FYE 31 March 2019. The increase in revenue was mainly due to continuously achieved greater market share and secured of quality customer service.

The Group's Labelling division registered an Operating Profit of approximately RM4.25 million in the FYE 31 March 2019 as opposed to an Operating Profit of approximately RM4.17 million in the FYE 31 March 2018 which was mainly attributable to the loss narrowed in Cambodia division and profit in Malaysia division has increased slightly.

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

FYE 31 March 2019 vs FYE 31 March 2018 (Cont'd)

(iii) Others

The revenue from the Group's Others division increased by approximately 4.57% or RM873,000.00 from approximately RM19.10 million recorded in the FYE 31 March 2018 to approximately RM19.97million in the FYE 31 March 2019. The revenue increase was mainly due to more external orders secured from printing and embroidering divisions.

Operating Profit of the Group's Others division increased by RM24.40 million from loss RM6.80 million in the FYE 31 March 2018 to profit RM17.60 million in the FYE 31 March 2019 mainly due to enormous dividends received from subsidiaries in the investment holding company compared with the FYE 31 March 2018 and the profit from Cambodia printing and embroidering division also contributed to achieve such result.

FUTURE OUTLOOK

The Company is principally involved in investment holding whilst its subsidiaries are engaged in the business of manufacturing and sale of apparels, printing and sale of labels and stickers, embroidering of logos, emblems and printing of silk screen products, manufacturing of elastic bands and related products, trading of apparels and accessories as well as manufacturing of seamless bonding.

The Group's revenue decreased by 17.11% to RM438.483 million in the FYE 31 March 2019 as compared to RM528.964 million achieved in the FYE 31 March 2018, mainly due to the significant decrease in orders received by the Group's manufacturing plants in the PRC. The Group's apparel business recorded higher operating profit margin as compared to the Group's Labelling business based on the latest audited consolidated financial statements of the Group for the FYE 31 March 2019 as detailed below:-

	Apparel		Labelling	
	(RM'000)	%	(RM'000)	%
Revenue	345,930	78.89 *	72,585	16,55 *
Operating profit	26,219	100.36 **	4,247	16,26 **
Operating profit margin (%)	7.58		5.85	

Notes:

* *Percentage is calculated based on the total revenue of the Group of RM438.483 million for the FYE 31 March 2019.*

** *Percentage is calculated based on the operating profit of the Group of RM26.126 million for the FYE 31 March 2019.*

PROPOSED ESTABLISHMENT OF AN EMPLOYEES SHARE OPTION SCHEME ("ESOS") AND SHARE BUY-BACK AUTHORITY

The Company had on 30 May 2019 announced a proposal to establish an Employees' Share Option Scheme ("**ESOS**") of up to 15% of the total number of issued shares (excluding treasury shares, if any) in the Company ("**Proposed ESOS**") for the eligible directors and employees of the Company and its subsidiaries (excluding dormant subsidiaries). In addition, the Company would like to seek the approval of its shareholders, for the authority for the Company to purchase its own shares of up to 10% of Company's prevailing issued shares at any time, at the Company's Extraordinary General Meeting to be convened on 26 August 2019.

DIVIDEND

Notwithstanding the slightly better performance for the FYE 31 March 2019 as compared to the previous financial year, the Group still requires financial resources to maintain the momentum of turning around the operating profitability. Therefore, our Group has not adopted any fixed dividend policy for the FYE 31 March 2019.

For the FYE 31 March 2019, the Board has not recommended any dividend payments to the shareholders.

CONCLUSION AND ACKNOWLEDGEMENT

The performance of the Group will continue being affected by factors such as the vitality in the international and domestic consumer sentiments due to apparels and labelling products are ultimately consumed by consumers.

The Group will embark on business diversification as our next strategic objective. The Group will also continue its existing profitable business model and expanding its product range and distribution channels in order to make the existing businesses more robust.

Shareholders can be rest assured that the Group will continue to implement prudent strategies in investment activities.

On behalf of the Board, I would like to express my utmost and sincere appreciation and gratitude to the management and staff for their conscientious efforts, commitment and dedication to delivering results. The successes in FYE 31 March 2019 could not have been achieved without their efforts.

We are also grateful to our valued customers, partners, shareholders, business associates, government authorities and financiers for their continued support and confidence in the Group.

For and on behalf of
The Executive Management of PCCS Group Berhad

Chan Choo Sing
Group Managing Director

26 July 2019

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

"TRUST IS THE GLUE OF LIFE.

It is the most essential ingredient in effective communication. It is the foundational principle that holds all relationships. When the trust account is high, communication is easy, instant, and effective."

Inspirational quote by Stephen R. Covey, motivational writer

Drawing the inspiration from Mr. Stephen R. Covey, the Board of Directors of PCCS Group Berhad ("**the Board**") wish to instill trust amongst its stakeholders by adopting good corporate governance practices. The Board recognises the importance of practice high standards of corporate governance throughout the Group as a basis of discharging their fiduciary duties and responsibilities to protect and enhance shareholders' value and the performance of the Group. The Board continued its commitment to report on the manner in which the Practice and Guidance of Malaysian Code on Corporate Governance ("**MCCG**") are applied under the stewardship of the Board, throughout the financial year ended 31 March 2019 ("**FYE 2019**").

This Corporate Governance Overview Statement ("**this Statement**") also serves as a compliance with Paragraph 15.25 of the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

Details application for each practice of the MCCG during the FYE 2019 is disclosed in the Company's Corporate Governance Report which is available on the Company's website: http://www.pccsgroup.net/.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

(a) Establishing clear roles and responsibilities of the Board

Duties and Responsibilities of the Board

The Board is responsible for the leadership, oversight and the long-term success of the Group. The Board has delegated certain responsibilities to other Board Committees, which operate within clearly defined terms of reference ("**TOR**"). Standing committees of the Board include the Audit Committee, Nomination Committee and Remuneration Committee. The Board receives reports at the Board Meeting from the Chairman of each committee on current activities and it is the general policy of the Company that all major decisions be considered by the Board as whole.

To ensure the effective discharge of functions and duties, the primary responsibilities of the Board include (but are not limited to) the following:-

(a) reviewing and adopting a strategic plan for the Company, including establishing Company Goals and ensuring that the strategies are in place to achieve them;
(b) establishing policies for strengthening the performance of the Company including ensuring that Management is proactively seeking to build the Business through innovation, initiative, technology, new products and the development of its business capital;
(c) identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
(d) succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
(e) reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
(f) deciding on whatever steps are necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
(g) ensuring that the Company's financial statements are true and fair and conform with any applicable laws and/or regulations; and
(h) ensuring that the Company adheres to high standards of ethics and corporate behaviour.

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

I. BOARD RESPONSIBILITIES (CONT'D)

(a) Establishing clear roles and responsibilities of the Board (Cont'd)

Chairman of the Board

Mr. Julian Lim Wee Liang, the Senior Independent Non-Executive Chairman, primarily responsible for the orderly conduct and working of the Board whilst Mr. Chan Choo Sing, the Group Managing Director ("**Group MD**"), together with the Executive Directors, oversees the operations of the Group and implementation of the Board's decisions, business strategies, and policies. The role of Chairman of the Board as well as the role of the Group MD have been clearly outlined in the Board Charter.

Qualified Company Secretaries

The Board is supported by two (2) qualified and competent Company Secretaries, Ms. Chua Siew Chuan and Mr. Cheng Chia Ping. Both Company Secretaries are qualified Chartered Secretaries under Section 235(2)(a) of the Companies Act 2016 and are members of the Malaysian Association of the Institute of Chartered Secretaries and Administrators ("**MAICSA**"). The Board is satisfied with the support rendered by the Company Secretaries to the Board in the discharge of its roles and responsibility.

Access to information and advice

In ensuring the effective functioning of the Board, all Directors have individual and independent access to the advice and support services of the company secretaries, internal auditors and external auditors and, may seek advice from the Management on issues under their respective purview.

For each Board meeting, notice calling the meeting is issued at least seven (7) days in advance of the meeting and the Directors are provided at least three (3) days in advance of the meeting with the relevant agenda detailing the matters to be transacted at the meeting and the Board papers detailing the key issues so that the Directors have ample time to review and consider the relevant information.

The Directors may also interact directly with, or request further explanation, information or updates, on any aspect of the Company's operations or business concerns from the Management to enable the Board to discharge its duties in relation to the matters being deliberated.

Subsequent to the meeting, the Minutes will be circulated to the Board and Board Committee for confirmation to ensure that deliberations and decisions are accurately recorded.

The Company Secretaries would ensure that a statement of declaration of interest or abstention from voting and deliberation is recorded in the Minutes.

The Board and Board Committee's Chairman of the meeting signs the minutes as a correct record of the proceedings and thereafter, the said minutes of all proceedings are kept in the statutory book of the Company to be made available for inspection under the Companies Act 2016.

The Board has established the following protocol for its members, outlining the procedures for the Board to gain access to information and advice from professional advisory services with effect from 27 May 2016:-

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

I. BOARD RESPONSIBILITIES (CONT'D)

(a) Establishing clear roles and responsibilities of the Board (Cont'd)

Protocol for seeking of professional advisory services

Where applicable, the Directors whether as a full Board or in their individual capacity, are encouraged to seek independent professional advice from the following parties:-

- For corporate and/or governance matters, the external Company Secretaries;
- For audit and/or audit-related matters, any representatives of the audit engagement team of the External Auditors or the outsourced Internal Auditors;
- For any other specific issues where professional advice is required to enable the Board to discharge its duties in connection with specific matters, the Board may proceed to do so, upon the approval of the Chairman, in relation to the quantum of fees to be incurred.

(b) Demarcation of responsibility

Board Charter

The Board Charter of the Company was established on 31 July 2014. In the course of establishing a Board Charter, the Board recognises the importance to set out the key values and principles of the Company, as policies and strategy development are based on these considerations.

The Board Charter includes the division of responsibilities and powers between the Board and Management as well as the different Committees established by the Board.

The Board Charter is to be regularly reviewed by the Board as and when required. As at the date of this Annual Report, the Board Charter has not been reviewed by the Board since its establishment as the Board viewed that the Board Charter is suffice for the Board, Board Committees and the Management to carry out their roles and responsibilities.

A full copy of the Board Charter is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.

(c) Good business conduct and corporate culture

Code of Conduct and Ethics

The Group has in place a Group's Code of Conduct and Ethics ("**COC**") that is applicable to the Board, the Management and the employees of the Group. In the course of establishing the COC, the Board recognises the importance to promote and reinforce ethical standards throughout the Group. Moving forward, the Company will continuously support, promote and ensure compliance to the COC. Furthermore, the Company will strive to ensure that our consultants, agents, partners, representatives and others performing works or services for or on behalf of the Company comply with the COC.

The COC has been reviewed and approved by the Board on 28 November 2018, which revised to include the policies and procedures in managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering in the COC.

A copy of the COC is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.

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

I. BOARD RESPONSIBILITIES (CONT'D)

(c) Good business conduct and corporate culture (Cont'd)

Whistle Blowing Policy

Whistleblowing is a specific means by which an employee/officer or stakeholder can report or disclose through the following established channels, concerns about any violation of the COC, unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements that is taking place/has taken place/may take place in future.

The Board had established a Whistle Blowing Policy with the following objectives:-

a) Provide an avenue for all employees and member of the public to disclose any improper conduct or any action that is or could be harmful to the reputation of the Group and/or compromise the interest of stakeholders;
b) Provide proper internal reporting channel to disclose any improper or unlawful conduct in accordance with the procedures as provided for under Whistle Blowing Policy;
c) Address a disclosure in an appropriate and timely manner;
d) Provide protection for the whistleblower from reprisal as a direct consequence of making a disclosure and to safeguard such person's confidentiality; and
e) Treat both the whistleblower and the alleged wrongdoer fairly.

A copy of the Whistle Blowing Policy is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.

As at the date of this Statement, the Company has not received any complaint under this procedure.

II. BOARD COMPOSITION

Size and Composition of the Board

The Board has six (6) members comprising one (1) Senior Independent Non-Executive Chairman, one (1) Independent Non-Executive Director, two (2) Non-Independent Non-Executive Directors and two (2) Executive Directors.

The two (2) Independent Directors represent compliance with the requirement for one-third (1/3) Independent Directors in the Board, pursuant to Paragraph 15.02(1) of the Main LR of Bursa Securities. The Board took note of the requirement of Practice 4.1 of the MCCG which requires at least half of the Board comprises Independent Directors.

The Board is of the view that the current composition of the Board facilitates effective decision making and independent judgement where no individual shall dominate the Board's decision making.

The individual profile of the Directors is available for viewing at Pages 9 to 14 of this Annual Report.

Tenure of Independent Directors

The Board noted that none of its Independent Directors have attained a cumulative terms of nine (9) years as at the date of this Statement. Therefore, there is no such need for the Company to seek for shareholders' approval on the said purpose at the forthcoming Twenty-Fifth Annual General Meeting ("**25th AGM**") to retain the Independent Directors.

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

II. BOARD COMPOSITION (CONT'D)

Procedures for Appointment of Directors and Senior Management

Appointment of Directors

The appointment of Directors is under the purview of the Nomination Committee, which is to assist the Board on all new Board and Board Committees' appointments and to provide a formal and transparent procedure for such appointments including obtaining a commitment from the candidate that sufficient time will be devoted to carry out the responsibilities as a Director.

The policies and procedures for recruitment and appointment of Directors are set out in the Board Charter.

During the FYE 2019, there was no new Director appointed to the Board of the Company.

Re-election of Directors

In accordance with the Article 94 of the Company's Articles of Association, one-third (1/3) of the Directors for the time being, or the number nearest to one-third (1/3) shall retire from office at each Annual General Meeting ("**AGM**") provided always that all Directors shall retire from office at least once every three (3) years in compliance with the Paragraph 7.26(2) of Main LR of Bursa Securities.

At the forthcoming 25th AGM, Mr. Chan Choo Sing and Mr. Chan Chow Tek are due for retirement and being eligible, have offered themselves for re-election.

Upon review, the Nomination Committee were satisfied with the performance of the abovementioned Directors and recommended their re-election to the Board for approval. The Board has in turn, recommended the same to be considered by the shareholders at the forthcoming 25th AGM of the Company.

Appointments to Board Committees

The review is conducted on an annual basis, and as and when the need arises, such as when a new Director is appointed. In determining the candidates for appointment to the Board Committees, various factors are considered by the Nomination Committee, including but not limited to the following factors:-

- the needs of the particular Board Committees;
- the results of the Board Effectiveness Evaluation for the Board Committees;
- time commitment and availability;
- regulatory requirements; and
- best practices or governance practices.

Appointments to Senior Management

The Human Resources Department is responsible for selection and appointment of candidates for senior management position based on selection criteria which best matches the requirements of the open position. The selection criteria includes (but not limited to) diversity in skills, experience, age, cultural background and gender.

Boardroom Diversity

The Board affirms its commitment to boardroom diversity as a truly diversified Board can enhance the Board's creativity, efficiency and effectiveness to thrive in good times and weather thought times. Female representation will be taken into consideration when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aims of selecting the best and mobile candidate to support the achievement of the Company's strategic objectives.

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

II. BOARD COMPOSITION (CONT'D)

Gender and Ethnicity Diversity

Currently, the Board does not have any gender or ethnicity diversity policy. The Nomination Committee does not set any target on gender or ethnicity diversity but endeavour to include any member who will improve the Board's overall composition balance.

Age Diversity

The Board believes that the Directors with diverse age profile will be able to provide a different perspective and bring vibrancy to the Group's strategy making process.

The age profile of the Directors were ranging from forties to sixties years of age, which underlies the Board's commitment to age diversity at the Board level appointment.

Board Committee

Audit Committee

The Audit Committee was set up on 7 February 2002 with current TOR revised on 27 May 2019.

The membership of the Audit Committee are stated in the **Audit Committee Report** of this Annual Report. A summary of works of the Audit Committee to discharge their duties during the FYE 2019 is set out in the **Audit Committee Report** of this Annual Report.

A copy of the TOR of the Audit Committee is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.

Nomination Committee

The Nomination Committee was set up on 7 February 2002 with current TOR revised on 27 May 2016. The Nomination Committee comprises exclusively of Non-Executive Directors, majority being Independent Non-Executive Directors as follows:-

Nomination Committee	Designation	Directorate
Mr. Julian Lim Wee Liang	Chairman	Senior Independent Non-Executive Chairman
Dato' Chan Chor Ngiak	Member	Non-Independent Non-Executive Director
Mr. Piong Yew Peng	Member	Independent Non-Executive Director

The Chairman of the Nomination Committee is the Senior Independent Non-Executive Chairman of the Company. The Nomination Committee is governed by its TOR of Nomination Committee which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the Nomination Committee as defined in the TOR.

A copy of the TOR of the Nomination Committee is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.

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

II. BOARD COMPOSITION (CONT'D)

Board Committee (Cont'd)

Nomination Committee (Cont'd)

(a) Summary of Works

Pursuant to Paragraph 15.08A(3) of Main LR of Bursa Securities, the summary of activities of the Nomination Committee during the FYE 2019 were disclosed as follows:-

- Review and confirmed the minutes of the Nomination Committee Meeting held in financial year ended 31 March 2018;
- Recommended the re-election of Mr. Julian Lim Wee Liang and Mr. Piong Yew Peng who retired pursuant to Article 94 of the Company's Articles of Association at the Twenty-Fourth Annual General Meeting held on 27 August 2018 ("**24th AGM**");
- Reviewed the length of service each independent non-executive Director and assessment of the independency of the Independent Directors in accordance with MCCG and the Main LR of Bursa Securities;
- Reviewed the current composition of the board of directors, the board committee and required mix of skills, experience and other qualities of the Board;
- Conducted the Board evaluation to assess the effectiveness of the Board as a whole and Board Committees;
- Reviewed the evaluation on the contribution and performance of each individual Director;
- Reviewed the term of office of the Audit Committee and assessed its effectiveness as a whole;
- Reviewed the attendance of the Directors at Board and Board Committees meetings; and
- Review the training programmes attended by the Directors for the financial year ended 31 March 2018 and identified the training needs for FYE 2019.

(b) Time Commitment by Directors

The Nomination Committee has been tasked to review the attendance of the Directors at Board and/or Board Committee Meetings. Upon review, the Nomination Committee noted the Board members have devoted sufficient time and effort to attend Board and/or Board Committee meetings for the FYE 2019.

The attendance record of each Directors at Board and Board Committees' Meetings during the FYE 2019 are as follows:-

Board of Directors

Name of Directors	Attendance	% of Attendance
Chan Choo Sing	4 out of 4	100
Chan Chow Tek	3 out of 4	75
Dato' Chan Chor Ngiak	4 out of 4	100
Chan Chor Ang	3 out of 4	75
Julian Lim Wee Liang	4 out of 4	100
Piong Yew Peng	4 out of 4	100

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

II. BOARD COMPOSITION (CONT'D)

Board Committee (Cont'd)

Nomination Committee (Cont'd)

(b) Time Commitment by Directors (Cont'd)

Nomination Committee

Name of Directors	Attendance	% of Attendance
Mr. Julian Lim Wee Liang	1/1	100
Dato' Chan Chor Ngiak	1/1	100
Mr. Piong Yew Peng	1/1	100

Remuneration Committee

Name of Directors	Attendance	% of Attendance
Mr. Piong Yew Peng	1/1	100
Mr. Chan Choo Sing	1/1	100
Dato' Chan Chor Ngiak	1/1	100

The attendance of the Audit Committee Meetings held during the FYE 2019 is stated in the **Audit Committee Report** in this Annual Report.

(c) Continuing Education and Training of Directors

The Board acknowledges the importance of continuous education and training to equip themselves for the effective discharge of its duties.

The Board has cultivated the following best practices:-

(a) All newly appointed Directors are required to attend the Mandatory Accreditation Training Programme ("**MAP**") as prescribed by Bursa Securities within the stipulated timeframe;
(b) All Directors are encouraged to attend talks, training programmes and seminars to update their knowledge on the latest regulatory and business environment;
(c) The Directors may be requested to attend additional training courses according to their individual needs as a Director/Board Committee's member on which they serve; and
(d) The Directors are briefed by the Company Secretaries on the letters issued by Bursa Securities at the Board Meeting.

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

II. BOARD COMPOSITION (CONT'D)

Board Committee (Cont'd)

Nomination Committee (Cont'd)

(c) Continuing Education and Training of Directors (Cont'd)

All Directors have attended the MAP prescribed by Bursa Securities.

Upon assessing the training needs of the Directors, the Board recognised that continuing education would be the way forward in ensuring its members are continually equipped with the necessary skills and knowledge to meet the challenges ahead. As at the date of this Statement, the Board has participated in the following continuing education programmes:-

Directors	Training(s) Attended
Julian Lim Wee Liang	• GST: Impact on Transitioning from 6% to 0% and GST Audits • 2019 Budget Seminar – Restoring Public Finances, Sustaining Growth, Enhancing wellbeing
Chan Choo Sing	• Education programme: Winning model 9.0 • Benchmark Company Visit
Chan Chow Tek	• Macroeconomic Forces in the Financial Market
Dato' Chan Chor Ngiak	• Governance Symposium 2019 • MIA's Engagement Session with Audit Committee Members on Integrated Reporting
Chan Chor Ang	• Governance Symposium 2019
Piong Yew Peng	• 2019 Budget Tax Conference • MIA's Engagement Session with Audit Committee Members on Integrated Reporting

Upon review, the Board concluded that the Directors' Trainings for the FYE 2019 were adequate.

2020 Directors' Training

In recognising the need to keep abreast with the fast changing business and regulatory environment, the Board has encouraged its members to attend at least one (1) continuing education programme, whereby it should be in relation to the Main LR of Bursa Securities, Companies Act 2016 or corporate governance of a listed corporation.

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

II. BOARD COMPOSITION (CONT'D)

Board Committee (Cont'd)

Remuneration Committee

The Remuneration Committee was set up on 7 February 2002, with its current TOR adopted on 20 February 2014. The Remuneration Committee comprises two (2) Non-Executive Director and one (1) Managing Director and the composition of the Remuneration Committee is as follows:-

Remuneration Committee	Designation	Directorate
Mr. Piong Yew Peng	Chairman	Independent Non-Executive Director
Mr. Chan Choo Sing	Member	Group MD
Dato' Chan Chor Ngiak	Member	Non-Independent Non-Executive Director

The Remuneration Committee is governed by its TOR of Remuneration Committee which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the Remuneration Committee as defined in the TOR.

A copy of the TOR of the Remuneration Committee is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.

(a) Summary of Works

The following works were undertaken by the Remuneration Committee during the FYE 2019:-

(a) Reviewed and confirmed the minutes of the Remuneration Committee Meeting held in financial year ended 31 March 2018;
(b) Deliberated on the remuneration packages of the Executives Directors and recommended the same to the Board for approval;
(c) Reviewed the Directors' fees and recommended the same for the Board for approval; and
(d) Review the benefits payable to the Directors of the Company.

Annual Assessment on effectiveness of Board and Individual Directors

Assessment of the effectiveness of the Directors, the Board as a whole and the Board Committees are being carried out annually. The objective is to improve the Board's effectiveness by identifying gaps, maximise strengths and address weaknesses. The Chairman of the Board oversees the overall evaluation process and responses are analysed by the Nomination Committee, before being tabled and discussed at the Board.

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

II. BOARD COMPOSITION (CONT'D)

Annual Assessment on effectiveness of Board and Individual Directors (Cont'd)

The Nomination Committee conducted the following assessments annually:-

Evaluation	Assessment criteria
Individual Directors	• Fit and proper; • Contribution and performance; and • caliber and personality.
Board and Board Committee	• Board mix and composition; • Quality of information and decision making; • Boardroom activities; and • Board Committees' Performance
Audit Committee	• Quality and composition • Skills and Competencies • Meeting Administration and Conduct • Duties and Responsibilities
Independence of the Independent Directors	• Independence criteria in accordance with Paragraph 1.01 and Practice Note 13 of the LR of the Bursa Malaysia Securities Berhad

Based on the assessments conducted for the FYE 2019, the Nomination Committee was satisfied with the performance of the Board as a whole, the Board Committees and each individual Director.

III. REMUNERATION

Directors' Remuneration Policy

The remuneration of each Director reflects the level of responsibility and commitment, which goes with Board membership. The full Board determines the remuneration of the Group MD and Executive Directors.

The Board had on 27 May 2016 adopted a Director Remuneration Policy to set the remuneration of its Group MD and Executive Directors. The compensation system takes into account the performance of the Group MD and each Executive Director and the competitive environment in which the Group operates.

The objective of the Director Remuneration Policy are as follows:-

- Determine the level of remuneration package of Directors and Group MD/Deputy Group General Manager ("**DGM**");
- Attract, develop and retain high performing and motivated Executive Directors and Group MD/DGM with a competitive remuneration package;
- Provide a remuneration such that the Directors and Group MD/DGM are paid a remuneration commensurate with the responsibilities of their position; and
- Encourage value creation for the Company and its Stakeholders.

The Remuneration Committee, when recommending the remuneration package of the Directors and Group MD, shall be guided by the main components and procedures provided in the Directors' Remuneration Policy.

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

III. REMUNERATION (CONT'D)

Directors' Remuneration Policy (Cont'd)

The Directors' Remuneration Policy is to be regularly reviewed by the Board as and when required. As at the date of this Annual Report, the Directors' Remuneration Policy has not been reviewed by the Board since its establishment as the Board viewed that the Directors' Remuneration Policy is suffice.

A copy of the Directors' Remuneration Policy is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.

Remuneration of Directors

For the FYE 2019, the aggregate remuneration received/receivable by the Directors of the Company from the Company and the Group categorised into appropriate components are as follows:-

Received from the Company

Directors' Remuneration	Fees* (RM'000)	Salaries and Other emoluments (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)	Others (RM'000)	Total (RM'000)
Executive Directors						
Chan Choo Sing	108	–	–	–	–	108
Chan Chow Tek	48	–	–	–	–	48
Non-Executive Directors						
Dato' Chan Chor Ngiak	66	–	–	–	–	66
Chan Chor Ang	48	–	–	–	–	48
Julian Lim Wee Liang	66	–	–	–	–	66
Piong Yew Peng	66	–	–	–	–	66

** Subject to the approval by shareholders at the 25th AGM*

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

III. REMUNERATION (CONT'D)

Remuneration of Directors (Cont'd)

Received on the Group Basis

Directors' Remuneration	Fees* (RM'000)	Salaries and Other emoluments (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)	Others (RM'000)	Total (RM'000)
Executive Directors						
Chan Choo Sing	–	820	–	–	–	820
Chan Chow Tek	–	564	–	–	–	564
Non-Executive Directors						
Dato' Chan Chor Ngiak	–	–	–	–	–	–
Chan Chor Ang	–	–	–	–	–	–
Julian Lim Wee Liang	–	–	–	–	–	–
Piong Yew Peng	–	–	–	–	–	–

Remuneration of top five (5) senior management

The Board is of the view that, given that the disclosure of the remuneration of the top five (5) senior management will give rise to recruitment and talent retention issues and may lead to the performing senior management staff being lured away by the competitors and hence, the Group may lose high calibre personnel who have been contributing to the Group's performance.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

Separation of the positions of the chair of the Audit Committee and the Board

The Audit Committee is chaired by Mr. Piong Yew Peng, which is a separate person from the chair of the Board, Mr. Julian Lim Wee Liang.

The composition of the Audit Committee is set out in the **Audit Committee Report** of this Annual Report.

No appointment of former key audit partners as member of the Audit Committee

None of the Audit Committee members was a former key audit partner of the Company and the Board has no intention to appoint any former key audit partner as member of the Audit Committee.

Terms of Reference of Audit Committee indicates that the appointment of a former key audit partner as a member of the Audit Committee shall observe a cooling-off period of at least two (2) years before appointed as a member of Audit Committee.

Assessment on External Auditors

The Audit Committee has procedures to assess the suitability, objectivity and independence of external auditors and that such assessment would be carried out annually. For the FYE 2019, the Audit Committee had conducted assessment of the suitability, objectivity and independence of the external auditors, namely Messrs. Baker Tilly Monteiro Heng PLT ("**Baker Tilly**") prior to Baker Tilly's appointment. The Audit Committee has assessed Baker Tilly based on several factors, including independence of the external auditors, quality of audit review procedures, adequacy of the firm's expertise and its resources to carry out the audit work that they were tasked with and the extent of the non-audit services rendered.

Skillsets of Audit Committee

The members of the Audit Committee collectively have the appropriate and necessary skills and a wide range of experience and expertise in areas such as accounting and auditing, taxation, finance and economics.

In addition, the members of the Audit Committee have attended various continuous trainings and development programmes as detailed in the Annual Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management and Internal Control Framework

The Board affirms the importance of maintaining a sound system of internal controls and risk management practices to good corporate governance. The Audit Committee has been entrusted by the Board to ensure effectiveness of the Group's internal control systems. The activities of the outsourced Internal Auditors are reported regularly to the Audit Committee which provides the Board with the required assurance in relation to the adequacy and integrity of the Group's internal control systems. It acknowledges its overall responsibility in this area and also the need to review its effectiveness regularly.

The **Statement on Risk Management and Internal Control** as set out in this Annual Report provides an overview of the state of Risk Management and internal controls within the Group.

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

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

Internal Audit Function

The Group has appointed an independent professional service provider to carry out the internal audit function, namely, Sterling Business Alignment Consulting Sdn. Bhd. The outsourced Internal Auditors report directly to the Audit Committee providing the Board with a reasonable assurance of adequacy of the scope, functions and resources of the internal audit function. The purpose of the internal audit function is to provide the Board, through the Audit Committee, assurance of the effectiveness of the system of internal control in the Group.

During the FYE 2019, the Audit Committee had reviewed and assessed the adequacy of the scope, functions, competency, resources and independence of the outsourced internal auditors and that they have the necessary authority to carry out their work.

The **Audit Committee Report** as set out in this Annual Report provides further details of the Internal Audit Function.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board has a Corporate Disclosure Policy in place on confidentiality to ensure that confidential information is handled properly by the Directors, employees and relevant parties to avoid improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately to Bursa Securities.

A copy of the Corporate Disclosure Policy is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.

The Board ensures that there is effective, transparent and regular communication with its stakeholders through a variety of communication channels as follow:-

(a) Announcements to Bursa Securities
(b) Annual Reports
(c) AGM/General Meetings
(d) Corporate Website
(e) Senior Independent Non-Executive Chairman

For the FYE 2019, Senior Independent Non-Executive Chairman informed that he has not received any concerns from shareholders/stakeholders, be it written or verbal.

II. CONDUCT OF GENERAL MEETINGS

Notice of AGM

Notice of the 24th AGM held in year 2018 is sent out at least twenty-eight (28) days before the date of the meeting so as to enable the shareholders to have full information about the 24th AGM and to facilitate informed decision-making. Full explanation of the effects of a proposed resolution of any special business will accompany the notice of 24th AGM.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

II. CONDUCT OF GENERAL MEETINGS (CONT'D)

Directors' Commitment

All the Directors were present at the 24th AGM of the Company held in year 2018 to engage with the shareholders personally and proactively.

Poll Voting

In line with the Main LR of the Bursa Securities on the requirement for poll voting for all resolution set out in the notice of general meetings, during the 24th AGM held in year 2018, the resolutions tabled at the 24th AGM were all voted by poll.

Electronic Poll Voting

Depending on the cost effectiveness, the Board will consider and explore the suitability and feasibility of adopting electronic poll voting in coming years to facilitate greater shareholders participation at general meeting.

Voting in absentia and Remote Shareholders' Participation at General Meeting(s)

Prior to implementing the voting in absentia and remote shareholders' participation at general meeting(s), the Board noted several factors/ conditions need to be fulfilled prior to making such consideration:-

- Relevant amendments to the Articles of Association/ Constitution of the Company to outline the procedures for enabling such Voting/ Participation;
- Availability of technology and infrastructure;
- Affordability of the technology and infrastructure;
- Sufficient number of shareholders residing/locating at particular remote location(s);
- Age profile of the shareholders.

In view thereof, the Board will not be recommending the adoption such Voting/ Participation at the forthcoming AGM of the Company.

CONCLUSION

The Board is satisfied that for the FYE 2019, it complies substantially with the principles and guidance of the MCCG.

The Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors passed on 18 July 2019.

AUDIT COMMITTEE **REPORT**

The Board of Directors of PCCS Group Berhad is pleased to present the following report on the Audit Committee and its works during the financial year ended 31 March 2019 ("**FYE 2019**") in compliance with Paragraph 15.15(1) of the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

A. COMPOSITION

Audit Committee	Designation	Directorship
Piong Yew Peng	Chairman	Independent Non-Executive Director
Julian Lim Wee Liang	Member	Senior Independent Non-Executive Chairman
Dato' Chan Chor Ngiak	Member	Non-Independent Non-Executive Director

The Independent Non-Executive Directors satisfied the test of independence under Paragraph 1.01 of the Main LR of Bursa Securities.

The Chairman of the Audit Committee, Mr. Piong Yew Peng is an Independent Non-Executive Director. In this respect, the Company complies with Paragraph 15.10 of the Main LR of Bursa Securities. Furthermore, in compliance with the Practice 8.1 of the Malaysian Code on Corporate Governance ("**MCCG**"), the Chairman of the Audit Committee is not the Chairman of the Board.

In addition, Mr. Piong Yew Peng and Mr. Julian Lim Wee Liang, being members of the Malaysian Institute of Accountants (MIA), fulfil the requirement of Paragraph 15.09(1)(c) of the Main LR of Bursa Securities.

The term of office and performance of the Audit Committee and each of its members were reviewed by the Nomination Committee on 27 May 2019 in accordance with Paragraph 15.20 of the Main LR of Bursa Securities and was satisfied that they are able to carry out their duties in accordance with their Terms of Reference for the FYE 2019. The Nomination Committee had subsequently reported its satisfaction to the Board of Directors for notation.

B. ATTENDANCE

A total of four (4) Audit Committee meetings were held during the FYE 2019. Details of attendance at Audit Committee during the FYE 2019 were as follows:-

Name of Directors	Attendance	% of Attendance
Piong Yew Peng (Chairman)	4 out of 4	100
Julian Lim Wee Liang	4 out of 4	100
Dato' Chan Chor Ngiak	4 out of 4	100

C. SUMMARY OF WORK

The works of the Audit Committee were primarily in accordance with its functions and duties as set out in its Terms of Reference. The main works undertaken by the Audit Committee during the FYE 2019 were as follows:-

1. Overview of Financial Performance and Reporting

- Reviewed the unaudited quarterly financial results for the quarter ended 31 March 2018, 30 June 2018, 30 September 2018 and 31 December 2018 and recommend the same to the Board of Directors for approval;
- Reviewed the draft audited financial statements for the financial year ended 31 March 2018 and recommend the same to the Board of Directors for approval;
- Reviewed the financial performance of the Group on quarterly basis;
- Reviewed the identified significant matters pursuant to Paragraph 15.12(1)(g)(ii) of the Main LR of Bursa Securities; and
- Reviewed the Group's compliance with the accounting standards and relevant regulatory requirements.

2. Oversight of External Auditors

- Reviewed the suitability, objectivity and independence of Messrs. Baker Tilly Monteiro Heng PLT for its appointment as External Auditors in placed of Messrs. Ernst & Young, upon reviewed and being satisfied with the assessment, the proposed appointment of Messrs. Baker Tilly Monteiro Heng PLT in placed of Messrs. Ernst & Young has been recommended to the shareholders for approval at the Twenty-Fourth Annual General Meeting.
- Discussed and reviewed with the External Auditors, the Audit Planning Memorandum entailing the scope of work and audit plan for the FYE 2019, including any significant issues and concerns arising from the audit;
- Discussed and reviewed with the External Auditors, the applicability and the impact of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board;
- Met three times with the External Auditors without the presence of the Executive Board and Management to discuss issue of concern arising from the annual statutory audit;
- Reviewed the audit fees FYE 2019 prior to the approval of the Board of Directors.

3. Oversight of Internal Audit ("IA")

- Reviewed and adopted the IA plan for the Group for the FYE 2019 and reported to the Board of Directors for notation;
- Reviewed the IA Reports for the FYE 2019 and assessed the Internal Auditors' findings and the management's responses and made the necessary recommendations to the Board of Directors for approval;
- Reviewed the Status Report on the follow-up actions on the previously reported Audit Findings of the Group;

C. SUMMARY OF WORK (CONT'D)

3. Oversight of Internal Audit ("IA") (Cont'd)

- Reviewed the adequacy and performance of the IA function and its comprehensive coverage of the Group's activities; and
- Reviewed and assessed the adequacy of the scope, competency and resources of the outsourced Internal Auditors and that they have the necessary authority to carry out their work.

4. Review of Related Party Transactions

- Reviewed any related party transaction and conflict of interest situation that may arise within the Group on quarterly basis, including any transaction, procedure or course of conduct that raises the questions on management integrity.

5. Oversight of Internal Control Matters

- Reviewed and confirmed the minutes of the Audit Committee Meetings; and
- Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control to be included in the Annual Report 2018.

D. IA FUNCTION

1. Appointment

The Group has appointed an outsourced IA service provider to carry out the IA function, namely Sterling Business Alignment Consulting Sdn. Bhd. ("**Sterling**"). The outsourced Internal Auditors report directly to the Audit Committee, providing the Board with a reasonable assurance of adequacy of the scope, competency and resources of the IA function. The purpose of the IA function is to provide the Board, through the Audit Committee, assurance of the effectiveness of the system of internal control of the designated entities of the Group.

2. IA Activities

The IA reporting format can broadly be segregated into three (3) main areas as follow:-

(a) IA Plan of the Group

At the beginning of the financial year, the IA Plan of the Group is presented to the Audit Committee by Sterling for discussion and adoption. The Audit Committee would then reported the same to the Board of Directors for notation.

(b) Regular IA Reports

IA reports are reviewed and adopted by the Audit Committee on a quarterly basis. During the FYE 2019, Sterling has reviewed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the major subsidiaries and recommended possible improvements to the internal control process. This is to provide reasonable assurance that such system continues to operate satisfactorily and effectively within the Group.

D. IA FUNCTION (CONT'D)

2. IA Activities (Cont'd)

(b) Regular IA Reports (Cont'd)

For the FYE 2019, the following subsidiaries of the Group were audited by Sterling:-

Name of Entities audited by Sterling	Date of IA Report
Thirty Three (Shanghai) Limited, PCCS Garments (Suzhou) Ltd and Perusahaan Chan Choo Sing Sdn. Bhd.	28 May 2018
JIT Textiles Limited	27 August 2018
PCCS Group Berhad	28 November 2018

(c) Follow-up Reports

In addition, the Internal Auditors followed-up on the implementation of recommendations from previous cycles of IA and updated the Audit Committee on the status of Management-agreed action plan.

For the FYE 2019, Sterling has presented their status report: follow-up actions on previously reported audited findings in respect of the following subsidiaries of the Group:-

Name of Entities followed-up by Sterling	Date of IA Status Report
PCCS Garments (Suzhou) Ltd	28 May 2018
JIT Textiles Limited	28 May 2018
Thirty Three (Shanghai) Limited	27 August 2018
PCCS Garments (Suzhou) Ltd	27 August 2018
JIT Textiles Limited	27 August 2018
Beauty Silk Screen Limited	27 August 2018
Thirty Three (Shanghai) Limited	28 November 2018
PCCS Garments (Suzhou) Ltd	28 November 2018
JIT Textiles Limited	28 November 2018
Mega Label (Malaysia) Sdn. Bhd.	28 November 2018
PCCS Group Berhad	27 February 2019
JIT Textiles Limited	27 February 2019
Thirty Three (Shanghai) Limited	27 February 2019
PCCS Garments (Suzhou) Ltd	27 February 2019

D. IA FUNCTION (CONT'D)

3. Total costs incurred for the FYE 2019

The total costs incurred for the IA function of the Group for the FYE 2019 was RM54,547/- (2018: RM56,000/-).

4. IA Charter

The Board noted that pursuant to Paragraph 15.12(1)(e) and (f) of the Main LR of Bursa Securities, the Audit Committee is required to review and report to the Board of Directors the following in respect of IA:-

(a) The adequacy of the scope, competency and resources of the IA functions and that it has necessary authority to carry out its work; and

(b) The IA plan, processes, the results of the IA assessments, investigation undertake and whether or not appropriate action is taken on the recommendations.

The Audit Committee had adopted an IA Charter in order to enable the Audit Committee to discharge its abovementioned roles.

The IA Charter contained the following key items:-

- Objectives and scope of work of Internal Auditors;
- Outsourced IA Function;
- Terms of Reference for IA Function;
- Authority limit;
- Reporting procedures;
- Objectivity and independence;
- IA Function Administration;
- Oversight functions of the Audit Committee in relation to IA Function; and
- Frequency of the review of IA Charter.

The IA Charter has been adopted since 27 May 2016.

5. Review of IA Function

With the adopted IA Charter to serve as a guiding document, the Audit Committee has performed a review on the IA Function during the FYE 2019. For the FYE 2019, the Audit Committee concluded that the IA function is independent and Sterling has performed their audit assignments with impartiality, proficiency and due professional care.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

INTRODUCTION

The Board of Directors ("**the Board**") is pleased to present the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and the internal control systems of the Group for the financial year ended 31 March 2019 ("**FYE 2019**") pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Main LR**"), Malaysian Code on Corporate Governance ("**MCCG**") and "*Statement on Internal Control and Risk Management: Guidelines for Directors of Listed Issuers*".

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for safeguarding shareholders' investment and the Group's assets as well as reviewing its effectiveness, adequacy and integrity on a regular basis by implementing and maintaining a sound and effective risk management framework and internal control system.

The system of internal control covers governance, risk management, financial, organisational, operational and compliance controls. However, due to the limitations that are inherent in any system of internal control, the Group's system of internal control is designed to manage, rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, it only provides reasonable but not absolute assurance against material misstatement or losses.

The Board, through the Audit Committee, ensures that the risk management and internal control practices are adequately implemented within the Group. Management is required to apply good judgement in assessing the risks faced by the Group, identifying the Group's ability to reduce the incidence and impact of risks, and ensuring the benefits outweigh the costs of operating the controls.

RISK MANAGEMENT

The Board acknowledges its overall responsibility for the Group's system of risk management and internal control as well as reviewing its adequacy and effectiveness. The risk management system is designed to manage the Group's risks within an acceptable risk profile, rather than to totally avoid or eliminate the risks that are inherent to the Group's activities.

The reporting structure for Risk Management was restructured on 31 January 2018. The reporting structure consists of a Risk Management Working Group ("**RMWG**") and a Performance Management Review Team ("**PMRT**") to discharge the Risk Management function of the Group on behalf of the Board.

The composition of the PMRT and RMWG are as follows:-

PMRT

Office	Name(s)
Leaders	Chan Wee Kiang and Tang Lai Huat
Independent Advisors	Piong Yew Peng and So Hsien Ying
Member	Tan Kwee Kee

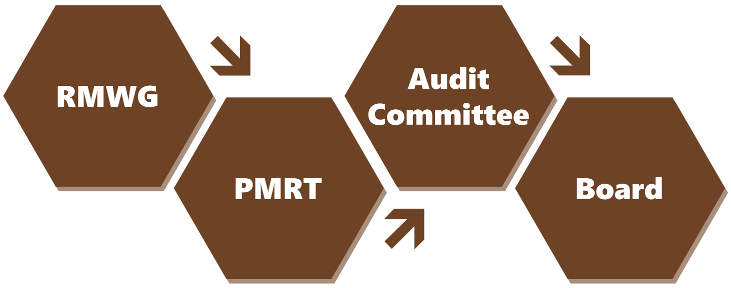
RISK MANAGEMENT (CONT'D)

RMWG

Office	Name(s)
Leader	Tan Kwee Kee
Members	Chan Wee Boon, Goh King Swee, Chen Tian Shen, P'ng Kim Leng, Teo Bee San, Sim Sian Ling, Ng Beng Hong, Teo Lee Ping, Lim Bok Sze, Chong Cher Kung, Lee Hui Cheng, Phua Chee How, Daniel Pua Kian Boon, Daniel Ng Kok Hoe, Loy Heng Ye, Tan Soo Ching, Hoo Li Juan

The RMWG is reporting to PMRT in respect of the identified risks and PMRT will report directly to the Audit Committee. The RMWG has been delegated to implement the risk management functions and control measures, to update the Risk Registry and perform ongoing risk management implementation. PMRT is tasked to set performance measures, review Risk Registry and assess effectiveness risk management framework.

The reporting structure for the risk management are as follows:-



The Board has approved and adopted a Risk Management Handbook since 23 August 2013. The Risk Management Handbook entails the following chapters:-

(1) Risk Management – Type of Risks and Benefits of Risk Management;
(2) Terms of Reference and Reporting Structure;
(3) Roles and Responsibilities;
(4) Risk Management Framework;
(5) Risk Measurement (Labels & Stickers Division);
(6) Risk Measurement (Garment Division); and
(7) Implementing Risk Management Process.

For the FYE 2019 and up to the date of this Statement, the Audit Committee and the Board had received and reviewed the Risk Registry of the Company at Corporate Level, Apparels Division (Cambodia and China) and Labels & Stickers Division (Malaysia and Cambodia). The risk factors identified and deliberated were assigned to the respective heads of subsidiaries and risk owners to implement the risk control measures.

For the FYE 2019 and up to the date of this Statement, the RMWG has held one (1) meeting with the Audit Committee, while the PMRT has held three (3) meetings.

The Board has empowered the Management to implement the Board's policies and guidelines on risks and controls, identify and evaluate the risks faced by the Group, and operate a suitable system of internal controls to manage these risks.

The Board has received assurances from Management that the Group's system of Risk Management and Internal Control is operating adequately and effectively throughout the financial year under review.

INTERNAL AUDIT FUNCTION

The Group had appointed an independent consulting firm namely, Sterling Business Alignment Consulting Sdn. Bhd. ("**Sterling**") as Internal Auditor to undertake its internal audit function and reports directly to the Audit Committee on quarterly basis.

The profile of Sterling is set out as follows:-

Principal Engagement Lead	:	Ms. So Hsien Ying
Qualifications	:	Certified Internal Control Professional from Internal Control Institute Associate Member of The Institute of Internal Auditors Malaysia (IIAM) Master in Business Administration (Finance) BSc Economics (Hons) (London)
Experiences	:	more than twenty (20) years of experience in corporate planning, business process improvement, risk management, internal audit and internal control review
Number of resources	:	each internal audit review ranges from three (3) to four (4) staff per visit

Sterling is a corporate member of the Institute of Internal Auditors Malaysia ("**IIAM**"). Sterling use the Committee of Sponsoring Organisations of the Treadway Commission ("**COSO**") Internal Control – Integrated Framework as a basis for evaluating the effectiveness of the internal control systems.

FYE 2019, Sterling's engagement team personnel have affirmed to the Audit Committee that in relation to the Company/Group, they were free from any relationships or conflicts of interest, which could impair their objectivity and independency.

Based on internal audit reviews conducted, Sterling presented observations and recommendations, together with Management's responses and proposed action plans, to the Audit Committee for review. In addition, the Internal Auditor followed up on the implementation of recommendations from previous cycles of internal audit and updated the Audit Committee on the status of Management-agreed action plan.

During the FYE 2019, Sterling has reviewed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the major subsidiaries and recommended possible improvements to the internal control process. This is to provide reasonable assurance that such systems continues to operate satisfactorily and effectively within the Group.

For the FYE 2019 and up to the date of this Statement, three (3) internal audit reviews were carried out and follow up status were reported by Sterling to the Audit Committee:-

Audit Period	Reported in	Audited Areas

1st Quarter (Apr 2018 – Jun 2018)	Aug 2018	• JIT Textiles Limited (Sales and marketing, Costing, Manufacturing / Production and Production planning)
		• Follow up status update on:
		  • Thirty Three (Shanghai) Limited and PCCS Garments (Suzhou) Ltd (Business Development, Contract Administration and Outsourcing Management Function)
		  • PCCS Garments (Suzhou) Ltd (Warehouse Management, Stock Handling records, Outsource Management, Production and other Observations)
		  • Beauty Silk Screen Limited (Business Development, Costing and Production and Operations)
		  • JIT Textiles Limited (Production, Asset Management and Product Claims)

INTERNAL AUDIT FUNCTION (CONT'D)

For the FYE 2019 and up to the date of this Statement, three (3) internal audit reviews were carried out and follow up status were reported by Sterling to the Audit Committee:- (Cont'd)

Audit Period	Reported in	Audited Areas

2nd Quarter (Jul 2018 – Sep 2018)	Nov 2018	• PCCS Group Berhad (Finance and Accounts, Human Resources Management and Administration).
		• Follow up status update on:
		  • Thirty Three (Shanghai) Limited (Business Development, Contract Administration and Outsourcing Management Function)
		  • PCCS Garments (Suzhou) Ltd (Warehouse Management, Stock Handling records, Outsource Management, Production and other Observations)
		  • JIT Textiles Limited (Production)
		  • Mega Label (Malaysia) Sdn. Bhd. (Sales and Marketing, Procurement and Supplies quality assurance, Inventory Management, Logistics and Delivery Management, Production, Quality Assurance and Maintenance and Manufacturing Engineering)

3rd Quarter (Oct 2018 – Dec 2018)	Feb 2019	• Follow up status update on:
		  • PCCS Group Berhad (Finance and Accounts and Human Resources and Administration)
		  • JIT Textiles Limited (Sales & Marketing, Costing and Manufacturing/ Production)
		  • Thirty Three (Shanghai) Limited (Business Development, Contract Administration and Outsourcing Management Function)
		  • PCCS Garments (Suzhou) Ltd (Warehouse Management, Stock Handling records, Outsource Management, Production and other Observations)

4th Quarter (Jan 2019 – Mar 2019)	May 2019	• Mega Labels & Stickers (Cambodia) Co., Ltd (Sales and Marketing and Human Resources Management)
		• Follow up status update on:
		  • PCCS Group Berhad (Finance and Accounts and Human Resources and Administration)
		  • JIT Textiles Limited (Sales and Marketing, Costing, Manufacturing/ Production and Production)
		  • Thirty Three (Shanghai) Limited (Business Development, Contract Administration and Outsourcing Management Function)
		  • PCCS Garments (Suzhou) Ltd (Warehouse Management, Stock Handling records, Outsource Management, Production and other Observations)
		  • Beauty Silk Screen Limited (Business Development, Costing and Production and Operations)

KEY ELEMENTS OF INTERNAL CONTROL

The following sets out the key elements of the Group's internal control, which have been in place throughout the FYE 2019, and up to the date of this Statement:-

- **Organisational Structure**

  The Group has a well-defined organisational structure that is aligned to its business and operation requirements. Clearly defined lines of accountability, delegation of responsibility and level of authorisation for all aspects of the business have been laid down and communicated throughout the Group.

- **Limits of Authority**

  Authority charts have been established within the Group to provide a functional framework of authority in approving sales orders, purchases, expenses and capital expenditures.

- **Review of Financial and Operational Performance**

  The Group's performance is monitored through a budgeted system which requires all material variances to be identified, discussed and reviewed by Management on a regular basis.

  The Corporate Controller ("**CC**") would table the same to the Audit Committee and the Board for review and comments at the quarterly held Audit Committee and Board Meeting, respectively.

  The Board reviews the Group's financial and operational performance quarterly, which analyses the Group performance against preceding year corresponding quarter performance.

- **Company Manual**

  A comprehensive "Company Manual" is developed to foster long-lasting and harmonious working relationship among the employees and set out the rules and regulations to be adhered to by the employees in performing their duties. The manual is regularly reviewed to incorporate changes that will enhance working efficiency.

- **Standard Operating Policies and Procedures ("SOPP")**

  Numerous SOPPs have been established to serve as a general management guide for daily operations. These policies and procedures are reviewed on a regularly basis to reflect changing risks or to resolve any operational deficiencies. It is also to promote efficiency and accountability for the Group.

- **Health and Safety Manual**

  "Health and Safety Manual" is developed to assist in maintaining a safe working environment for all employees.

- **Staff Training and Development Programmes**

  Training and development programmes are established to ensure that staff is constantly kept up-to-date with the constant technological changing environment in order to be competent in the industry in line with achieving the Group's business objectives.

- **Internal Quality Audits**

  Regular Internal Quality Audit is conducted as required by the ISO 9001:2015 and ISO 14001:2015 Quality Management System on certain subsidiaries. This ensures that internal procedures and standard operating procedures had been implemented and documented.

ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Group Managing Director and CC that the Group's risk management and internal control system were operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group, for the financial year ended 31 March 2019, and up to the date of this Statement.

CONCLUSION

For the financial year under review and up to the date of this Statement, the Board is of the opinion that there is an ongoing process of identifying, evaluating, and managing significant risks faced by the Group. The Board continues to take appropriate action plans to strengthen the risk management and internal control systems to meet the Group's objectives.

This Statement of Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 18 July 2019.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors, Messrs. Baker Tilly Monteiro Heng PLT have reviewed this Risk Management and Internal Control Statement. The review was performed in accordance with Audit and Assurance Practice Guides (AAPGs) 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysia Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the Group's risk management and internal control system.

STATEMENT OF **DIRECTORS' RESPONSIBILITY**
IN RELATION TO THE FINANCIAL STATEMENTS

This statement is prepared in compliance with the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Main LR of Bursa Securities**") and the applicable approved accounting policies.

The Directors are required to prepare annual financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their results and their cash flows for that financial year then ended.

To prepare the financial statements of the Group and the Company for the financial year ended 31 March 2019, the Directors have:-

* used appropriate accounting policies and were consistently applied;
* based on reasonable and prudent judgements and estimates were made; and
* considered that all applicable approved accounting standards in Malaysia have been followed.

The Directors have relied on the system of Internal Controls to ensure that the information generated for the preparation of the financial statements from the underlying accounting records are accurate and reliable.

The Directors are responsible for ensuring that the Company maintains accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the provision of the Companies Act 2016, the Main LR of Bursa Securities, and the applicable approved Malaysian Accounting Standard Board approved accounting standard in Malaysia.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

This statement on Directors' Responsibility in relation to the Financial Statements is made in accordance with the resolution of the Board of Directors date 18 July 2019.

UTILISATION OF PROCEEDS

For the financial year ended 31 March 2019, the details of utilisation of the proceeds from the Rights Issue of Shares with Warrants completed on 3 January 2018 were as follows:-

Use of Proceeds	Amount Allocated (RM'000)	Amount Utilised (RM'000)
Expansion of labelling business	7,100	7,100
Working capital	21,956	21,929
Estimated expenses in relation to the Rights Issue of Shares with Warrants	950	977
Total	**30,006**	**30,006**

AUDIT AND NON-AUDIT FEES

For the financial year ended 31 March 2019, the External Auditors have rendered certain audit and non-audit services to the Company and the Group. A breakdown of fees paid were listed as below for information:-

	Company (RM)	Group (RM)
Audit services rendered	46,500	271,114
Non-audit services rendered		
(1) Audit Review	44,175	44,175
(2) Certify the stock statements	–	8,720
(3) Review Rights Issue Warrants reserve	11,000	11,000
(4) Review of the Statement of Risk Management and Internal Control	5,000	5,000
(5) Tax Services	–	800
(6) MFRS 9 & 15 impact analysis review	5,000	5,000
(7) Training fee on MFRS 9 & 15	–	20,000
Total	**111,675**	**365,809**

MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors, Chief Executive and major shareholders have entered into any material contracts with the Company and/or its subsidiaries during the financial year ended 31 March 2019.

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE NATURE

The RRPTs were disclosed in Note 29 to the Financial Statements for the financial year ended 31 March 2019 on page 161.

SUSTAINABILITY **STATEMENT**

ABOUT THIS STATEMENT

PCCS Group Berhad and its subsidiaries ("**the Group**") has developed its sustainability strategy with aims to create sustainable values for its stakeholders and bring positive impact to the environment and society.

This is the second Sustainable Statement published by the Group for the financial year ended 31 March 2019 ("**FYE 2019**"). All financial amounts stated in this Statement is denominated in Renminbi Yuan (RMB), Ringgit Malaysia (RM) and United States Dollars (USD) unless otherwise stated. The Sustainability Reporting covers PCCS Garments (Suzhou) Ltd ("**SGL**") which is located in China, JIT Textiles Limited ("**JTL**") which is located in Cambodia and Mega Label (Malaysia) Sdn. Bhd. ("**MEGAM**") which is located in Malaysia.

This Statement discloses the economic, environmental and social ("**EES**") performance of the Group over different sustainability matters for the FYE 2019.

SUSTAINABILITY STATEMENT

The Group firmly believes that economic, social and governance ("**ESG**") and corporate governance are core to a sustainable business and is committed to embedding sustainability in the business operations, culture and ensuring the Group to practice sustainability at every business aspects and levels of operation.

In this Statement, we intend to provide the stakeholders with reliable ESG information in relation to the Group's business activities.

SCOPE OF PERIOD

The scope of this Sustainability Statement covers the period from 1 April 2018 to 31 March 2019. The policies and strategies discussed throughout this Statement are engaged by the Group unless otherwise specified. This Statement covers the environmental and social performance of SGL, JTL and MEGAM. In this Statement, the Group presents its major business activities relating to providing sub-contracting services to the manufacturing and sales of apparels and also the printing and sales of labels and stickers, which had contributed more than 85% of the Group's total revenue for the FYE 2019.

SUSTAINABLE GOVERNANCE

Sustainability Governance Structure

The Group has an overall responsibility of twenty-three (23) subsidiary companies which are located within Malaysia and Internationally, as shown in the Corporate Structure in this Annual Report.

SUSTAINABLE GOVERNANCE (CONT'D)

Corporate Governance Structure

In order to carry out the Sustainability Strategy from top to bottom, as shown in the diagram below, the Board of Directors ("**the Board**") are responsible to ensure the Sustainability Working Group ("**SWG**") is committed to constantly reviewing the Group's sustainable practices and ensuring each business division in the Group is committed to follow the Group Sustainability policies. Deputy Group General Manager is assigned to enforce and supervise the implementation of the relevant policies into business practices. The Group believes that sustainability is essential to the long-term development of the Group.

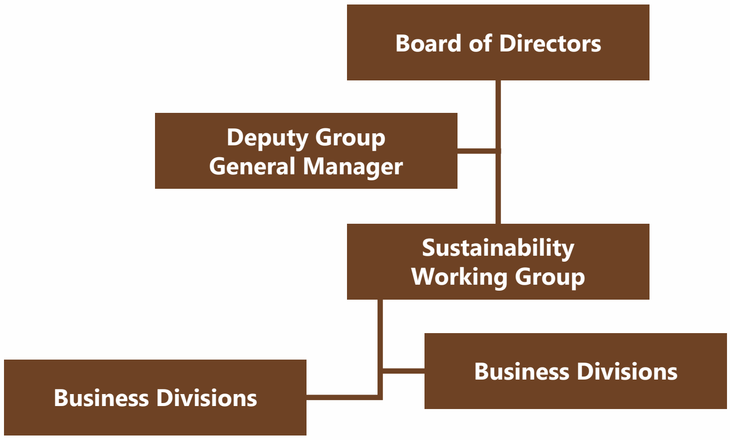


Figure 1 *Corporate Sustainable Structure*

STAKEHOLDER ENGAGEMENT

As a multinational enterprise with the goal to strengthen its sustainability approaches and performance, the Group has been collecting feedbacks from its stakeholders actively and regularly through the below preferred communication channels. The Group views the addressing and incorporation of stakeholders' feedbacks as a vital part in business improvement process.

Figure 2 *Stakeholder Engagement*

STAKEHOLDER ENGAGEMENT (CONT'D)

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	- Compliance with laws and regulations - Support economic development	- Supervision on complying with local laws and regulations - Routing reports and taxes paid
Shareholders and investors	- Return on investments - Corporate governance - Business compliance	- Regular reports and announcements - Annual general meeting - Official website
Employees	- Employees' compensation and benefits - Career development - Health and safety working environment	- Performance reviews - Regular meetings and trainings - Emails, notice boards, hotline, caring activities with management
Customers	- High quality products and services - Protect the rights of customers	- Customer satisfaction survey - Face-to-face meetings and on-site visits - Customer service hotline and email
Suppliers	- Fair and open procurement - Maintaining long-term relationship	- Open tendering - Suppliers' satisfactory assessment - Face-to-face meetings and on-site visits - Industry seminars
Communities	- Involvement in communities - Business compliance - Environmental protection awareness	- Media conferences and responses to enquiries - Public welfare activities

Government and Regulation Authorities

The Group always ensure its subsidiaries and employees to strictly follow the regulations as well as tax laws set by local governments from different jurisdictions at all times.

Shareholders and Investors

In recent years, institutional investors have shifted the way to evaluate a company with one emphasis on engagement. The dialogue between companies and their shareholders as well as investors is growing in terms of strategies and efforts to improve corporate value. Also, trends to promote broader engagement are growing after the recent amendments for companies to comply with Sustainability Statements.

The Group places great importance on engagement from the perspectives of properly assessing the corporate value and earning trust from the market. The Group discloses a wide range of information, including non-financial information, in a timely and transparent manner to facilitate understanding among stakeholders on its management policies and business strategies, while the Group regularly feedback the opinions and requirements of investors into operations as a measure towards sustainable growth.

STAKEHOLDER ENGAGEMENT (CONT'D)

Shareholders and Investors (Cont'd)

The Group has in placed measures to respond to the diverse expectations and requirements of each stakeholder while facilitating good communication not only on a daily basis in business activities but also taking advantage of various opportunities.

The Group's measures to engage the stakeholders are shown in the table below:-

Stakeholders	Stakeholders Engagement
• Timely disclosure and accurate information • Pursuing informational transparency and accountability	• Holding general meetings of shareholders, financial results briefings, investor briefings, analyst briefings and other relevant meetings • Communicating information on websites, shareholder correspondence, briefing materials and in other relevant forms

Customers Engagement

The Group believes that customer engagement is vital with the motto of "customer are the reason we exist". The Group has been putting in comprehensive efforts to ensure the Group supplies high quality and safe products to its customers.

The Group conducts customer survey annually to understand the needs of the customers as well as to gather information required which enabling the Group to meet challenges and to stay relevant in spite of the growing environment concerns in the line of business.

Consumer Engagement	Engagement Method
• Product Quality and Safety • Timely disclosure, accurate information and providing accountability • Understand the requests and needs of consumers and improve satisfaction through communication	• Customer Satisfaction Survey • Websites and other media

STAKEHOLDER ENGAGEMENT (CONT'D)

Employees and Families

Employees and Families	Engagement Method
• Establishing and providing a healthy working environment where employees can work safely and respects human rights without any discrimination • Equally and fairly evaluating personnel • Establishing educational systems able to drive and improve skills • Establishing measures, policies and other regulations to enhance the work-life balance	• Conducting regular consultations and performance reviews • Conducting employee satisfaction surveys • Installing a compliance counter • Carrying on a dialogue (casual discussions) between the management and employees • Holding Family Open Day • Carrying out meetings with management made up of both labour and management committee members • Publishing internal magazines and putting in place an intranet

Business Partners/Suppliers

The table below depicts the Business Partners/Suppliers Engagement.

Business Partners	Business Partners Engagement
• Building equal and fair relationships with business partners • Improving the occupational health and safety environment • Complying with all relevant laws	• Engaging in purchasing and procurement activities. • Conducting safety conferences, safety patrols and suppliers meetings. • Conducting workshops and informational exchange meetings. • Conducting supplier evaluations (surveys and questionnaires)

Local Community

The Group recognises the importance of sustaining the local community through job creations. The table below depicts the local community engagements.

Local Community Engagements	Communication Method
• Contributing to solutions to local challenges in society	• Participating in employee volunteer activities • Supporting the formation of communities through social contribution activities.

AN OVERVIEW OF THE MATERIAL ASSESSMENT

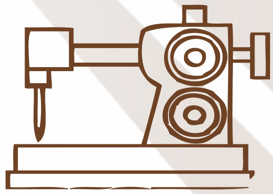
For purpose of the Material Assessment, the Group has defined the scope of work within manufacturing of garment, labelling and sticker at the plant in Suzhou, Cambodia and Malaysia. For FYE 2019, the Group assessed the scope of work based on the materials below.

ENVIRONMENT

- Energy Use
- Water Use
- Solid Waste
- Packaging Materials

WELFARE OF EMPLOYEES

- Occupational Health and Safety
- Employment Practices



MARKETPLACE

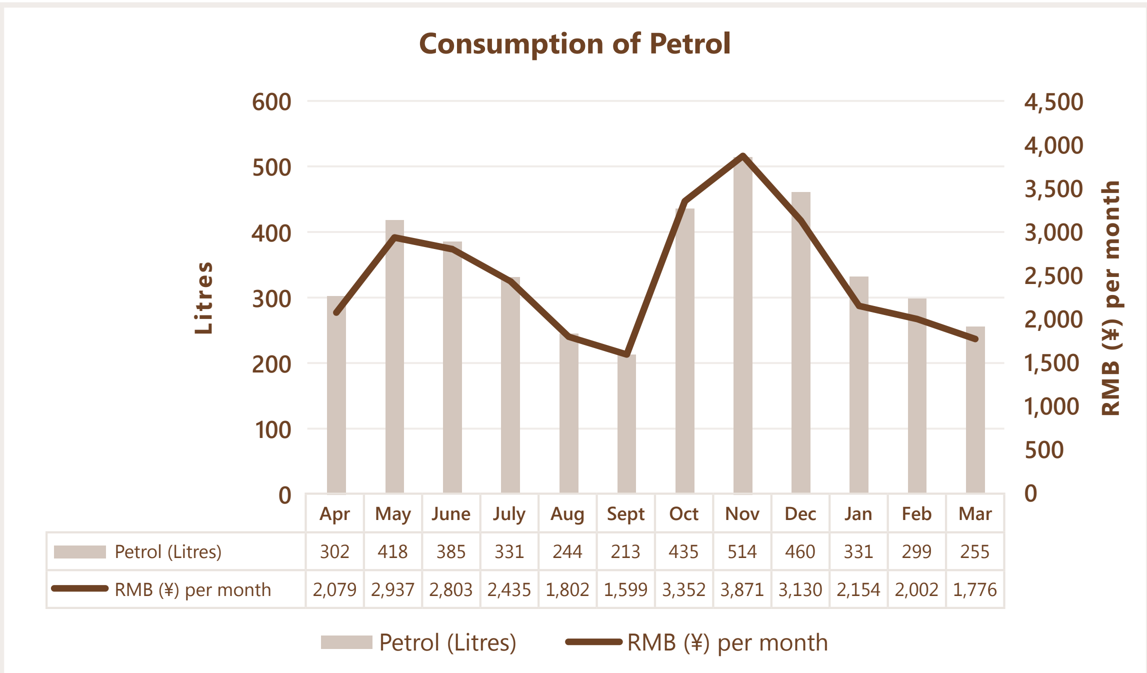
- Product Responsibility
- Labelling and information relating to products and services
- Privacy and Data Protection

MATERIALS ASSESSMENT

ENERGY USE

PETROL AND DIESEL

Based on the chart below, the consumption of petrol for PCCS Garments (Suzhou) Ltd ("**SGL**") is 4,187 litres and spent RMB29,940 for FYE 2019 and produced a total of 9,207 kgCO_2e.



	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Petrol (Litres)	302	418	385	331	244	213	435	514	460	331	299	255
RMB (¥) per month	2,079	2,937	2,803	2,435	1,802	1,599	3,352	3,871	3,130	2,154	2,002	1,776

Figure 3 *SGL Petrol Consumption*

AN OVERVIEW OF THE MATERIAL ASSESSMENT (CONT'D)

MATERIALS ASSESSMENT (CONT'D)

ENERGY USE (CONT'D)

PETROL AND DIESEL (CONT'D)

For the consumption of diesel, the total amount of usage is higher as compared to petrol due to higher composition of commercial vehicles as compared to personal cars. SGL consumed approximately 14,986 litres of diesel for the FYE 2019 and spent RMB101,418 for the FYE 2019.

The consumption of diesel contributed 38,966 of kgCO_2e for the FYE 2019. The chart below depicts the diesel consumption by month and RMB spent between April 2018 and March 2019. February 2019 consumed the least amount of diesel of only 430 litres, due to the Chinese New Year holidays.

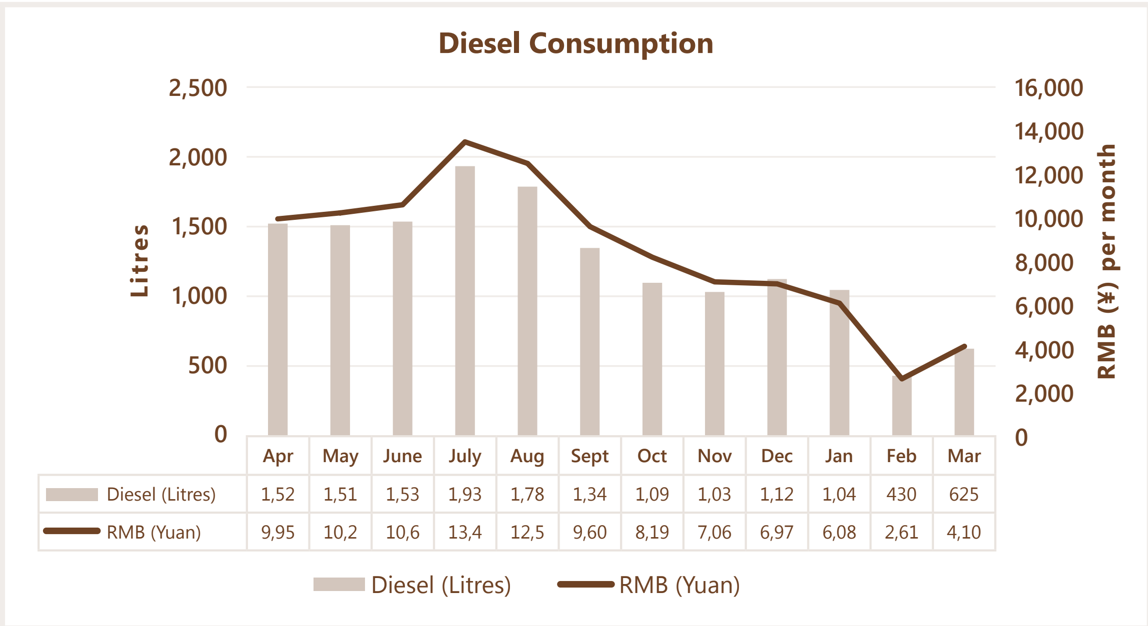


***Figure 4** SGL Diesel Consumption*

AN OVERVIEW OF THE MATERIAL ASSESSMENT (CONT'D)

MATERIALS ASSESSMENT (CONT'D)

ENERGY USE (CONT'D)

PETROL AND DIESEL (CONT'D)

As for JIT Textiles Limited ("**JTL**"), due to the unreliability of purchased electricity, generator were used in JTL production plant. The figure below depicts the use of diesel in manufacturing process.

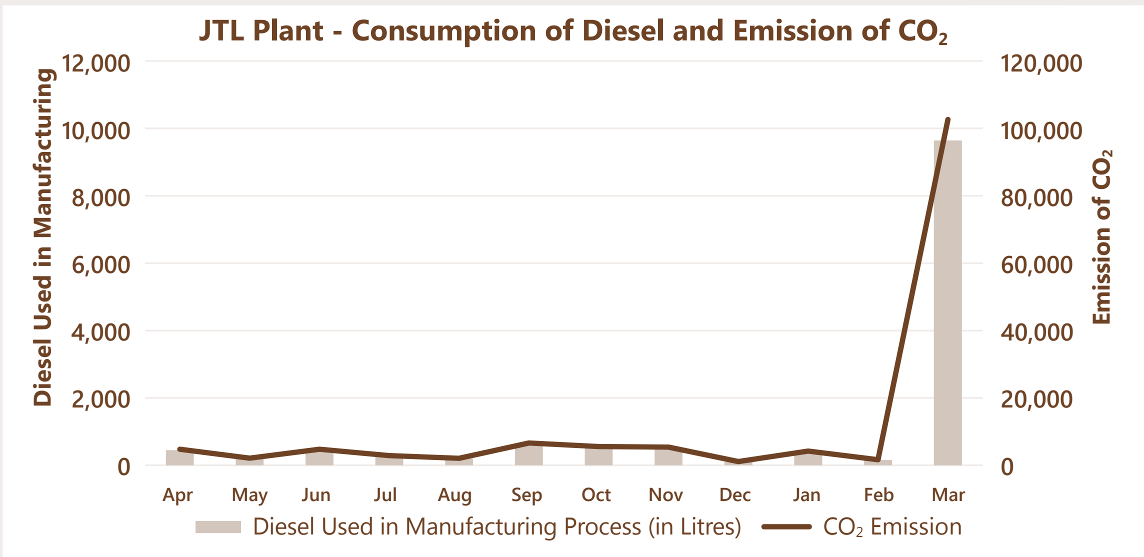
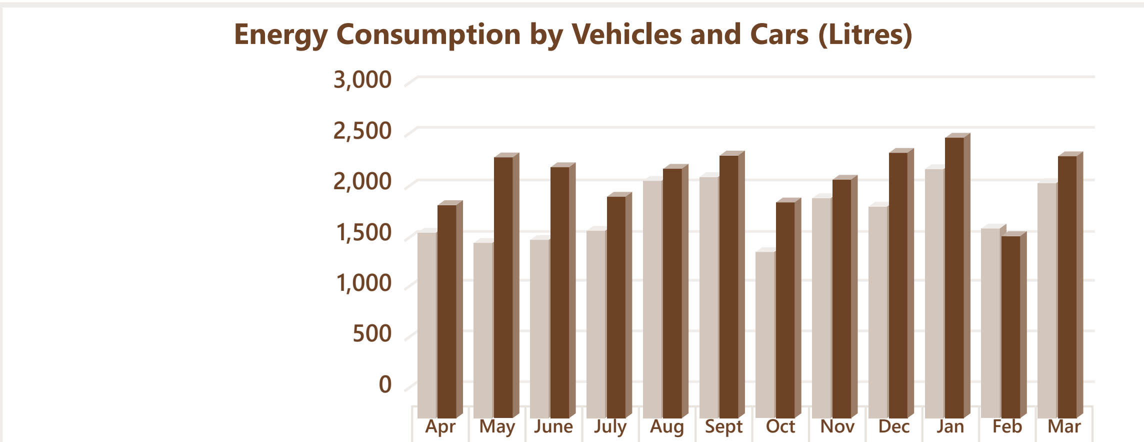


Figure 5 *JTL Consumption of Diesel and Emission of CO_2*

Based on the diagram above, March 2019 recorded the highest consumption of diesel, due to the unavailability and interruption of purchased electricity. Based on the above data, JTL has generated about 143,980 kgCO_2 from generators.

For use of vehicles by staff and transportation of goods, 28,521 litres of gasoline and 24,282 litres of diesel were consumed within the financial period assessed. The graph below depicts the consumption of gasoline and diesel and the emission of CO_2 generated during the financial period.



	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Diesel Used by Vehicles (Litres)	1,809	1,713	1,742	1,820	2,325	2,373	1,624	2,166	2,078	2,459	1,863	2,310
Gasoline Used by Staff (Litres)	2,079	2,560	2,466	2,157	2,453	2,580	2,126	2,349	2,606	2,768	1,794	2,583

Diesel Used by Vehicles (Litres) Gasoline Used by Staff (Litres)

Figure 6 *JTL Energy Consumption by Vehicles and Cars*

AN OVERVIEW OF THE MATERIAL ASSESSMENT (CONT'D)

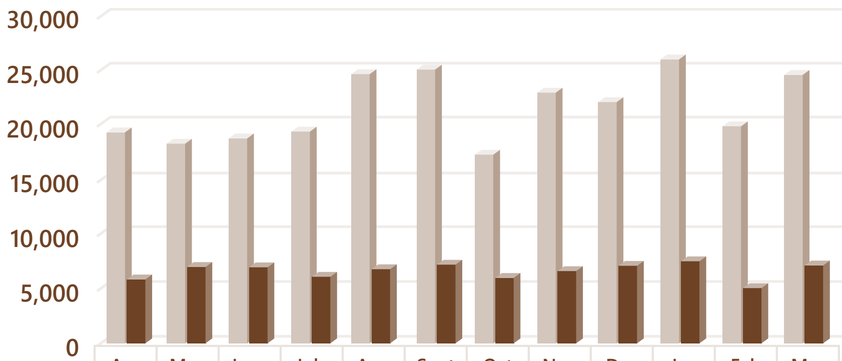
MATERIALS ASSESSMENT (CONT'D)

ENERGY USE (CONT'D)

PETROL AND DIESEL (CONT'D)

The diagram below shows the emission of CO_2 for diesel and gasoline used by JTL.

Emission of CO_2 by JTL



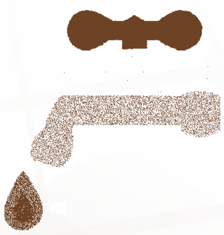
	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Emission of CO_2 (Diesel)	19,24	18,22	18,53	19,36	24,73	25,24	17,27	23,04	22,11	26,16	19,82	24,57
Emission of CO_2 (Gasoline)	5,488	6,760	6,511	5,693	6,476	6,812	5,612	6,202	6,881	7,307	4,736	6,818

Emission of CO_2 (Diesel)   Emission of CO_2 (Gasoline)

Figure 7 *JTL CO_2 Emission*

For MEGA Label (Malaysia) Sdn. Bhd. ("**MEGAM**") Plant, based on the information obtained from GreenTech Malaysia Website (https://www.greentechmalaysia.my/carboncalculator/process.php), the emission of CO_2 contributed by MEGAM are shown in the diagram below:-

ELECTRICITY
2,084,514.362 $kgCO_2$



WATER
42,675.15 $kgCO_2$

TRANSPORT
190,979.166 $kgCO_2$
(Based on assumption of average fuel price)
Diesel @ 2.30 Petrol @ 2.08

AN OVERVIEW OF THE MATERIAL ASSESSMENT (CONT'D)

MATERIALS ASSESSMENT (CONT'D)

ENERGY USE (CONT'D)

PETROL AND DIESEL (CONT'D)

The chart above, shows the emission of CO_2 by MEGAM during the financial period assessed.

In conclusion, both SGL and JTL will undertake procedures to reduce the amount of consumption of purchased petrol and diesel by defining the Standard Operating Procedures for staff and used of generators. Among the measures undertake to reduce and minimise the usage of gasoline and diesel are as follows:-

1. Accelerate gradually. Avoid jackrabbit starts.
2. Anticipate your stops.
3. In summer, drive during cooler parts of the day.
4. Avoid long warm-ups in the morning.
5. Use air conditioning.
6. Maintain recommended tire pressure.
7. Keep the air filter clean.
8. Drive within the speed limit.

In the case of generators, JTL will ensure to perform regular service to its generators and replacement of parts according to schedule and to ensure usage only when necessary.

AN OVERVIEW OF THE MATERIAL ASSESSMENT (CONT'D)

MATERIALS ASSESSMENT (CONT'D)

ENERGY USE (CONT'D)

ELECTRICITY

JTL plant used an average of 163,951 kWh during the financial period assessed. The figure below depicts the monthly consumption of purchased electricity.

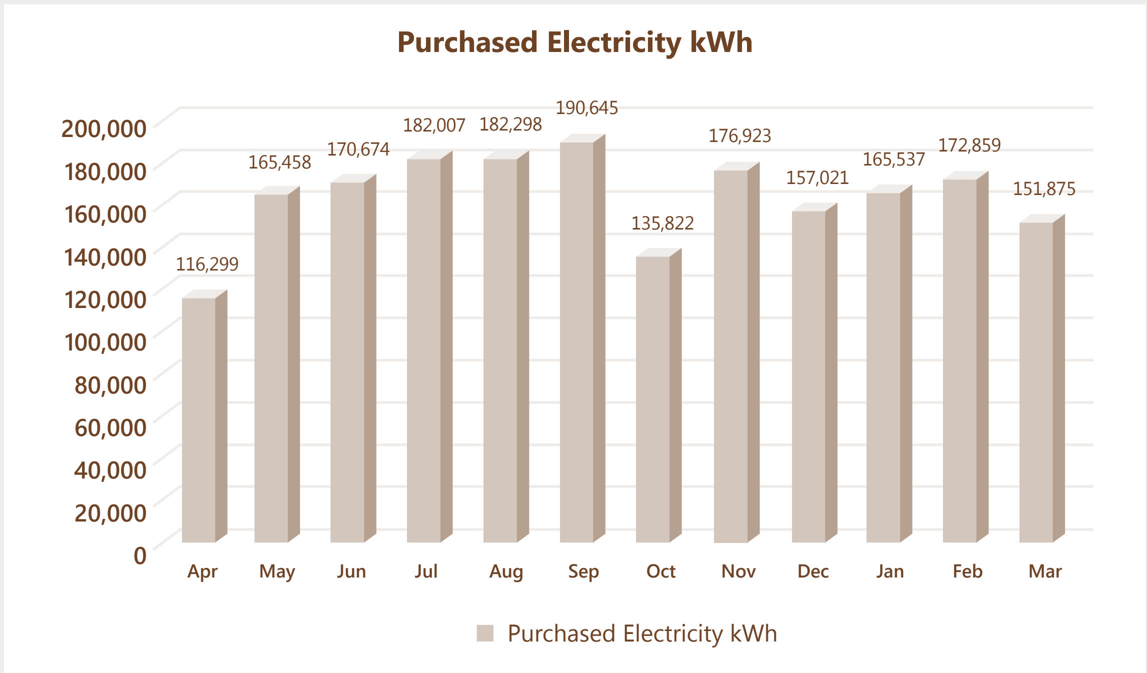


Figure 8 *JTL Purchased Electricity kWh*

The Group unable to determine the emission of CO_2 for JTL plant due to unavailability of conversion data. However, based on a study undertaken by National Council for Sustainable Development, Cambodia, by the Department of Environment Cambodia on 1 March 2016 titled "Grid Emission Factors in Cambodia" the emission CO_2 coefficient is Operating Margin Emission Factor (t-CO_2 /MWh) = 0.2339. The table below shows how the emission factor is being derived.

AN OVERVIEW OF THE MATERIAL ASSESSMENT (CONT'D)

MATERIALS ASSESSMENT (CONT'D)

ENERGY USE (CONT'D)

ELECTRICITY (CONT'D)

Name of Power Unit/ Electricity imports	2010		2011		2012	
	Net Electricity Generation	CO_2 Emission Factor	Net Electricity Generation	CO_2 Emission Factor	Net Electricity Generation	CO_2 Emission Factor
	MWh	t-CO_2/MWh	MWh	t-CO_2/MWh	MWh	t-CO_2/MWh
Imports from Vietnam	963,770.2	–	1,133,793.0	–	1,219,520.0	–
Imports from Thailand	272,123.6	–	315,747.1	–	392,111.1	–
EDC - C3	400.0	0.6634	420.0	0.6772	390.0	0.6749
EDC - C5	7,100.0	0.6866	15,270.0	0.6906	14,340.0	0.6907
EDC - C6	25,580.0	0.7109	32,820.0	0.7138	43,550.0	0.7148
EDC-Takco and Angtasom	–	–	64.6	0.7387	20.4	0.7357
EDC-Banteay Meanchey & Mongkul Borei	1,287.6	0.0174	29.3	0.7443	51.6	0.7579
EDC-Siem Reap	–	–	1,270.3	0.7409	1,311.8	0.7345
EDC-Battambang	–	–	63.8	0.7519	9.9	0.9086
Cambodia Utilities Pte. Limited	120,223.1	0.7209	133,422.6	0.7249	132,138.6	0.7298
Khmer Electrical Power Co. Ltd	230,384.1	0.6715	231,899.4	0.6784	196,954.4	0.6848
City Power Group Corporation	18,273.7	0.7206	25,295.9	0.7150	15,790.4	0.7199
Colben Energy (CAMBODIA) Ltd Phnom Penh	35,795.4	0.8041	34,166.9	0.7909	31,074.1	0.7976
(Cambodia) Electricity Private Co, Ltd	247,286.7	0.6958	227,696.3	0.6963	209,459.3	0.6980
Sovanna Phum Investment Co., Ltd	32,081.5	0.6247	46,499.8	0.6249	37,420.5	0.6249
Colben Energy (Cambodia) PPSEZ Limited	–	–	–	–	2,256.7	0.5909
Small diesel power plants CAP≤10kW	120.8	0.9334	–	–	–	–
Small diesel power plants 10<CAP≤50kW	144.3	0.7920	141.5	0.7920	–	–
Small diesel power plants 50<CAP≤100kW	332	0.7467	403.8	0.7467	–	–
Small diesel power plants 100<CAP≤200kW	920.2	0.7064	516.2	0.7064	644.6	0.7064
Small diesel power plants 200<CAP≤400kW	2,563.6	0.6702	150.9	0.6702	489.1	0.6702
Small diesel power plants 400<CAP≤1000kW	928.8	0.6223	1,528.6	0.6223	865.4	0.6223
Small diesel power plants CAP>1000kW	1,880.2	0.5808	5,681.6	0.5808	–	–
Annual Electricity Generation in Total	1,961,195.8	–	2,206,881.6	–	2,298,397.9	–
Simple Operating Margin CO_2 Emission Factor	$EF_{grid, OMsimple,y1}$	0.2566	$EF_{grid, OMsimple,y2}$	0.2389	$EF_{grid, OMsimple,y3}$	0.2097
Operating Margin Emission Factor (t-CO_2/MWh)					**0.2339**	

Using the above emission factor of 0.2339 t-CO_2/MWh, JTL Plant emitted approximately 4,601,790.70 kg CO_2/MWh for the period assessed.

On the other hand, SGL consumed around 1,419,712 kWh for the FYE 2019 and based on intensity usage, each employee consumed around 2,678 kWh per year. In the case of MEGAM, MEGAM consumed an average 3,003,623 kWh during the financial period assessed and contributed 2,084,514.362 kgCO_2.

AN OVERVIEW OF THE MATERIAL ASSESSMENT (CONT'D)

MATERIALS ASSESSMENT (CONT'D)

ENERGY USE (CONT'D)

ELECTRICITY (CONT'D)

The Group recognises the need for reduction of purchased electricity, therefore SGL and JTL will strive to reduce the amount usage by adopting conserving methods as highlight below :

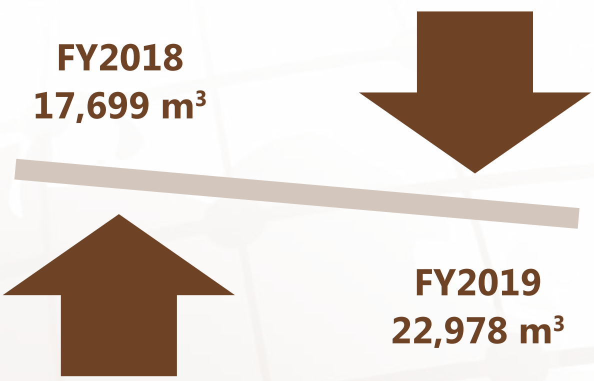
- Switching off lights during lunch hours;
- Replacing light tube with LED light to prolong the lifespan of light and reduce energy consumption;
- Customising all computers into sleep mode whenever employee is away from keyboard for more than 5 minutes;
- Maintaining a constant temperature of the air-conditioners in office;
- Pasting stickers at all switches and prominent places to promote energy saving; and
- Reviewing electricity consumption monthly in order to take essential action when abnormal consumption occurred.

Based on the diagram above, both plants that purchased electricity contributed the highest amount of emission of CO_2. In view of this, SGL and JTL will strive to reduce its dependency on purchased electricity and initiate measures among its staff and C-Level to work towards reduction of usage of purchased electricity.

WATER

SGL consumed around 22,978 litres of water for FYE 2019 from Huayan Water Supply Co Ltd. Water consumption are primarily for domestic use by its employees and SGL does not use water for its production.

Based on the KPI target set, the Group failed to achieve its target of reducing 3% of its water consumption but increased by almost 30% due to expansion, increased in number of employees and etc.



AN OVERVIEW OF THE MATERIAL ASSESSMENT (CONT'D)

MATERIALS ASSESSMENT (CONT'D)

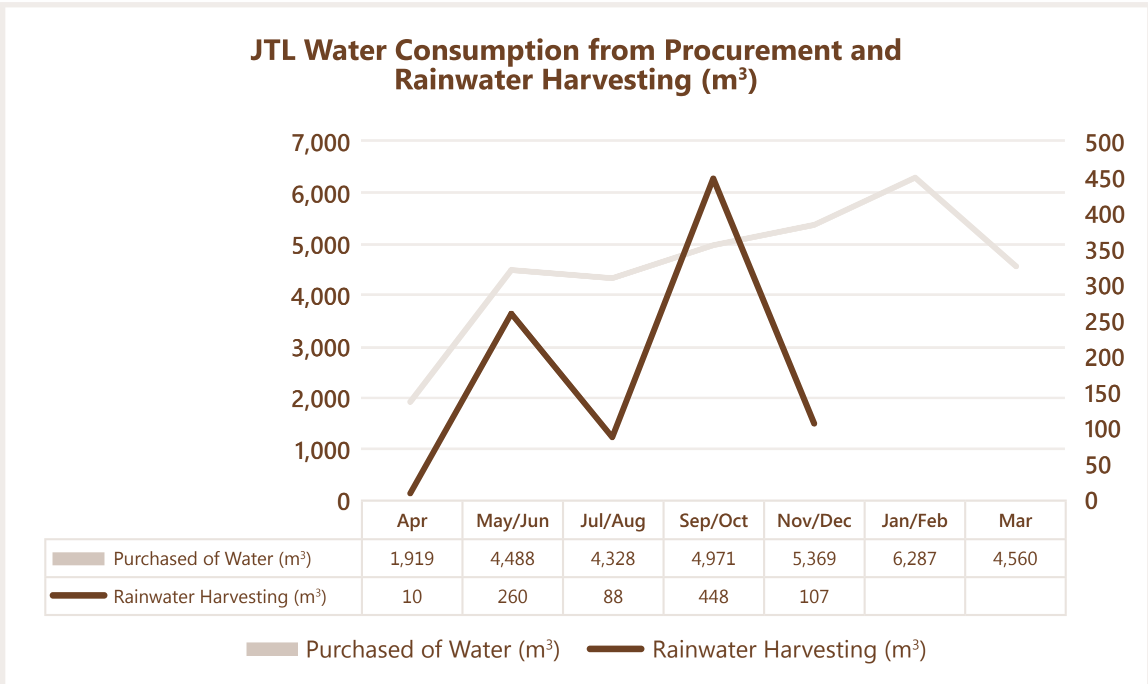
ENERGY USE (CONT'D)

WATER (CONT'D)

SGL intends to remain its projection rate of 3% savings from the previous years and SGL will strive to further improve efficiency on the utilisation of water.

In the case of MEGAM, MEGAM consumed 10,184 m^3 during the financial period assessed. MEGAM does not practice rain water harvesting thus the water was procured directly from Syarikat Air Johor Sdn. Bhd. ("**SAJ**") as well as Syarikat Bekalan Air Selangor Sdn. Bhd. ("**SYABAS**"), those are the commercialised state water companies.

For the JTL Plant, 31,922 m^3 of water was procured from the government and 913 m^3 was derived from rainwater harvesting. The chart below shows the procurement of water from the government as well as water harvested from rain.



	Apr	May/Jun	Jul/Aug	Sep/Oct	Nov/Dec	Jan/Feb	Mar
Purchased of Water (m^3)	1,919	4,488	4,328	4,971	5,369	6,287	4,560
Rainwater Harvesting (m^3)	10	260	88	448	107		

Figure 9 *JTL water consumption from Procurement and Rainwater Harvesting (m^3)*

AN OVERVIEW OF THE MATERIAL ASSESSMENT (CONT'D)

MATERIALS ASSESSMENT (CONT'D)

ENERGY USE (CONT'D)

WATER (CONT'D)

In view of the steep increase of water procurement from the government, JTL will strive to use and implement secondary measures to reduce the water consumption from domestic usage as well as recycle its water internally. To ensure that JTL and SGL employees understand the importance of water efficiency, the working group will strive to engage employees to give input on water conservation plan. JTL and SGL will engage employees as a source for water savings ideas by adopting the following ideas:-

- Survey by identifying sources of waste from the employee. Employee awareness is a great way to uncover savings opportunities and to engage them in an execution program.
- Launch an employee awareness program. Provide them incentives and awards such as the most eco-friendly employee award, for being proactive in helping the Group save water.
- Communicate with the employees on weekly basis – progress, regulation and success stories.
- Hold managers accountable for adopting ideas and executing them.

In view of this, the Group has formulated an internal policy as below:

- Pasting promote stickers at prominent places to encourage water conservation;
- Reviewing monthly water consumption in order to take essential action when abnormal consumption occurred;
- Collecting used water for cooling purposes, floor cleaning and yard washing if possible;
- Carrying out regular leakage tests on water tap, washers and other shortcomings in the water supply system;
- Repairing dripping taps immediately; and
- Installing water saving tap in the toilet to reduce the water consumption.

AN OVERVIEW OF THE MATERIAL ASSESSMENT (CONT'D)

MATERIALS ASSESSMENT (CONT'D)

ENERGY USE (CONT'D)

SOLID WASTES

SGL does not produce hazardous waste however it produces non-hazardous solid wastes such as leftover of fabric, paper and plastic which are generated from cutting, sewing and process where fabric is cut in accordance with a pattern or shape of the marker.

Domestic waste such as food waste are collected by national solid waste management companies but industrial waste such as plastics, fabrics, and carton boxes are collected by appointed waste management companies. Waste that can be recycled are sent to recycling centre for further processes and as part of the Supplier screening, the Group ensure that the waste management companies are appointed and registered with the relevant government authorities.

For JTL, waste are recorded according to corrugated carton boxes, polybags, fabric leftovers, and general waste. Each of the diagram below depicts the monthly consumption of each of the waste and JTL endeavours to reduce the waste.

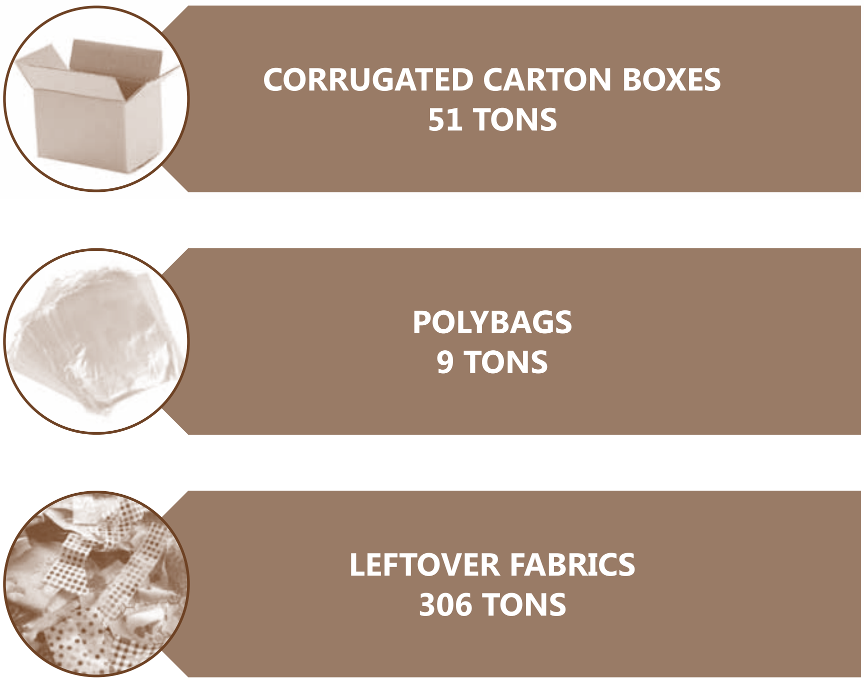


Figure 10 *JTL Waste Disposal*

AN OVERVIEW OF THE MATERIAL ASSESSMENT (CONT'D)

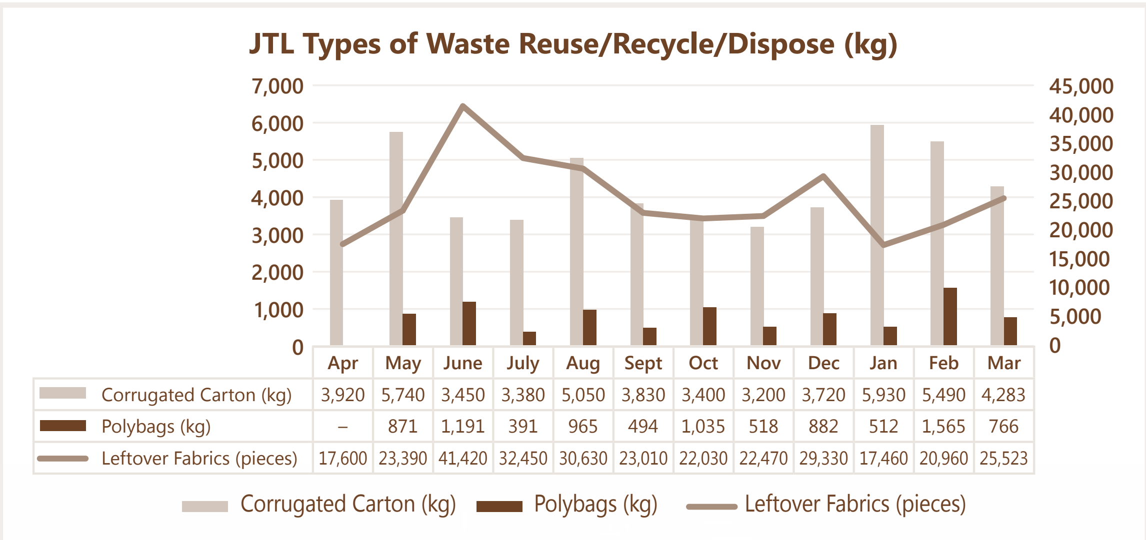
MATERIALS ASSESSMENT (CONT'D)

ENERGY USE (CONT'D)

SOLID WASTES (CONT'D)

JTL has consumed 51 tons of paper through the usage of corrugated carton boxes as well as 9 tons of polybags, and discarded 306 tons of leftover fabrics for the financial period assessed. In order for JTL to minimise the production waste, JTL will strive to adopt the following policies: -

- For Corrugated Carton Boxes- JTL will strive to reuse or recycle all corrugated carton boxes.
- For Polybags – JTL will strive to recycle all polybags through appointed recyclers.



	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Corrugated Carton (kg)	3,920	5,740	3,450	3,380	5,050	3,830	3,400	3,200	3,720	5,930	5,490	4,283
Polybags (kg)	–	871	1,191	391	965	494	1,035	518	882	512	1,565	766
Leftover Fabrics (pieces)	17,600	23,390	41,420	32,450	30,630	23,010	22,030	22,470	29,330	17,460	20,960	25,523

Figure 11 *JTL Types of Waste Disposed/Reuse/Recycle*

AN OVERVIEW OF THE MATERIAL ASSESSMENT (CONT'D)

MATERIALS ASSESSMENT (CONT'D)

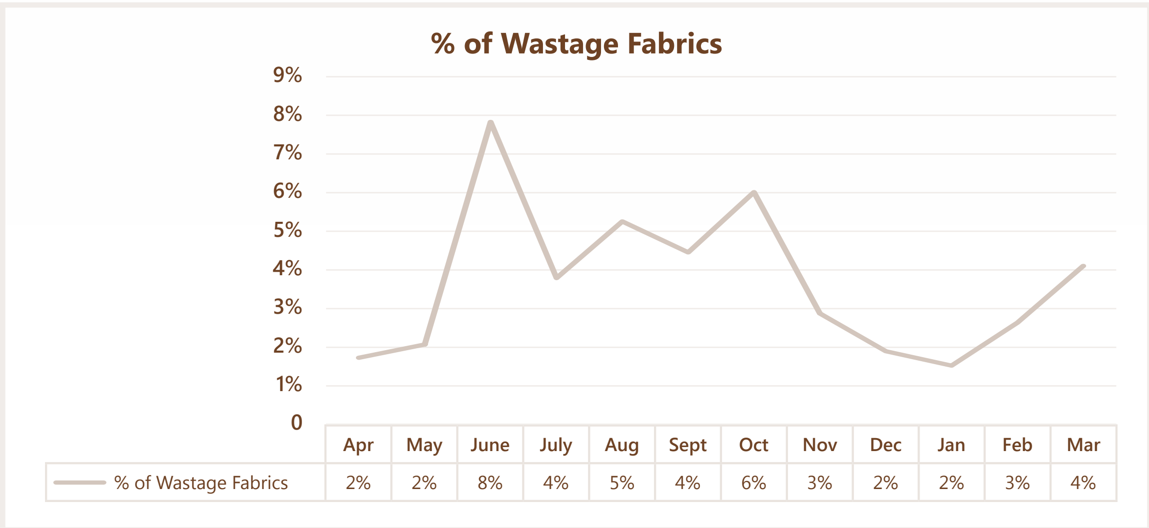
ENERGY USE (CONT'D)

SOLID WASTES (CONT'D)

Furthermore, the Group has set up an internal policy of waste disposal for all departments and the contents are listed below:

- Providing yearly refreshing / awareness training on handling schedule waste;
- Proper storage for monitoring, control and prevent unapproved usage/access.

SGL and JTL will set a KPI to ensure all these waste are kept to a minimum of 4% of the total production. JTL and SGL will ensure minimisation of error during production and have more diligent quality control over its production process. The chart below depicts the percentage (%) of wastages from leftover fabrics over its production use:



	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
% of Wastage Fabrics	2%	2%	8%	4%	5%	4%	6%	3%	2%	2%	3%	4%

Figure 12 *% of Wastage Fabrics*

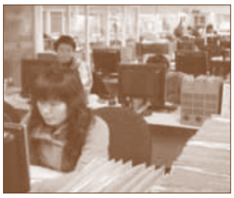
WELFARE OF EMPLOYEES

EMPLOYMENT PRACTICES

Workplace

Pictures below show the different departments owned by SGL plant in China.


SGL Office and Factory in China


SGL Management Office


Sewing Department


Packing Department


Quality Checking Department

Figure 13 *SGL Suzhou Plant*

Fair Employment Practices

In order to develop a healthy and safe workplace, the Group endeavours to provide the employees a diverse and inclusive working environment where their rights are respected and upheld and preventing any possible human rights violations.

To demonstrate the Group's commitment towards fair employment practice, the table below shows the policies enshrined within JTL in Cambodia.

Policy Number	JTL Policies
JTL/HR/01	Compliance with laws and work place regulation policy
JTL/HR/02	Prohibition of Forced labour, Slavery & Human trafficking Policy
JTL/HR/03	Prohibition of Child Labour Policy
JTL/HR/04	Anti-Harassment Policies And Procedures

WELFARE OF EMPLOYEES (CONT'D)

EMPLOYMENT PRACTICES (CONT'D)

Fair Employment Practices (Cont'd)

Policy Number	JTL Policies
JTL/HR/05	Wage & Compensation and Benefit Policy
JTL/HR/06	Hours of Work Policy
JTL/HR/07	Prohibition of Discrimination Policy
JTL/HR/08	Occupational Health and Safety Policy
JTL/HR/09	Freedom of Association and Collective Bargaining Policy
JTL/HR/10	Environment Policy
JTL/HR/11	Custom Compliance Policy
JTL/HR/12	Security Policy
JTL/HR/13	Foreign Employee Policy
JTL/HR/14	Contract Workers Policy
JTL/HR/15	Recruitment Policy and Procedure
JTL/HR/16	Orientation Policy
JTL/HR/17	Pregnant Employee Policy
JTL/HR/18	Disciplinary Policy and Procedure
JTL/HR/19	Apply Leave Policy and Procedure
JTL/HR/20	Resignation Policy and Procedure
JTL/HR/21	Employee termination and Retrenchment Policy and Procedure
JTL/HR/22	Grievance Policy and Procedure
JTL/HR/23	Suggestion Box Opening Policy
JTL/HR/24	Strike management Plan Policy
JTL/HR/25	Body/Bag Search Policy
JTL/HR/26	Media Handling Policy and Procedure

WELFARE OF EMPLOYEES (CONT'D)

EMPLOYMENT PRACTICES (CONT'D)

Fair Employment Practices (Cont'd)

Policy Number	JTL Policies
JTL/HR/27	Non-Retaliation Policy
JTL/HR/28	First Aid Kit Replacement Policy and Procedure
JTL/HR/29	Fire Fighting Procedure
JTL/HR/30	Personal Protective Equipment Management Policy and Procedure
JTL/HR/31	Accident Investigation Policy and Procedure
JTL/HR/32	Performance Management Policy
JTL/HR/33	Promotion, Transfer or Demotion Policy
JTL/HR/34	Training and Career Development Policy
JTL/HR/35	Arrangement in Place to Cover Absence Employee Procedure
JTL/HR/36	Electrical Safety Inspection Policy and Procedure
JTL/HR/37	Waste Management Communication Policy
JTL/HR/38	Lockout/Tag out Procedure
JTL/HR/39	Worker Management Communication Policy
JTL/HR/40	Machine Safety Guard Policy
JTL/HR/41	Chemical Storage and Handling
JTL/HR/42	Hot Work Policy
JTL/HR/43	Anti-Corruption and Bribery Policy
JTL/HR/44	Remediation of Young worker and Child Labour Procedure
JTL/HR/45	Chemical Purchasing Policy and Procedure
JTL/HR/46	Human Resource Management Policy
JTL/HR/47	Age Verification Procedure
JTL/HR/48	Prevention Young/ Child Entry the Factory Premise Policy and Procedure

WELFARE OF EMPLOYEES (CONT'D)

EMPLOYMENT PRACTICES (CONT'D)

Fair Employment Practices (Cont'd)

Policy Number	JTL Policies
JTL/HR/49	Transmitted and Non-transmitted Disease Risk Assessment
JTL/HR/50	Workplace Housekeeping Policy and Procedure
JTL/HR/51	Document Control Procedure
JTL/HR/52	Wage Deduction Policy and Procedure
JTL/HR/53	Pest Control Procedure
JTL/HR/54	Noise, Light Control Procedure
JTL/HR/55	Temperature and Humidity Control Procedure
JTL/HR/56	Handling Glass and Hard Clear Plastic Breakage Cleaning Procedure
JTL/HR/57	Personal Jewellery Control Policy
JTL/HR/58	Business Integrity Policy
JTL/HR/59	Procedure for Investigating and Monitoring Inappropriate Behaviour
JTL/HR/60	Equal Employment Opportunity Policy
JTL/HR/61	Policies and Procedures for Selecting a Business Partner
JTL/HR/62	Human Right Policy
JTL/HR/63	Procedure Emergency for Spill and Leak
JTL/HR/64	Policy and Procedure for Investigation Violation of Human Resource Policy
JTL/HR/65	Management and Review Procedure
JTL/HR/66	Work Instruction of Safety
JTL/HR/67	HR Management System Review Procedure
JTL/HR/68	Restricted Area Management Procedure
JTL/HR/69	Policy of Safe Drinking Water
JTL/HR/70	Wood Pallet Control and Procedure

The following are the key policies and measures enshrined in the Group's Code of Ethics (dos and don'ts) policy statement as well as the employee handbook.

WELFARE OF EMPLOYEES (CONT'D)

EMPLOYMENT PRACTICES (CONT'D)

Fair Employment Practices (Cont'd)

a. Equal Employment Opportunity

In the appointment and recruitment process of PCCS Group Berhad, the Group prides themselves in being an employer that provide equal opportunities and continuously seek to promote it regardless of religious belief, age, creed, marital status, gender, family status or any disability. The Group's commitment in that respect applies to all areas of the working environment for all the employees.

b. Workforce Diversity

The Group believes in keeping one of its key stakeholders, i.e. the employees engaged with the aim to bring forth their full potential and enabling a satisfying career for each of them. At the same time, the Group is mindful to encourage balanced participation of female employees in the business. The Group continues to promote and attract talents from the local community or within the same state which it operates in. The Group is proud to contribute to the local economies by creating employment in the communities in which it operates, majority of the office staff are coming from the local communities.

c. Adherence to Minimum Wages

The Group observes and follows the minimum wage guidelines and its subsequent amendments in all the countries where the Group has business operations.

For instance, China's Government has recently updated the minimum wage policies for several provinces within its jurisdiction, including Jiangsu Province, where SGL is located. Effective from 1 August 2018, the minimum monthly wages for Jiangsu Province has increased to RMB2,020 from RMB1,890 in year 2017. All the while SGL has been strictly following the policies and in fact, SGL workers are currently getting much higher pay compared to the minimum wages.

Similar to Cambodia, its Labour Minister has announced on 5 October 2018 that effective from 1 January 2019, the minimum monthly wages for workers from Textiles and Footwear industry has been raised to USD182 from USD170 in year 2018. JTL has been following this order since then until to-date.

In Malaysia, the Minimum Wages Order (Amendment) 2018 has also came into force effective from 1 January 2019, provided for a minimum wage at RM1,100 per month for workers in Peninsular Malaysia compared to RM1,000 per month in the year 2018. Again, MEGAM has been following this order since then until to-date.

d. Prohibition of Harassment

The Group are committed to provide a working environment which is conducive, safe and free of any form of harassment and unlawful discrimination.

The Group views sexual harassment as a serious violation of its rules and regulations and core values. Any employee found guilty of such misconduct will be subject to disciplinary actions that may include dismissal.

There were no instances of discrimination being filed during the financial period assessed.

WELFARE OF EMPLOYEES (CONT'D)

EMPLOYMENT PRACTICES (CONT'D)

Fair Employment Practices (Cont'd)

e. Prevention of Child Labour

The Group prohibits all forms of child slavery and labour in its employment system. The Group will only accept job applications from adults who are 18 years old or above during the recruitment process, which is in line with the policies of the International Labour Organization.

Age verification process are conducted for every single job applications to filter out any possible underage candidates. For instance, candidate must provide a copy of his or her identity card with his or her photo and date of birth to the Group before the job interview. A copy of employees' identity cards will be retained by the Group's Human Resources Department for documentation.

f. Employees' Benefits and Compensation

The Group values the contributions of its diverse employees and continuously attract talents to join the Group by providing a supportive working environment as well as development opportunities. The Group provides an integrated welfare system and treat all employees equally on all of its sites.

The Group complies with various local statutory requirements and regulations on wages and benefits such as minimum wages order, statutory social contributions and etc as required by laws in various countries where it has business operations.

Other employee welfare bonuses including group personnel accident insurance, communications expenses, uniform and personal protective appliances. This is to express the Group's commitment for optimal work-life integration and personal effectiveness.

g. Training and Development

In building a strong workforce, the Group is committed to provide an environment for the employees to enhance their skills and knowledge within the industry. This will benefit not only the personal growth and development of the employees but also the company's growth as a whole.

Trainings are provided to ensure that the employees have the required competencies to perform their work and deliver their best output. The Group therefore encourages the employees to expand their knowledge and to foster personal growth and development by taking on new roles and responsibilities.

SGL spent an average of RMB186 per employee for the financial period. The chart below shows the number of training hours provided by gender and employment category:

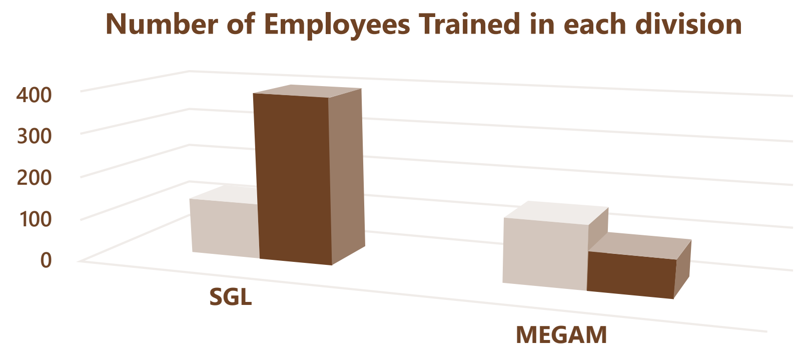
WELFARE OF EMPLOYEES (CONT'D)

EMPLOYMENT PRACTICES (CONT'D)

Fair Employment Practices (Cont'd)

g. Training and Development (Cont'd)

SGL, JTL and MEGAM contributed significantly to the training and development of staff, to ensure the staff is well trained as well as to ensure staff retention. Based on the diagram below, SGL and MEGAM trained workers at all levels including the Senior Management.



	SGL	MEGAM
Male	135	149
Female	395	90

Figure 14 *Number of Employees trained in each division*

For the JTL plant, JTL spent an average of USD17 per employee on its training and development program. In conclusion, JTL has trained 2,176 employees with a total of 11,516 training hours for the financial period assessed.

For MEGAM, a total of 4,767 training hours were completed by MEGAM staff during the financial period assessed. The chart below depicts the training hours provided by MEGAM according to the level of seniority.

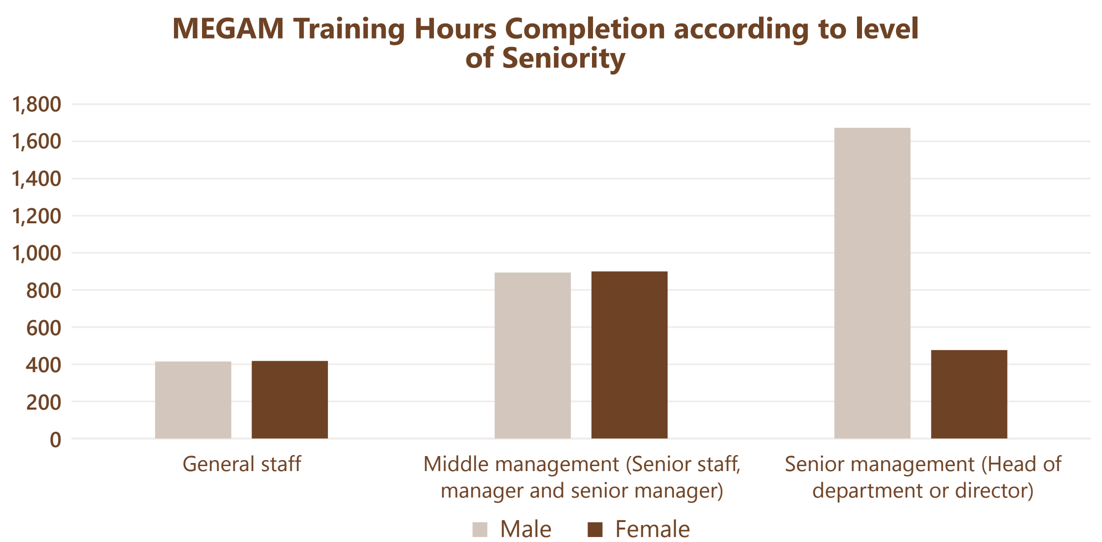


Figure 15 *MEGAM Training and Development Completed*

WELFARE OF EMPLOYEES (CONT'D)

DIVERSITY

The Group has a balance ratio between local and foreign workers. The Group endeavours to provide more employment opportunities for local workers as well as to provide necessary trainings to upgrade their skills.

As shown in the diagram below, SGL has 73% of female workers and 27% of male workers.

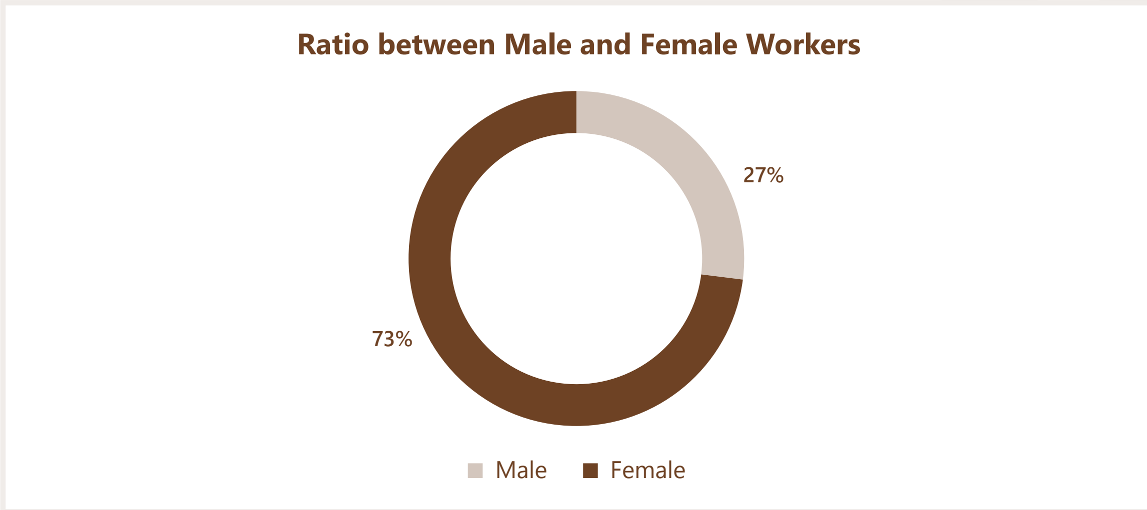


Figure 16 *Ratio between male and Female Workers in SGL*

The chart below shows that SGL has a relatively young group of staff serving the company: 44% of staff aged 30 and below, 30% of them aged 31-40 and the remaining aged 41 and above.

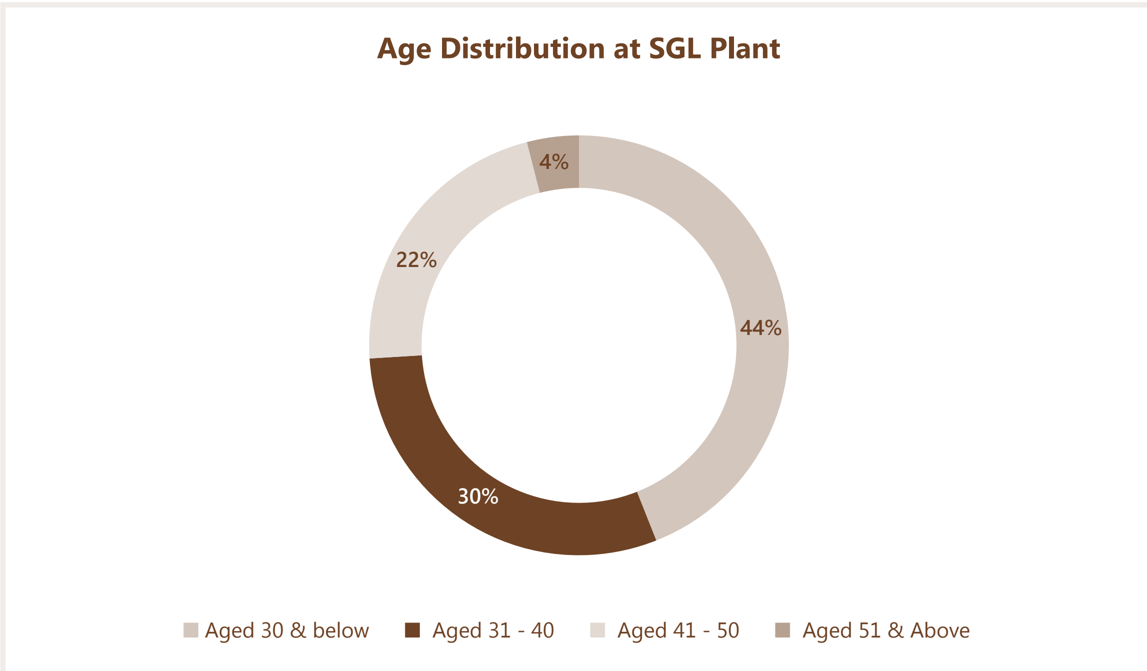
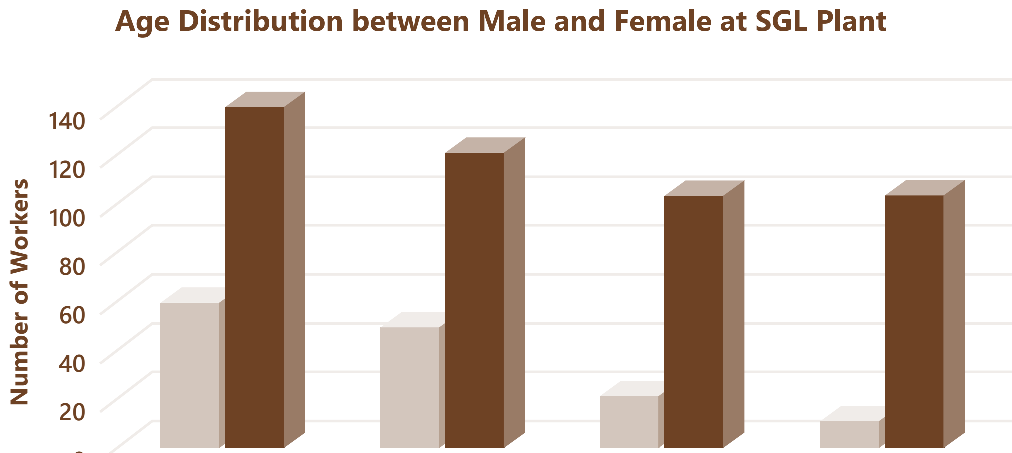


Figure 17 *Age Distribution at SGL Plant*

WELFARE OF EMPLOYEES (CONT'D)

DIVERSITY (CONT'D)



	Aged 30 & below	Aged 31 - 40	Aged 41 - 50	Aged 51 & Above
Male	58	48	19	9
Female	139	121	104	104

Figure 18 *Age Distribution between Male and Female at SGL Plant*

The Group plays an important role in providing local opportunities in terms of diversity in all its divisions. Figure 14 shows JTL comprise 1,619 female and 553 male workers, where female workers made up of 75% and male made up of 25% of total workforce.

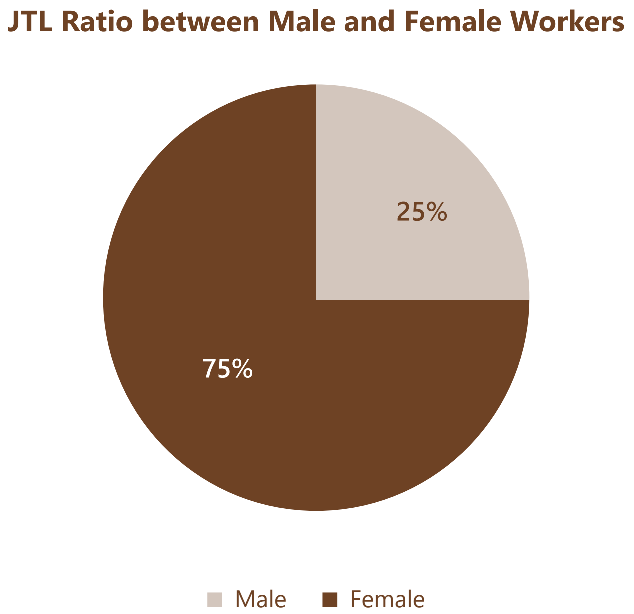


Figure 19 *JTL Ratio between Male and Female Workers*

WELFARE OF EMPLOYEES (CONT'D)

DIVERSITY (CONT'D)

For age distribution, JTL has relatively young group of people working in the premises. Based on the overall workforce at JTL, 57% age 30 and below whereas 38% age between 31 to 40.

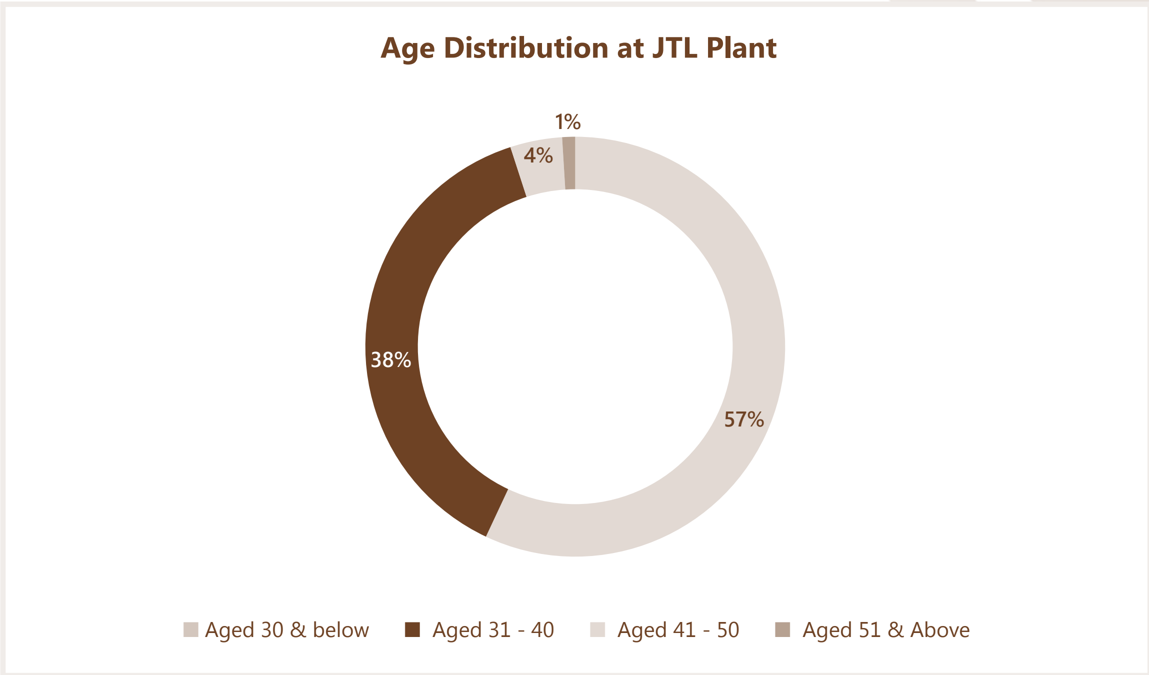
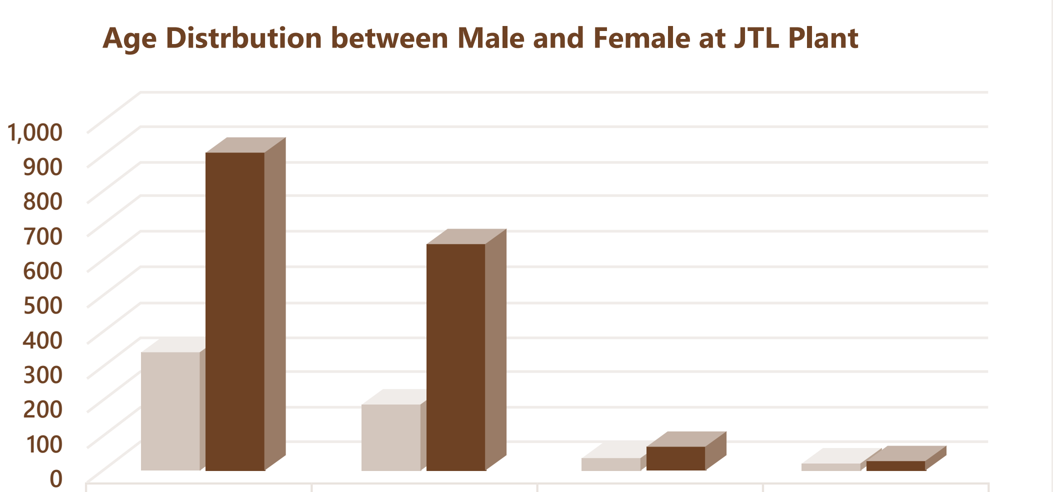


Figure 20 *% showing JTL Age Distribution*



	Aged 30 & below	Aged 31 - 40	Aged 41 - 50	Aged 51 & Above
Male	331	184	26	12
Female	906	635	59	19

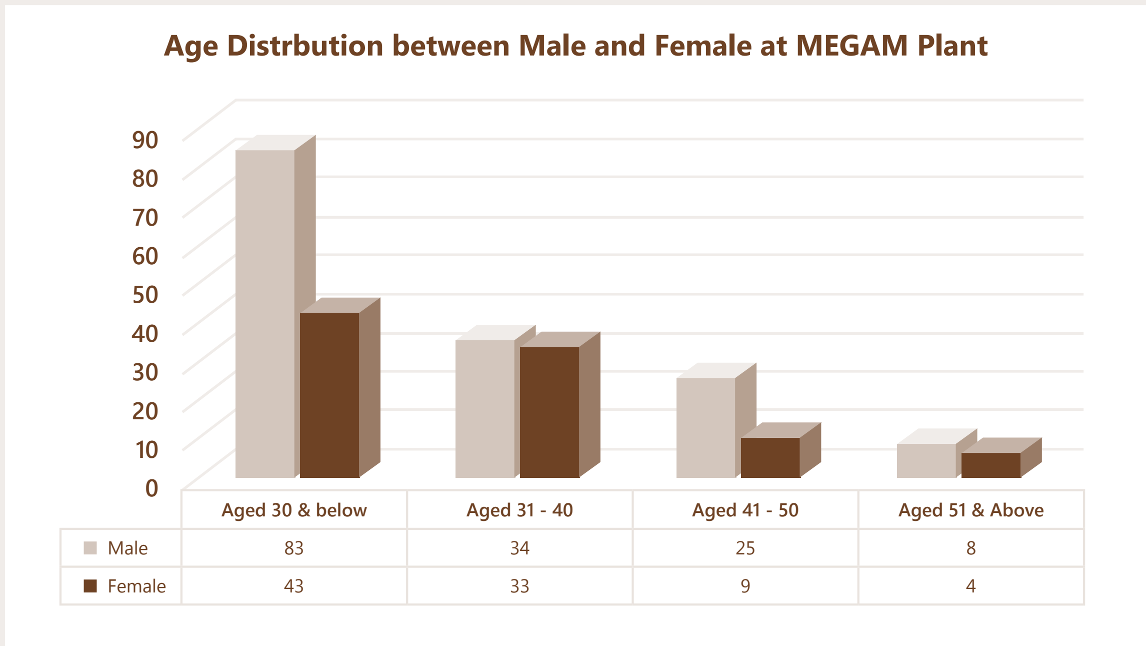
Figure 21 *Age Distribution between Male and Female at JTL Plant*

WELFARE OF EMPLOYEES (CONT'D)

DIVERSITY (CONT'D)

JTL ensures that all its employees are adequately trained and be able to follow and adhere to all company procedures.

The Group practices diversity not only in Cambodia and China, but in Malaysia as well. The chart below depicts the age distribution between male and female at MEGAM Plant. The ratio between male and female workers in MEGAM are 63% and 37% respectively.



	Aged 30 & below	Aged 31 - 40	Aged 41 - 50	Aged 51 & Above
Male	83	34	25	8
Female	43	33	9	4

Figure 22 *Age Distrbution between Male and Female at MEGAM Plant*

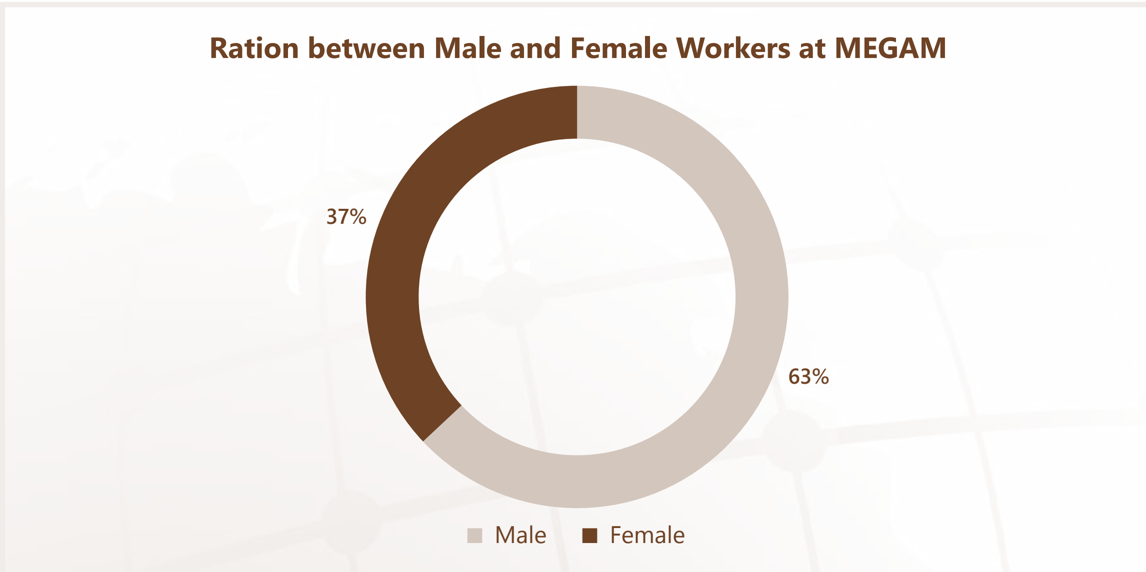


Figure 23 *Ration between Male and Female Workers at MEGAM*

MARKET PLACE

PRODUCT RESPONSIBILITY

Product Responsibility

The Group has set up a Quality Assurance Department to ensure quality of products meet buyer's production standards as required by Restriction of Hazardous Substances Directive (RoHS). No products of the Group were subject to recalls for safety and health reasons for the FYE 2019. The Group conducts testing on raw materials, semi-finished products and finished products by dispatching quality controllers to its manufacturing facilities in order to track and detect any potential defective products. Fabric shrinkage test, tape test and shear test are conducted for quality assurance purpose. Products are required to go through internal quality control assessment and a certain standard of quality is required to be met before goods are delivered to their customers.

The Group gives paramount importance to the opinions and complaints from its customers. When the Group receives complaint on its products and services via phone, email or on-site meeting, investigation team will be formed to address the issue before providing an appropriate response to its customers. All investigation will be recorded in the manual of "Improvement Corrective Action Plan".

The manual contains root cause and corrective or preventive action where it will be highlighted to all production head/supervisor/leader which requires more attention to prevent reoccurrences. The manual is circulated among the Group on monthly basis.

As part of its product social responsibility, the Group as a whole, adhere to international standards in designing safe products for consumer usage.

DESIGNING SAFE PRODUCTS

The Group keeps in mind that as a designer, it will consider the needs of the target market and it is essential that a safe product is developed. The manufacturer and retailer will be required to abide by laws that are in placed to protect the consumer.

LABELLING AND INFORMATION RELATING TO PRODUCTS AND SERVICES

Labelling in the textile industry is complex and a daunting task. As a socially responsible and sustainable company, MEGAM prefers to work with buyers who share the same values. As MEGAM's buyers are renowned brands such as Adidas, Champion, Decathlon, they conform or even exceed importing countries' rules and regulation in areas of corporate social responsibility.

SUSTAINABILITY **STATEMENT**
(CONT'D)

LABELLING AND INFORMATION RELATING TO PRODUCTS AND SERVICES (CONT'D)

Example of labelling conformity include the following :

1. Product information

   a. Brand
   b. Country of origin
   c. Size
   d. Content
   e. Product identification code
   f. Care and wash instruction

2. Product warning

   a. Flammability
   b. Children choking hazard
   c. Allergy to fibre, if any

3. Product compliance

   a. Test for harmful substance (Oeko tex)
   b. Comply to European Health, Safety and Environment (CE mark)
   c. Recycle fibre content

Product Labeling

Product Labeling

Product Labeling

Product Labeling

PRIVACY AND DATA PROTECTION

While China does not have a Privacy and Data Protection Act, SGL is keeping abreast of China, development in enacting a new act known as Personal Information Security Specification (ref. GB/T 35273–2017). SGL will strive to adhere to this new act once it comes into enforcement.

In the meantime, information collected by the Group from its customers would solely be used for the purpose of which it has been collected. The Group forbids the provision of customer information to a third party without consent from customer. Furthermore, once the product details and orders are confirmed, the Group will take necessary measures to ensure the prevention of inappropriate use of such information such as signing contracts with the buyers on a non-discloser agreement. Each employee is required to sign a non-confidentiality clause. Rules and regulations on data protection are stated on the employee handbook and being distributed to the employee on the first day the employee joining the Group.

All personal data of customers collected during the course of business are treated as confidential, kept securely and accessible only by designated personnel. For the FYE 2019, no complaints on breaching of customer policy or losses of customer data received by the Group. In addition, there is no report on non-compliance with the significant laws and regulations related to products manufactured by the Group and handling of customer brand labels.

FINANCIAL STATEMENTS

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	20,045	22,240
Attributable to:		
Owners of the Company	20,475	22,240
Non-controlling interests	(430)	–
	20,045	22,240

DIVIDEND

The amount of dividend declared and paid by the Company since the end of the previous financial year was as follows:

	RM'000
Single tier interim dividend of RM0.01 per ordinary share in respect of the financial year ended 31 March 2019, paid on 7 September 2018	2,100

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 March 2019.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off as bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Chan Choo Sing *
Chan Chow Tek *
Chan Chor Ang *
Dato' Chan Chor Ngiak *
Julian Lim Wee Liang
Piong Yew Peng

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Abdul Muttalib Bin Jasmani
Chan Wee Boon
Tan Kwee Kee
Chan Wee Kiang
Zhu Xiu Wen
Pan Jing
Huang Wei
Tang Ai Hua
Lim Hock Beng

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares and warrants in the Company and its related corporations during the financial year were as follows:

Interest of the Company

	Number of ordinary shares			
	At 1 April 2018	**Bought**	**Sold/ Transferred**	**At 31 March 2019**
Direct interests:				
Chan Chow Tek	6,022,750	–	(1,500,000)	4,522,750
Chan Chor Ang	1,898,225	–	–	1,898,225
Dato' Chan Chor Ngiak	1,189,359	–	–	1,189,359
Indirect interests:				
Chan Choo Sing*	108,985,106	–	–	108,985,106
Chan Chow Tek*	24,000,078	–	–	24,000,078
Chan Chor Ang#	24,140,078	–	(24,000,078)	140,000
Dato' Chan Chor Ngiak#	24,004,743	–	(24,000,078)	4,665

* Shares held through Company in which the directors have substantial financial interest
\# Shares held through spouse

DIRECTORS' INTERESTS (CONT'D)

	Number of warrants			
	At 1 April 2018	Bought	Sold	At 31 March 2019
Direct interests:				
Chan Chow Tek	2,250,000	–	–	2,250,000
Chan Chor Ang	813,525	–	–	813,525
Dato' Chan Chor Ngiak	509,725	–	–	509,725
Indirect interests:				
Chan Choo Sing	46,707,902	–	–	46,707,902
Chan Chor Ang	60,000	–	–	60,000
Dato' Chan Chor Ngiak	1,999	–	–	1,999

By virtue of his interest in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Chan Choo Sing is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the directors in office at the end of the financial year had any interest in ordinary shares and warrants of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 24 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and officers of the Company were RM2,000,000 and RM6,000 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 33 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 23 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

CHAN CHOO SING
Director

CHAN CHOW TEK
Director

Date: 18 July 2019

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 MARCH 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	73,334	58,976	218	46
Land use rights	6	2,311	2,250	–	–
Investment properties	7	10,006	10,410	–	–
Investment in subsidiaries	8	–	–	71,148	44,312
Total non-current assets		85,651	71,636	71,366	44,358
Current assets					
Inventories	9	52,180	49,193	–	–
Trade and other receivables	10	93,625	102,110	9,956	8,556
Other current assets	11	4,668	8,021	47	27
Tax assets		–	288	–	–
Deposits, cash and bank balances	12	54,885	51,160	8,272	19,229
		205,358	210,772	18,275	27,812
Non-current asset classified as held for sale	13	–	3,933	–	–
Total current assets		205,358	214,705	18,275	27,812
TOTAL ASSETS		291,009	286,341	89,641	72,170

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 MARCH 2019
(CONT'D)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	83,638	83,638	83,638	83,638
Warrants reserve	15	6,383	6,383	6,383	6,383
Foreign exchange reserve	15	7,353	10,598	–	–
Legal reserve fund	15	1,973	1,757	–	–
Retained earnings/ (Accumulated losses)		40,993	22,834	(6,252)	(26,392)
		140,340	125,210	83,769	63,629
Non-controlling interests		1,806	2,236	–	–
TOTAL EQUITY		142,146	127,446	83,769	63,629
Non-current liabilities					
Loans and borrowings	16	9,364	2,382	58	–
Deferred tax liabilities	17	20	109	–	–
Total non-current liabilities		9,384	2,491	58	–
Current liabilities					
Loans and borrowings	16	42,197	58,391	36	–
Trade and other payables	18	95,019	98,013	5,708	7,679
Tax liabilities		2,263	–	70	862
Total current liabilities		139,479	156,404	5,814	8,541
TOTAL LIABILITIES		148,863	158,895	5,872	8,541
TOTAL EQUITY AND LIABILITIES		291,009	286,341	89,641	72,170

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

STATEMENTS OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	19	438,483	528,964	20,726	5,676
Cost of sales	20	(349,355)	(425,254)	–	–
Gross profit		89,128	103,710	20,726	5,676
Other income	21	10,261	3,552	3,568	349
Administrative expenses		(56,624)	(76,811)	(2,016)	(8,395)
Net impairment losses of financial assets		(31)	(11)	–	(4,285)
Selling and marketing expenses		(12,956)	(15,747)	–	–
		(69,611)	(92,569)	(2,016)	(12,680)
Profit/(Loss) from operations		29,778	14,693	22,278	(6,655)
Finance costs	22	(3,652)	(4,716)	(2)	–
Profit/(Loss) before tax	23	26,126	9,977	22,276	(6,655)
Tax expense	25	(6,081)	(5,216)	(36)	(856)
Profit/(Loss) for the financial year		20,045	4,761	22,240	(7,511)
Other comprehensive (loss)/income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(3,245)	4,168	–	–
Total comprehensive income/(loss) for the financial year		16,800	8,929	22,240	(7,511)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(loss) attributable to:					
Owners of the Company		20,475	4,524	22,240	(7,511)
Non-controlling interests		(430)	237	–	–
		20,045	4,761	22,240	(7,511)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		17,230	8,692	22,240	(7,511)
Non-controlling interests		(430)	237	–	–
		16,800	8,929	22,240	(7,511)
Basic and diluted earnings per share (sen)	26	9.75	2.15	–	–

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

	Note	← Attributable to owners of the Company					→		
		Share capital RM'000	**Warrants reserve RM'000**	**Foreign exchange reserve RM'000**	**Legal reserve fund RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Group									
At 1 April 2018		83,638	6,383	10,598	1,757	22,834	125,210	2,236	127,446
Total comprehensive income for the financial year									
Profit for the financial year		–	–	–	–	20,475	20,475	(430)	20,045
Other comprehensive loss for the financial year		–	–	(3,245)	–	–	(3,245)	–	(3,245)
Total comprehensive income		–	–	(3,245)	–	20,475	17,230	(430)	16,800
Transactions with owners									
Transfer to legal reserve fund		–	–	–	216	(216)	–	–	–
Dividend paid on shares	27	–	–	–	–	(2,100)	(2,100)	–	(2,100)
Total transactions with owners		–	–	–	216	(2,316)	(2,100)	–	(2,100)
At 31 March 2019		83,638	6,383	7,353	1,973	40,993	140,340	1,806	142,146

	Note	Attributable to owners of the Company								
		Share capital RM'000	Share premium RM'000	Warrants reserve RM'000	Foreign exchange reserve RM'000	Legal reserve fund RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group										
At 1 April 2017		60,012	4	–	6,430	326	19,741	86,513	1,999	88,512
Total comprehensive income for the financial year										
Profit for the financial year		–	–	–	–	–	4,524	4,524	237	4,761
Other comprehensive income for the financial year		–	–	–	4,168	–	–	4,168	–	4,168
Total comprehensive income		–	–	–	4,168	–	4,524	8,692	237	8,929
Transactions with owners										
Issuance of shares pursuant to right issue with warrants		23,622	–	6,383	–	–	–	30,005	–	30,005
Transfer to legal reserve fund		–	–	–	–	1,431	(1,431)	–	–	–
Total transactions with owners		23,622	–	6,383	–	1,431	(1,431)	30,005	–	30,005
		83,634	4	6,383	10,598	1,757	22,834	125,210	2,236	127,446
Transition to no-par value regime	14	4	(4)	–	–	–	–	–	–	–
At 31 March 2018		83,638	–	6,383	10,598	1,757	22,834	125,210	2,236	127,446

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019
(CONT'D)

	Note	← Attributable to owners of the Company →				
		Share capital RM'000	Share premium RM'000	Warrants reserve RM'000	Accumulated losses RM'000	Total equity RM'000
Company						
At 1 April 2017		60,012	4	–	(18,881)	41,135
Total comprehensive loss for the financial year						
Loss for the financial year, representing total comprehensive loss		–	–	–	(7,511)	(7,511)
Transactions with owners						
Issuance of shares pursuants to rights issue with warrants, representing total transactions with owners		23,622	–	6,383	–	30,005
		83,634	4	6,383	(26,392)	63,629
Transition to no-par value regime	14	4	(4)	–	–	–
At 31 March 2018		83,638	–	6,383	(26,392)	63,629
Total comprehensive income for the financial year						
Profit for the financial year, representing total comprehensive income		–	–	–	22,240	22,240
Transactions with owners						
Dividend paid on shares, representing total transactions with owners	27	–	–	–	(2,100)	(2,100)
At 31 March 2019		83,638	–	6,383	(6,252)	83,769

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

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit/(loss) before tax		26,126	9,977	22,276	(6,655)
Adjustments for:					
Amortisation of land use rights		53	69	–	–
Bad debts written off		37	58	–	–
Depreciation on property, plant and equipment		6,775	7,576	38	19
Depreciation on investment properties		249	257	–	–
Net impairment loss on:					
- investment in subsidiaries		–	–	–	4,480
- trade and other receivables		31	11	–	4,285
- other current assets		3,705	–	–	–
Inventories written down		–	202	–	–
Inventories written off		–	115	–	–
Provision of slow moving inventories		5	–	–	–
Interest expense		3,652	4,716	2	–
Interest income		(400)	(121)	(149)	(80)
Gain on disposal of non-current asset held for sale		(4,567)	–	–	–
Gain on disposal of property, plant and equipment		(585)	(198)	(4)	–
Property, plant and equipment written off		113	29	7	–
Waiver of debts		–	–	(1,187)	–
Net reversal of impairment loss on amount owing by subsidiaries		–	–	(1,249)	–
Unrealised (gain)/loss on foreign exchange		(2,283)	7,627	200	989
		6,785	20,341	(2,342)	9,693
Operating cash flows before changes in working capital		32,911	30,318	19,934	3,038
Changes in working capital:					
Inventories		(2,991)	12,109	–	–
Trade and other receivables		11,133	15,575	(20)	(10,900)
Other current assets		(352)	(1,246)	–	–
Trade and other payables		(2,995)	(22,585)	(350)	(8,297)
		4,795	3,853	(370)	(19,197)
Net cash generated from/(used in) operations		37,706	34,171	19,564	(16,159)
Interest paid		(3,652)	(4,716)	(2)	–
Tax paid		(3,619)	(7,388)	(828)	(284)
Net cash from/(used in) operating activities		30,435	22,067	18,734	(16,443)

STATEMENTS OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019
(CONT'D)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from investing activities					
Acquisition of non-controlling interest		–	(11)	–	–
Advances to subsidiaries		–	–	(12,000)	–
Interest received		400	121	149	80
Investment in subsidiaries		–	–	(14,000)	–
Purchase of property, plant and equipment	5(a)	(18,482)	(4,353)	(79)	(13)
Proceeds from disposal of non-current asset held for sale		8,500	–	–	–
Proceeds from disposal of property, plant and equipment		981	976	4	–
Net cash (used in)/from investing activities		(8,601)	(3,267)	(25,926)	67
Cash flows from financing activities	(a)				
Dividend paid to owners of the Company		(2,100)	–	(2,100)	–
Proceeds from the exercise of rights issue with warrants		–	30,005	–	30,005
Repayments of finance lease liabilities		(1,082)	(1,167)	(44)	–
Repayments to subsidiaries		–	–	(1,621)	–
Net drawdown/(repayment) of term loans		7,626	(276)	–	–
Repayments of short-term borrowings		(17,910)	(37,780)	–	–
Net cash (used in)/from financing activities		(13,466)	(9,218)	(3,765)	30,005
Net increase/(decrease) in cash and cash equivalents		8,368	9,582	(10,957)	13,629
Cash and cash equivalents at the beginning of the financial year		50,961	34,841	19,229	5,760
Effects of foreign exchange rate changes		(4,444)	6,538	–	(160)
Cash and cash equivalents at the end of the financial year	12	54,885	50,961	8,272	19,229

(a) Changes in liabilities arising from financing activities:

Group	Note	1.4.2018 RM'000	Cash flows RM'000	Acquisition RM'000	31.3.2019 RM'000
Finance lease liabilities	16	3,365	(1,082)	2,353	4,636
Term loans	16	514	7,626	–	8,140
Short-term borrowings	16	56,695	(17,910)	–	38,785
		60,574	(11,366)	2,353	51,561
Company					
Finance lease liability	16	–	(44)	138	94
Amounts owing to subsidiaries	18	2,447	(1,621)	–	826
		2,447	(1,665)	138	920

Group	Note	1.4.2017 RM'000	Cash flows RM'000	Acquisition RM'000	31.3.2018 RM'000
Finance lease liabilities	16	3,867	(1,167)	665	3,365
Term loans	16	790	(276)	–	514
Short-term borrowings	16	94,475	(37,780)	–	56,695
		99,132	(39,223)	665	60,574

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

NOTES TO THE **FINANCIAL STATEMENTS**

1. CORPORATE INFORMATION

PCCS Group Berhad ("the Company") is a public limited company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Lot 1376, GM127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor.

The principal place of business of the Company is located at Lot 1376, GM127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are as disclosed in Note 8. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 July 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

New MFRSs	
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments/Improvements to MFRSs	
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property
New IC Int	
IC Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

MFRS 9 Financial Instruments

MFRS 9 replaced the guidance of MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaced the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets and liabilities:

Trade and other receivables, including refundable deposits and deposit, cash and bank balances previously classified as Loans and Receivables under MFRS 139 as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 April 2018.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassifications as at 1 April 2018:

As at 1 April 2018 MFRS 139 measurement category	RM'000	MFRS 9 measurement category Amortised cost RM'000
Financial assets		
Group		
Loans and receivables		
Trade and other receivables	102,110	102,110
Deposits, cash and bank balances	51,160	51,160
	153,270	153,270
Company		
Loans and receivables		
Trade and other receivables	8,556	8,556
Deposits, cash and bank balances	19,229	19,229
	27,785	27,785

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

Impact of the adoption of MFRS 9 (Cont'd)

(i) Classification and measurement (Cont'd)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassifications as at 1 April 2018 (Cont'd):

As at 1 April 2018 **MFRS 139 measurement category**	**RM'000**	**MFRS 9 measurement category** **Amortised cost** **RM'000**
Financial liabilities		
Group		
Other financial liabilities		
Trade and other payables	98,013	98,013
Loans and borrowings	60,773	60,773
	158,786	158,786
Company		
Other financial liabilities		
Trade and other payables	7,679	7,679

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. Based on the assessment, the Group and the Company do not recognise additional impairment losses on its trade and other receivables at the date of initial application arising from application of simplified approach and general approach respectively to reconcile the lifetime expected credit losses.

Other than as disclosed above, the adoption of MFRS 9 did not have any material impact on the financial statements at the date of initial application.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

Impact of the adoption of MFRS 15

The Group and the Company have applied MFRS 15 in accordance with the modified transitional approach, which involves not restating periods prior with the expedient in MFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 April 2018.

In accordance with MFRS 15, the Group and the Company recognise revenue when a performance obligation is satisfied, which is when 'control' of provision of services underlying the particular performance obligation is transferred to the customer and also accounted for any variable consideration element against transaction price.

The adoption of MFRS 15 did not have any material impact on the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRS, new IC Int and amendments to IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*/ 1 January 2021#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019/ 1 January 2021#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*/ 1 January 2021#
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019/ 1 January 2021#
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred/ 1 January 2021#
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*/ 1 January 2021#
MFRS 138	Intangible Assets	1 January 2020*/ 1 January 2021#
MFRS 140	Investment Property	1 January 2021#
<u>New IC Int</u>		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Cont'd)

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRS, new IC Int and amendments to IC Int that have been issued, but yet to be effective: (Cont'd)

		Effective for financial periods beginning on or after
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRS Standards*
\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contract*

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below.

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group and the Company will be required to capitalise their rented premises and equipment on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 April 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group and the Company are likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 April 2019 will be accounted for as lease contracts under MFRS 16.

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Cont'd)

2.3.1 (Cont'd)

Amendments to MFRS 3 Business Combination and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The Amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These Amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Cont'd)

2.3.1 (Cont'd)

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a revised Conceptual Framework for Financial Reporting and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The Amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

2.3.2 The Group and the Company are currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's and the Company's financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition- date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(a) Subsidiaries and business combination (Cont'd)

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non- financial assets as disclosed in Note 3.13(b).

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Foreign currency transactions and operations (Cont'd)

(b) Translation of foreign operations (Cont'd)

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

<u>Accounting policies applied from 1 April 2018</u>

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

Accounting policies applied from 1 April 2018 (Cont'd)

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

The Group and the Company classify their financial assets at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Group and the Company classify their debt instruments is as follows:

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities at amortised cost.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liablities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

Accounting policies applied from 1 April 2018 (Cont'd)

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves purchase or sell an asset).

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or

(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

Accounting policies applied from 1 April 2018 (Cont'd)

(d) Derecognition (Cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

Accounting policies applied until 31 March 2018

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a). Gains and losses are recognised in profit or loss through the amortisation process.

(ii) Financial liabilities

Same accounting policies applied until 31 March 2018 and from 1 April 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

Accounting policies applied until 31 March 2018 (Cont'd)

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

Same accounting policies applied until 31 March 2018 and from 1 April 2018.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Same accounting policies applied until 31 March 2018 and from 1 April 2018.

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Property, plant and equipment (Cont'd)

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment, is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	20-50
Plant and machinery, air-conditioners, factory equipment and electrical installation	10
Renovation, furniture and fittings and office equipment	5-10
Motor vehicles	5

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.6 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property.

All properties are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives of 50 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights.

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.8 Land use rights

Any upfront lease payments under operating lease that are classified as land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.10 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a weighted average cost basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.11 Non-current assets or disposal groups held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The criteria for held for sale classification is regarded as met only when:

- the asset or disposal group is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset or disposal group is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale, the assets, or components of or disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

Any impairment loss on the disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property that is measured at fair value, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less costs to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.13 Impairment of assets

(a) Impairment of financial assets

Accounting policies applied from 1 April 2018

Financial assets measured at amortised cost and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Impairment of assets (Cont'd)

(a) Impairment of financial assets (Cont'd)

Accounting policies applied from 1 April 2018 (Cont'd)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Impairment of assets (Cont'd)

(a) Impairment of financial assets (Cont'd)

Accounting policies applied until 31 March 2018

At each reporting date, all financial assets (except for investment in subsidiaries) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Impairment of assets (Cont'd)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and non-current asset classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.14 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

(b) Defined contribution plan

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.16 Revenue and other income

<u>Accounting policies applied from 1 April 2018</u>

(a) Sale of goods

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group and the Company applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics in the property development business if the Group and the Company reasonably expect that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

Revenue from sale of goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Revenue and other income (Cont'd)

Accounting policies applied from 1 April 2018 (Cont'd)

(a) Sale of goods (Cont'd)

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Accounting policies applied until 31 March 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

(a) Sales of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Same accounting policies applied until 31 March 2018 and from 1 April 2018.

(c) Dividend income

Same accounting policies applied until 31 March 2018 and from 1 April 2018.

(d) Rental income

Same accounting policies applied until 31 March 2018 and from 1 April 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Managing Directors of the Company, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.20 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.21 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rate. The Group and the Company use judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group and the Company use a provision matrix to calculate expected credit losses for trade receivables. The provision rates are depending on the number of days that a trade receivable is past due. The Group and the Company use the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type, customer type and rating, collateral or trade credit insurance.

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

The assessment of the correlation between historical observed default rates, forward- looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the financial assets. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's and the Company's financial assets are disclosed in Note 3.13(a).

(b) Write-down of obsolete or slow moving inventories

The Group and the Company write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amounts of the Group's and the Company's inventories are disclosed in Note 9.

5. PROPERTY, PLANT AND EQUIPMENT

Group 2019	Freehold land RM'000	Buildings RM'000	Capital work-in-progress RM'000	Plant and machinery, air-conditioners, factory equipment and electrical installation RM'000	Renovation, furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 April 2018	4,584	33,058	257	83,949	34,280	6,585	162,713
Additions	–	1,215	–	14,719	3,692	1,209	20,835
Disposals	–	(4,072)	–	(10,670)	(3,889)	(1,984)	(20,615)
Written off	–	–	–	(5,703)	(2,812)	(69)	(8,584)
Reclassification	–	–	(257)	–	257	–	–
Exchange differences	–	158	–	1,184	(50)	59	1,351
At 31 March 2019	4,584	30,359	–	83,479	31,478	5,800	155,700
Accumulated depreciation							
At 1 April 2018	–	7,486	–	62,342	29,233	4,260	103,321
Depreciation charge for the financial year (Note 23)	–	683	–	4,219	1,159	714	6,775
Disposals	–	(4,301)	–	(10,516)	(3,606)	(1,796)	(20,219)
Written off	–	–	–	(5,623)	(2,779)	(69)	(8,471)
Exchange differences	–	(3)	–	631	(142)	58	544
At 31 March 2019	–	3,865	–	51,053	23,865	3,167	81,950
Accumulated impairment loss							
At 1 April 2018 / 31 March 2019	–	–	–	416	–	–	416
Net carrying amount							
At 31 March 2019	4,584	26,494	–	32,010	7,613	2,633	73,334

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

Group 2018	Freehold land RM'000	Buildings RM'000	Capital work-in-progress RM'000	Plant and machinery, air-conditioners, factory equipment and electrical installation RM'000	Renovation, furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 April 2017	4,584	40,174	–	88,085	37,214	6,637	176,694
Additions	–	83	257	2,676	880	1,122	5,018
Disposals	–	–	–	(2,733)	(588)	(1,117)	(4,438)
Written off	–	–	–	(517)	(1,739)	–	(2,256)
Reclassification	–	–	–	7	(208)	204	3
Transfer to non-current asset classified as held for sale (Note 13)	–	(5,959)	–	–	–	–	(5,959)
Exchange differences	–	(1,240)	–	(3,569)	(1,279)	(261)	(6,349)
At 31 March 2018	4,584	33,058	257	83,949	34,280	6,585	162,713
Accumulated depreciation							
At 1 April 2017	–	9,355	–	62,249	31,176	4,742	107,522
Depreciation charge for the financial year (Note 23)	–	816	–	4,778	1,331	651	7,576
Disposals	–	–	–	(2,147)	(569)	(944)	(3,660)
Written off	–	–	–	(494)	(1,733)	–	(2,227)
Reclassification	–	–	–	–	(2)	(1)	(3)
Transfer to non-current asset classified as held for sale (Note 13)	–	(2,542)	–	–	–	–	(2,542)
Exchange differences	–	(143)	–	(2,044)	(970)	(188)	(3,345)
At 31 March 2018	–	7,486	–	62,342	29,233	4,260	103,321
Accumulated impairment loss							
At 1 April 2017 / 31 March 2018	–	–	–	416	–	–	416
Net carrying amount							
At 31 March 2018	4,584	25,572	257	21,191	5,047	2,325	58,976

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

Company **2018**	**Air-conditioners** **RM'000**	**Office equipment** **RM'000**	**Motor vehicles** **RM'000**	**Total** **RM'000**
Cost				
At 1 April 2018	41	66	47	154
Additions	–	31	186	217
Disposals	–	–	(40)	(40)
Written off	(4)	(21)	–	(25)
At 31 March 2019	37	76	193	306
Accumulated depreciation				
At 1 April 2018	21	41	46	108
Depreciation charge for the financial year (Note 23)	4	10	24	38
Disposals	–	–	(40)	(40)
Written off	(3)	(15)	–	(18)
At 31 March 2019	22	36	30	88
Net carrying amount				
At 31 March 2019	15	40	163	218

2019				
Cost				
At 1 April 2017	41	53	47	141
Additions	–	13	–	13
At 31 March 2018	41	66	47	154
Accumulated depreciation				
At 1 April 2017	17	34	38	89
Depreciation charge for the financial year (Note 23)	4	7	8	19
At 31 March 2018	21	41	46	108
Net carrying amount				
At 31 March 2018	20	25	1	46

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

(a) During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM20,835,000 (2018: RM5,018,000) and RM217,000 (2018: RM13,000) respectively which are satisfied by the following:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Financed by finance lease arrangements	2,353	665	138	–
Cash payments	18,482	4,353	79	13
	20,835	5,018	217	13

(b) The carrying amount of property, plant and equipment acquired under finance lease arrangements as at end of the financial year are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Plant and machinery	5,429	3,688	–	–
Motor vehicles	736	682	122	–
	6,165	4,370	122	–

(c) The carrying amount of property, plant and equipment pledged as security for banking facilities as disclosed in Note 16 are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Freehold land and buildings	21,438	4,044
Plant and machinery	8,786	–
	30,224	4,044

Certain property, plant and equipment of the Group with net carrying amounts of RM852,000 (2018: RM12,622,000) were subject to negative pledges in relation to banking facilities granted to the Group as disclosed in Note 16.

6. LAND USE RIGHTS

	Group 2019 RM'000	2018 RM'000
Cost		
At beginning of the financial year	2,549	3,670
Transfer to non-current asset classifies as held for sale (Note 13)	–	(780)
Exchange differences	128	(341)
At end of the financial year	2,677	2,549
Accumulated amortisation		
At beginning of the financial year	299	529
Amortisation charge for the financial year (Note 23)	53	69
Transfer to non-current asset classifies as held for sale (Note 13)	–	(264)
Exchange differences	14	(35)
At end of the financial year	366	299
Carrying amount	2,311	2,250

The Group has land use rights with a remaining tenure ranging from 32 to 43 years (2018: 33 to 44 years).

7. INVESTMENT PROPERTIES

	Group 2019 RM'000	2018 RM'000
At cost		
At beginning of the financial year	12,070	12,423
Exchange differences	(177)	(353)
At end of the financial year	11,893	12,070
Accumulated depreciation		
At beginning of the financial year	1,660	1,442
Depreciation charge during the financial year (Note 23)	249	257
Exchange differences	(22)	(39)
At end of the financial year	1,887	1,660
Carrying amount	10,006	10,410

7. INVESTMENT PROPERTIES (CONT'D)

(a) Certain investment properties of the Group with net carrying amounts of RM687,000 (2018: RM698,000) were subject to negative pledges in relation to banking facilities granted to the Group as disclosed in Note 16.

(b) The following are recognised in the profit or loss in respect of investment properties:

	2019 RM'000	2018 RM'000
Rental income	579	605
Direct operating expenses	(150)	(108)

Fair value information

The fair value of investment properties of the Group is categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
Freehold buildings	–	1,760	–	1,760
Leasehold office lot	–	13,520	–	13,520
	–	15,280	–	15,280
2018				
Freehold buildings	–	1,760	–	1,760
Leasehold office lot	–	13,764	–	13,764
	–	15,524	–	15,524

The valuation of investment properties of the Group as at 31 March 2019 is determined using open market method which is derived by way of independent valuation performed by the professional valuer. The valuation is generally derived using the sales comparison approach, where sales price of comparable buildings in close proximately are adjusted for differences in key attributes such as property size and is therefore recognised under Level 2 of the fair value hierarchy. The directors and the professional valuer consider that it is appropriate to use the sales comparison approach.

There was no transfer between Level 1 and Level 2 during the financial years ended 31 March 2019 and 31 March 2018.

8. INVESTMENT IN SUBSIDIARIES

	Company 2019 RM'000	2018 RM'000
Unquoted shares, at cost		
At beginning of the financial year	80,443	80,443
Additions during the financial year	14,000	–
Voluntary winding up	(5,951)	–
At end of the financial year	88,492	80,443
Loans that are part of net investments	12,836	–
Less: Accumulated impairment losses		
At beginning of the financial year	(36,131)	(31,651)
Impairment loss during the financial year (Note 23)	–	(4,480)
Voluntary winding up	5,951	–
At end of the financial year	(30,180)	(36,131)
	71,148	44,312

Loans that are part of net investments represent amount owing by a subsidiary which is non-trade in nature, unsecured and non-interest bearing. The settlement of the amount is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat this amount as a long-term source of capital to the subsidiary. As this amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment loss, if any.

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Principal activities	Effective equity interest (%) 2019	2018
Subsidiaries of the Company				
Perusahaan Chan Choo Sing Sdn. Bhd.	Malaysia	Manufacturing and sale of apparels	100	100
Beauty Electronic Embroidering Centre Sdn. Bhd.	Malaysia	Temporarily ceased operations	100	100
Jusca Garments Sdn. Bhd.#	Malaysia	Temporarily ceased operations	–	100
Keza Sdn. Bhd.*	Malaysia	Investment holding	100	100
Mega Labels & Stickers Sdn. Bhd.	Malaysia	Temporarily ceased operations	100	100
Mega Label (Malaysia) Sdn. Bhd.	Malaysia	Printing and sale of labels and stickers	100	100
Thirty Three Trading Sdn. Bhd.*	Malaysia	Temporarily ceased operations	100	100
PCCS Garments Ltd.**	Cambodia	Temporarily ceased operations	100	100
JIT Textiles Ltd.**	Cambodia	Manufacturing of apparels and providing sub-contracting services	100	100
Beauty Apparels (Cambodia) Ltd.**	Cambodia	Temporarily ceased operations	100	100
Perfect Seamless Garments (Cambodia) Ltd.**	Cambodia	Manufacturing of seamless bonding	51	51
PCCS Garments (Suzhou) Ltd.*	The People's Republic of China	Manufacturing and sale of apparels	100	100
PCCS (Hong Kong) Ltd.*	Hong Kong	Trading of apparels	100	100
Thirty Three (Hong Kong) Ltd.*	Hong Kong	Investment holding	100	100
Subsidiary of Beauty Electronic Embroidering Centre Sdn. Bhd.				
JIT Embroidery Ltd.**	Cambodia	Temporarily ceased operations	100	100

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

Name of Company	Country of incorporation	Principal activities	Effective equity interest (%) 2019	2018
Subsidiary of Beauty Silk Screen (M) Sdn. Bhd.				
Beauty Silk Screen Ltd.**	Cambodia	Embroidering of logos, emblems and printing of silk screen products	100	100
Subsidiary of PCCS Garments (Suzhou) Ltd.				
PCCS Garments Wuhan Ltd.*	The People's Republic of China	Investment holding	100	100
Subsidiary of PCCS (Hong Kong) Ltd.				
Ample Apparels Ltd.*	Hong Kong	Temporarily ceased operations	60	60
Subsidiary of Thirty Three (Hong Kong) Ltd.				
Thirty Three (Shanghai) Ltd.*	The People's Republic of China	Trading of brand apparels and provide design service	100	100
Subsidiary of Mega Labels & Stickers Sdn. Bhd.				
Mega Labels & Stickers (Cambodia) Co., Ltd.*	Cambodia	Printing and sale of labels and stickers and manufacturing of elastic bands and related products	100	100
Subsidiary of Keza Sdn. Bhd.				
Keza (Cambodia) Ltd.*	Cambodia	Temporarily ceased operations	100	100
Wan He Da Manufacturing Company Ltd.##	Cambodia	Dormant	100	–

* Audited by auditors other than Baker Tilly Monteiro Heng PLT
** Audited by an independent member firm of Baker Tilly International
\# Struck-off during the financial year
\## Consolidated using management account as no audited financial statements is available. However, it has been reviewed for consolidation purpose.

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) On 20 June 2018, a wholly owned subsidiary of the Company, namely Keza Sdn. Bhd., incorporated a wholly owned subsidiary company in Cambodia, known as Wan He Da Manufacturing Company Limited ("WHD"), with a registered capital of USD2,200,000 equivalent to RM4,035,000 divided into 2,200 shares of USD1,000 per share. The principle activity of WHD is manufacturing of garments.

(b) On 1 August 2018, the Company further subscribed for additional 14,000,000 ordinary shares of Mega Label (Malaysia) Sdn. Bhd. for a total consideration of RM14,000,000.

(c) On 16 January 2019, a wholly owned subsidiary of the Company, namely Jusca Garments Sdn. Bhd. ("JGSB") has received the notification published on Companies Commission of Malaysia's website under Section 551 of the Companies Act 2016. Hence, JGSB shall deem to be dissolved upon publication of the notice pursuant to Section 551(3) of the Companies Act 2016 in the Gazette.

(d) In the previous financial year, a subsidiary of the Company, namely PCCS Garments (Suzhou) Limited, wound up a wholly owned subsidiary in China, namely Yuxing Apparel Suqian Limited.

(e) In the previous financial year, PCCS (Hong Kong) Limited ("PHKL"), a wholly owned subsidiary of the Company, acquired additional 20% equity interest in Ample Apparels Limited ("AAL") from its non-controlling interests for a cash consideration of HKD20,000 equivalent to RM11,000. As a result from this acquisition, AAL becomes a 60% subsidiary of PHKL. The principle activity of AAL is trading of apparels.

(f) **Non-controlling interests in subsidiaries**

The Group does not have any material non-controlling interests ("NCI").

9. INVENTORIES

	Group	
	2019	**2018**
	RM'000	**RM'000**
At lower of cost and net realisable value		
Raw materials	17,766	15,679
Work-in-progress	20,426	8,448
Finished goods	13,988	25,066
	52,180	49,193

Recognised in profit or loss:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Inventories recognised as cost of sales	251,435	361,538
Provision of slow moving inventories	5	–
Inventories written down	–	202
Inventories written off	–	115

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current:					
Trade					
External parties		86,306	90,854	–	–
Less: Impairment losses		(27)	(5)	–	–
	(a)	86,279	90,849	–	–
Non-trade					
Amounts owing by subsidiaries	(b)	–	–	32,123	31,972
Other receivables	(c)	6,771	10,943	3	3
Deposits		1,200	943	–	–
		7,971	11,886	32,126	31,975
Less: Impairment losses	(a)	(625)	(625)	(22,170)	(23,419)
		7,346	11,261	9,956	8,556
Total trade and other receivables		93,625	102,110	9,956	8,556

(a) Trade receivables

The receivables are non-interest bearing and normal credit terms offered by the Group ranging from 15 to 120 days (2018: 15 to 120 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

Receivables that are impaired

The Group's and the Company's trade and other receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade and other receivables are as follows:

Trade receivables

	Group 2019 RM'000	Group 2018 RM'000
At beginning of the financial year	5	5
Charge for financial year		
- Individually assessed	31	5
Written off	(9)	(5)
At end of the financial year	27	5

10. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

Other receivables

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At beginning of the financial year	625	810	23,419	19,134
Charge for financial year				
- Individually assessed	–	6	1,786	4,285
Reversal of impairment loss	–	–	(3,035)	–
Written off	–	(103)	–	–
Exchange difference	–	(88)	–	–
At end of the financial year	625	625	22,170	23,419

* Loss allowance disclosed in comparative period is based on incurred loss model in accordance with MFRS 139 Financial Instruments: Recognition and Measurement.

Trade and other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The information about the credit exposures are disclosed in Note 30(b)(iv).

(b) Amounts owing by subsidiaries represent advances which are unsecured, interest free and repayable on demand and are expected to be settled in cash can cash equivalents.

(c) Included in other receivables of the Group is an amount of RM75,000 (2018: Nil) owing to a company in which certain directors of the Company have substantial financial interests.

11. OTHER CURRENT ASSETS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current				
Prepayments	3,674	4,521	47	27
Value added tax recoverable	4,623	3,500	–	–
Less: Impairment loss	(3,705)	–	–	–
	918	3,500	–	–
Advances to supplier	76	–	–	–
	4,668	8,021	47	27

12. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash and bank balances (Note (b))	50,489	51,160	5,721	19,229
Deposits placed with licensed banks (Note (a))	4,396	–	2,551	–
Deposits, cash and bank balances as reported in the statements of financial position	54,885	51,160	8,272	19,229
Less: Bank overdrafts (Note 16)	–	(199)	–	–
Cash and cash equivalents as reported in the statements of cash flows	54,885	50,961	8,272	19,229

(a) The deposits placed with licensed banks bear interests at rates ranging from 2.15% to 3.55% (2018: Nil) and mature within 3 months.

(b) Bank balances of the Group amounting to RM5,000 (2018: RM9,000) are held in trust by managerial staff of the Group.

13. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 5 February 2018, a subsidiary of the Company, namely Perusahaan Chan Choo Sing Sdn. Bhd. entered into a sale and purchase agreement ("SAP") with a third party to dispose of a factory building and land use rights for a total cash consideration of RM8,500,000. The sale was completed during the financial year.

	Group	
	2019 RM'000	**2018 RM'000**
At beginning of the financial year	3,933	–
Reclassified from property, plant and equipment (Note 5)	–	3,417
Reclassified from land use rights (Note 6)	–	516
Disposal	(3,933)	–
At end of the financial year	–	3,933

14. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amount	
	2019 Unit	2018 Unit	2019 RM'000	2018 RM'000
Issued and fully paid				
At beginning of the financial year	210,042	60,012	83,638	60,012
Issuance of shares pursuant to right issue with warrants	–	150,030	–	23,622
Transition to no-par value regime	–	–	–	4
At end of the financial year	210,042	210,042	83,638	83,638

The Companies Act 2016 (the "Act") which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM3,600 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM3,600 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members a result of this transition.

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

In the previous financial year, the Company increased its issued and paid-up ordinary share capital from RM60,012,002 to RM83,634,872 by way of rights issue of 150,030,005 ordinary share. The shares are issued on the basis of 5 right shares for every 2 existing shares at an issue price of RM0.20 per right share, together with 90,017,957 free detachable warrants on the basis of three (3) warrants for every five (5) right shares subscribed for.

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

15. OTHER RESERVES

(a) Warrant reserve

The warrants are issued at no cost to the entitled shareholders who subscribed for the rights shares. The exercise price of the warrants is RM0.60, and the warrants are constituted by the Deed Poll.

Salient terms of the warrants are as follows:

(i) Each warrant carries the entitlement to subscribe for 1 new share at any time during the exercise period at the exercise price (subject to adjustments in accordance with the provisions of the Deed Poll).

(ii) The warrants may be exercised at any time within 5 years commencing on and including the date of issuance of the warrants until 5.00 p.m. on the expiry date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

(iii) The expiry date of the warrants is the day falling 5 years from and including the date of issue of the warrants, and if such date is not a market day, then on the preceding market day.

(iv) For the purpose of trading on Bursa Securities, 1 board lot of warrants shall comprise 100 warrants carrying the rights to subscribe for 100 new shares at any time during the exercise period, or such other denomination as determined by Bursa Securities from time to time.

(v) The new shares issued pursuant to the exercise of the warrants are not entitled to any dividends, rights, allotments and/or distributions. The warrant holders are not entitled to vote in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless and until the warrant holders become shareholders of the Company by exercising their warrants into new shares.

(vi) The Deed Poll and accordingly the warrants, are governed by and shall be construed in accordance with the laws of Malaysia.

The movements in the Company's number of shares under warrants during the financial year are as follows:

	Number of warrants of RM0.60 each			
	1.4.2018	**Issued**	**Exercise**	**31.3.2019**
	'000	**'000**	**'000**	**'000**
Number of unissued shares under warrants	90,018	–	–	90,018

(b) Foreign exchange reserve

The foreign exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

15. OTHER RESERVES (CONT'D)

(c) Legal reserve fund

This represents a general reserve provided for in respect of subsidiaries incorporated in Cambodia and The People's Republic of China.

Under the Company Statute of subsidiaries in Cambodia, 5% of the net profit after taxation in each financial year must be credited to this reserve, until it reaches 10% of the paid up capital.

In The People's Republic of China, a portion of the profit must be credited to this reserve, until the amount of reserve funds equals to 50% of the registered capital of the subsidiaries.

16. LOANS AND BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Secured:				
Finance lease liabilities (Note 16(c))	3,195	2,184	58	–
Term loans	6,169	198	–	–
	9,364	2,382	58	–
Current				
Secured:				
Revolving credit	2,041	1,923	–	–
Bill financing	4,035	1,757	–	–
Trust receipts	3,775	2,205	–	–
Finance lease liabilities (Note 16(c))	1,441	1,181	36	–
Term loans	1,971	316	–	–
Unsecured:				
Bank overdrafts (Note 12)	–	199	–	–
Revolving credit	14,872	13,493	–	–
Bankers' acceptances	6,050	4,820	–	–
Trade loans	–	3,434	–	–
Trust receipts	8,012	29,063	–	–
	42,197	58,391	36	–
Total loans and borrowings				
Bank overdrafts (Note 12)	–	199	–	–
Revolving credit	16,913	15,416	–	–
Bankers' acceptances	6,050	4,820	–	–
Trade loan	–	3,434	–	–
Bill financing	4,035	1,757	–	–
Trust receipts	11,787	31,268	–	–
Term loans	8,140	514	–	–
Finance lease liabilities (Note 16(c))	4,636	3,365	94	–
	51,561	60,773	94	–

16. LOANS AND BORROWINGS (CONT'D)

(a) The secured and unsecured loans and borrowings of the Group are guaranteed by the Company and with negative pledges over certain assets of the Group as disclosed in Notes 5 and 7.

Finance lease liabilities are secured by charges over the plant and machinery and motor vehicles as disclosed in Note 5(b).

(b) The interest rates of the loans and borrowings at the reporting date are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	%	**%**	**%**	**%**
Bank overdrafts	–	8.40%	–	–
Revolving credit	6.35%	6.44%	–	–
Bankers' acceptances	3.73% - 4.33%	4.59% - 5.09%	–	–
Trade loan	–	3.21%	–	–
Bill financing	4.90%	3.50%	–	–
Trust receipts	6.41%	6.47%	–	–
Term loans	5.08%	5.00%	–	–
Finance lease liabilities	6.73%	5.86%	2.45%	–

(c) Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Minimum lease payments				
Not later than 1 year	1,685	1,342	40	–
Later than 1 year and not later than 5 years	3,482	2,497	60	–
	5,167	3,839	100	–
Less: Future finance charges	(531)	(474)	(6)	–
Present value of minimum lease payments	4,636	3,365	94	–
Present value of minimum lease payments				
Not later than 1 year	1,441	1,181	36	–
Later than 1 year and not later than 5 years	3,195	2,184	58	–
	4,636	3,365	94	–

17. DEFERRED TAX

	Group 2019 RM'000	Group 2018 RM'000
Deferred tax liabilities		
At beginning of the financial year	(109)	(549)
Recognised in profit or loss (Note 25)	89	440
At end of the financial year	(20)	(109)

(a) Presented after appropriate off-setting as follows:

	Group 2019 RM'000	Group 2018 RM'000
Deferred tax assets	1,691	2,265
Deferred tax liabilities	(1,711)	(2,374)
	(20)	(109)

(b) The components of deferred tax assets/(liabilities) prior to offsetting are as follows:

	Group 2019 RM'000	Group 2018 RM'000
Deferred tax assets		
Unutilised tax losses	269	233
Unabsorbed capital allowances	1,264	1,264
Others	158	768
	1,691	2,265
Deferred tax liabilities		
Differences between the carrying amount of property, plant and equipment and their tax base	(1,482)	(2,374)
Others	(229)	–
	(1,711)	(2,374)

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

17. DEFERRED TAX (CONT'D)

(c) The estimated amounts of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unutilised tax losses	5,466	5,034	154	154
Unabsorbed reinvestment allowances	1,525	1,525	–	–
Unabsorbed capital allowances	2,873	7,343	–	–
Unutilised allowance for increased exports	7,971	7,971	–	–
Others	2,795	2,647	–	–
	20,630	24,520	154	154
Potential deferred tax assets not recognised at 24%	4,951	5,885	37	37

The availability of unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under Income tax Act, 1967 and guidelines issued by the tax authority.

Pursuant to Section 11 of the Act 812, special provision relating to Section 43 & 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised business loss, to be carried forward for a maximum of 7 consecutive years of assessment, this section has effect from the year of assessment 2019 and subsequent year of assessment.

Any unutilised business losses brought forward from year of assessment 2019 can be carried forward for another 7 years consecutive years of assessment (i.e. from year of assessments 2020 to 2026).

18. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current:					
Trade					
Third parties	(a)	59,582	47,982	–	–
Non-trade					
Amounts owing to subsidiaries	(b)	–	–	826	2,447
Other payables		18,673	27,620	4,420	4,776
Amounts owing to directors	(c)	2,008	7,540	–	–
Accruals		14,756	14,871	462	456
		35,437	50,031	5,708	7,679
Total trade and other payables		95,019	98,013	5,708	7,679

18. TRADE AND OTHER PAYABLES (CONT'D)

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Group ranging from 30 to 90 days (2018: 30 to 90 days).

(b) The amounts owing to subsidiaries are non-trade in nature, interest free and repayable on demand in cash and cash equivalents.

(c) The amounts owing to directors are non-trade in nature, interest fee and repayable on demand in cash and cash equivalents except for an amount of RM671,000 (2018: RM903,000) which bears interest at a rate of 5.83% (2018: 5.83%) per annum.

19. REVENUE

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Point in time:				
Sales of goods	438,483	528,964	–	–
Dividend income	–	–	20,726	5,676
	438,483	528,964	20,726	5,676

20. COST OF SALES

Cost of sales represents cost of inventories sold.

21. OTHER INCOME

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Compensation received	78	–	–	–
Gain on foreign exchange				
- realised	1,050	1,103	979	269
- unrealised	2,283	–	–	–
Gain on disposal of non-current asset held for sale	4,567	–	–	–
Gain on disposal of property, plant and equipment	585	198	4	–
Government grant	305	431	–	–
Interest income	400	121	149	80
Rental income	606	752	–	–
Net reversal of impairment loss on amounts owing by subsidiaries	–	–	1,249	–
Reversal of allowance for impairment loss of value added tax	–	85	–	–
Sundry income	333	816	–	–
Waiver of debts	–	–	1,187	–
Others	54	46	–	–
	10,261	3,552	3,568	349

22. FINANCE COSTS

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Interest expense on:				
- Loans and bank overdrafts	3,253	4,450	–	–
- Finance lease liabilities	350	160	2	–
- Others	49	106	–	–
	3,652	4,716	2	–

23. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax:

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Auditors' remuneration					
- auditors of the Company					
- statutory audit					
- current year		92	97	47	44
- over provision in prior year		4	2	–	–
- non-statutory audit		94	150	65	83
- component auditors of the Group					
- statutory audit					
- current year		175	193	–	–
Bad debts written off		37	58	–	–
Depreciation and amortisation:					
- Property, plant and equipment	5	6,775	7,576	38	19
- Investment properties	7	249	257	–	–
- Land use rights	6	53	69	–	–
Employee benefits expense	24	97,705	106,992	1,067	919
Impairment loss on:					
- Trade and other receivables		31	11	–	4,285
- Investment in subsidiaries	8	–	–	–	4,480
- Other current assets	11	3,705	–	–	–
Inventories written down		–	202	–	–
Inventories written off		–	115	–	–
Property, plant and equipment written off	5	113	29	7	–
Provision of slow moving inventories		5	–	–	–
Rental expenses:					
- land and buildings		4,724	4,625	–	–
- machinery		13	18	–	6
Unrealised loss on foreign exchange		–	7,627	200	989

24. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, wages and bonus	90,113	99,654	978	831
Defined contribution plan	3,571	3,519	75	54
Other staff related expenses	4,021	3,819	14	34
	97,705	106,992	1,067	919

Included in employee benefits expenses are:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Executive directors:				
- fees	159	156	156	156
- other emoluments	2,387	2,267	–	–
	2,546	2,423	156	156
Non-executive directors:				
- fees	246	246	246	246
Total directors' remuneration	2,792	2,669	402	402

25. TAX EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current income tax:				
Current income tax charge				
- Malaysian income tax	1,553	1,793	36	19
- Foreign tax	4,056	3,110	–	–
- Real propertygain tax	161	–	–	–
- Under provision in prior financial years	400	753	–	837
	6,170	5,656	36	856
Deferred tax (Note 17):				
(Reversal)/Origination of temporary differences	(36)	1	–	–
Over provision in prior financial years	(53)	(441)	–	–
	(89)	(440)	–	–
Tax expense recognised in profit or loss	6,081	5,216	36	856

25. TAX EXPENSE (CONT'D)

The reconciliations from the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before tax	26,126	9,977	22,276	(6,655)
Tax at Malaysian statutory income tax rate of 24%	6,270	2,394	5,346	(1,597)
Effect of different tax rates in other countries	(1,429)	(1,607)	–	–
Effect of changes in tax rate	–	(119)	–	–
Income not subject to tax	(2,498)	(3,257)	(5,795)	(1,427)
Expenses not deductible for tax purposes	4,164	5,992	485	2,593
Utilisation of previously unrecognised deferred tax assets	(934)	–	–	–
Deferred tax assets recognised in respect of Qualified Investment Project ("QIP") status	–	(15)	–	–
Deferred tax assets not recognised during the financial year	–	1,516	–	450
Real property gain tax	161	–	–	–
Under/(Over) provision in prior financial years				
- income tax	400	753	–	837
- deferred tax	(53)	(441)	–	–
Tax expense	6,081	5,216	36	856

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

26. EARNINGS PER SHARE

(a) Basic earnings per share amounts are based on profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year, calculated as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Profit attributable to the owners of the Company	20,475	4,524
Weighted average number of ordinary shares for basic earnings per share	210,042	210,042
Basic earnings per share (sen)	9.75	2.15

26. EARNINGS PER SHARE (CONT'D)

(b) The diluted earnings per ordinary share of the current and previous financial year are equal to the basic earnings per ordinary share as it is anti-dilutive.

27. DIVIDEND

	Company	
	2019	**2018**
	RM'000	**RM'000**
Single tier interim dividend of RM0.01 per ordinary share in respect of the financial year ended 31 March 2019, paid on 7 September 2018	2,100	–

28. CAPITAL COMMITMENTS

a) The Group and the Company have made commitments for the following capital expenditures:

	Group	
	2019	**2018**
	RM'000	**RM'000**
In respect of capital expenditure approved but not contracted for:		
- Property, plant and equipment	1,186	4,435

b) Operating lease commitments - as lessee

The Group has entered into a non-cancellable operating lease agreement for the use of land and buildings. The lease is for a period of 2 to 5 years with a renewal option included in the contract. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Future minimum rentals payables:		
Not later than 1 year	3,239	3,805
Later than 1 year and not later than 5 years	9,693	9,460
Later than 5 years	5,205	7,918
	18,137	21,183

29. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Subsidiaries;
(ii) Entities in which certain directors have substantial financial interests; and
(iii) Key management personnel of the Group's and the Company's holding company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Company	
	2019 RM'000	**2018 RM'000**
Transactions with subsidiaries are as follows:		
Dividend received from:		
- Perusahaan Chan Choo Sing Sdn. Bhd.	6,368	–
- Beauty Electronic Embroidering Centre Sdn. Bhd.	–	2,000
- Keza Sdn. Bhd.	–	1,630
- Mega Labels & Stickers Sdn. Bhd.	14,358	2,046

(c) Compensation of key management personnel

Compensation of key management personnel which includes directors' remuneration as disclosed in Note 24 are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Short-term employees benefits	2,856	2,737	402	156
Post-employment benefit	2,350	1,404	–	–
Benefits-in-kind	146	151	–	–
	5,352	4,292	402	156

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

From 1 April 2018:
(i) Amortised cost

On or before 31 March 2018:
(i) Loans and receivables
(ii) Other financial liabilities

	Carrying amount RM'000	Amortised cost RM'000
At 31 March 2019		
Financial assets		
Group		
Trade and other receivables	93,625	93,625
Deposits, cash and bank balances	54,885	54,885
	148,510	148,510
Company		
Trade and other receivables	9,956	9,956
Deposits, cash and bank balances	8,272	8,272
	18,228	18,228
Financial liabilities		
Group		
Trade and other payables	95,019	95,019
Loans and borrowings	51,561	51,561
	146,580	146,580
Company		
Trade and other payables	5,708	5,708
Loans and borrowings	94	94
	5,802	5,802

30. FINANCIAL INSTRUMENTS (CONT'D)

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

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned: (Cont'd)

	Carrying amount RM'000	Loans and receivables RM'000	Other financial liabilities RM'000
At 31 March 2018			
Financial assets			
Group			
Trade and other receivables	102,110	102,110	–
Deposits, cash and bank balances	51,160	51,160	–
	153,270	153,270	–
Company			
Trade and other receivables	8,556	8,556	–
Deposits, cash and bank balances	19,229	19,229	–
	27,785	27,785	–
Financial liabilities			
Group			
Trade and other payables	98,013	–	98,013
Loans and borrowings	60,773	–	60,773
	158,786	–	158,786
Company			
Trade and other payables	7,679	–	7,679

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management

The Group's and the Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and of the Company's businesses whilst managing their interest rate risk, foreign exchange risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group and the Company have no significant interest-bearing financial assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group's and the Company's interest-bearing financial assets are mainly short-term in nature and have been mostly placed in deposits with licensed banks.

The Group's and the Company's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group and the Company to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group and the Company to fair value interest rate risk. The Group and the Company manage their interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Sensitivity analysis

As at the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM29,000 (2018: RM43,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(ii) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Exposure to the risk of changes in foreign exchange rates relates primarily to the operating activities when revenue or expense is denominated in a foreign currency other than the functional currency of the operations to which they relate.

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(ii) Foreign exchange risk (Cont'd)

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	Ringgit Malaysia RM'000	United States Dollar RM'000	Total RM'000
Functional Currency of Group			
At 31 March 2019			
Ringgit Malaysia	–	5,311	5,311
Chinese Renminbi	–	3,303	3,303
United States Dollars	(23)	–	(23)
Hong Kong Dollars	–	2,016	2,016
	(23)	10,630	10,607
At 31 March 2018			
Ringgit Malaysia	–	(2,595)	(2,595)
Chinese Renminbi	–	4,206	4,206
United States Dollars	(21)	–	(21)
Hong Kong Dollars	–	7,824	7,824
	(21)	9,435	9,414

	United States Dollars RM'000	Chinese Renminbi RM'000	Total RM'000
Functional Currency of Company			
At 31 March 2019			
Ringgit Malaysia	1,978	–	1,978
At 31 March 2018			
Ringgit Malaysia	1,648	7,946	9,594

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(ii) Foreign exchange risk (Cont'd)

Sensitivity analysis

The following table illustrates the hypothetical sensitivity of the Group's profit/(loss) before tax to a reasonably possible change in the USD, RM and RMB exchange rate at the reporting date against the functional currency of the Group entities, with all other variables held constant.

		Effect on profit/(loss) before tax for the financial year			
		Group		Company	
	Change in rate	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
USD/RM	+ 5%	266	(130)	99	82
	- 5%	(266)	130	(99)	(82)
USD/RMB	+ 5%	165	210	–	–
	- 5%	(165)	(210)	–	–
USD/HKD	+ 5%	101	391	–	–
	- 5%	(101)	(391)	–	–
RM/USD	+ 5%	(1)	(1)	–	–
	- 5%	1	1	–	–
RMB/RM	+ 5%	–	–	–	397
	- 5%	–	–	–	(397)

(iii) Liquidity risk

The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company are committed funding from both capital markets and financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iii) Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying amount RM'000	On demand within 1 year RM'000	Between 1 and 5 years RM'000	Total RM'000
Group				
2019				
Financial liabilities:				
Trade and other payables	95,019	95,058	–	95,058
Loans and borrowings	51,561	42,885	11,078	53,963
	146,580	137,943	11,078	149,021
2018				
Financial liabilities:				
Trade and other payables	98,013	98,066	–	98,066
Loans and borrowings	60,773	58,552	2,695	61,247
	158,786	156,618	2,695	159,313
Company				
2019				
Financial liabilities:				
Trade and other payables	5,708	5,708	–	5,708
Loans and borrowings	94	40	60	100
Financial guarantee contracts	–	51,561	–	51,561
	5,802	57,309	60	57,369
2018				
Financial liabilities:				
Trade and other payables	7,679	7,679	–	7,679
Financial guarantee contracts	–	60,773	–	60,773
	7,679	68,452	–	68,452

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iv) Credit risk

The Group's and the Company's credit risk is primarily attributable to trade and other receivables. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policies that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's and the Company's exposure to bad debts is not significant.

The credit risk of the Group's and of the Company's other financial assets, which comprise deposit, cash and bank balances arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group and the Company do not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Trade receivables

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statement of financial position; and
- An amount of RM51,561,000 (2018: RM60,773,000) relating to a corporate guarantee provided by the Company to bank for subsidiaries' bank borrowings.

Credit risk concentration profile

At the reporting date, the Group has significant concentration of credit risk that may arise from exposure three (2018: three) customers who accounted for 66% (2018: 72%) of total trade receivables. The directors believe that this will not create significant credit risk for the Group in view of the length of relationship with these customers and the Group works closely with its customers to provide customer satisfaction through timely delivery and the provision of high quality products and services at competitive cost.

The financial guarantee has not been recognised as the fair value on initial recognition was immaterial since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the security pledged by the subsidiaries and it is unlikely that the subsidiaries will default within the guarantee provided.

The Group and the Company apply the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iv) Credit risk (Cont'd)

The information about the credit risk exposure on the Group's trade receivables using the provision matrix are as follows:

	Expected credit loss rate	Gross carrying amount at default RM'000	Impairment losses RM'000
Group			
At 31 March 2019			
Current	–	48,715	–
1-30 days past due	–	20,171	–
31-60 days past due	–	12,024	–
61-90 days past due	–	3,402	–
91-120 days past due	–	920	–
>120 days past due	–	1,047	–
		86,279	–
Impaired - individually	–	27	–
	–	86,306	–

<u>Accounting policies applied until 31 March 2018</u>

As at 31 March 2018, the ageing analysis of the Group's trade receivables were as follows:

	Group 2018 RM'000
Current	55,620
Past due but not imapired	
1-30 days past due	26,868
31-60 days past due	4,709
61-90 days past due	1,840
91-120 days past due	1,058
>120 days past due	754
	35,229
Impaired - individually	5
	90,854

<u>Receivables that are impaired</u>

The Group's trade receivables that are impaired at the reporting date are disclosed in Note 10(a).

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iv) Credit risk (Cont'd)

Other receivables and other financial assets

For other receivables and other financial assets (including deposits, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.13(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM51,561,000 (2018: RM60,773,000) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 30(b)(iii). As at reporting date, there was no loss allowance for expected credit losses as determined by the Company for the financial guarantee.

30. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value measurement

The carrying amounts of deposit, cash and bank balances, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

There have been no transfers between Level 1 and Level 2 during the financial year (2017: no transfer in either directions).

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

	Carrying amount RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group					
31 March 2019					
Financial liabilities					
Term loans	8,140	–	8,795	–	8,795
Finance lease liabilities	4,636	–	4,694	–	4,694
	12,776	–	13,489	–	13,489
31 March 2018					
Financial liabilities					
Term loans	514	–	493	–	493
Finance lease liabilities	3,365	–	3,579	–	3,579
	3,879	–	4,072	–	4,072
Company					
31 March 2019					
Financial liabilities					
Finance lease liabilities	94	–	97	–	97

Level 2 fair value

Fair value of financial instruments not carried at fair value

The fair value of finance lease liabilities is determined using the discounted cash flows method based on discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

31. SEGMENT INFORMATION

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

i)	Apparel	–	manufacturing and marketing of apparels
ii)	Labelling	–	printing of labels and stickers
iii)	Others	–	investment holding and provision for management services, manufacturing of seamless bonding embroidering of logos and emblems, printing and marketing of silk screen printing products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal ordinary course of business and have been established on negotiated and mutually agreed basis.

31. SEGMENT INFORMATION (CONT'D)

31 March 2019	Apparel RM'000	Labelling RM'000	Others RM'000	Adjustments and elimination RM'000	Note	Total RM'000
Revenue:						
External sales	345,930	72,585	19,968	–		438,483
Inter-segment sales	129,836	3,452	29,213	(162,501)	(a)	–
Total revenue	475,766	76,037	49,181	(162,501)		438,483
Results:						
Bad debts written off	–	–	37	–		37
Gain on disposal of:						
- Property, plant and equipment	(7,031)	(5)	(16)	6,467		(585)
- Non-current asset held for sale	(4,567)	–	–	–		(4,567)
Depreciation and amortisation:						
- Property, plant and equipment	2,304	3,798	729	(56)		6,775
- Investment properties	244	–	3	2		249
- Land use rights	6	47	–	–		53
Employment benefits expenses	68,457	15,864	13,384	–		97,705
Finance costs	3,293	831	2	(474)		3,652
Interest income	114	88	198	–		400
Impairment loss on:						
- Trade and other receivables	–	19	12	–		31
- Other current assets	3,444	261	–	–		3,705
Provision of slow moving inventories	–	5	–	–		5
Rental expenses:						
- land and buildings	3,435	279	1,010	–		4,724
- machinery	1	7	5	–		13
Rental income from investment property	(573)	–	(6)	–		(579)
Segment profit	26,219	4,247	17,597	(21,937)	(b)	26,126
Tax expense	(3,264)	(1,992)	(861)	36		(6,081)
Profit for the financial year	22,955	2,255	16,736	(21,901)		20,045

31. SEGMENT INFORMATION (CONT'D)

31 March 2019	Apparel RM'000	Labelling RM'000	Others RM'000	Adjustments and elimination RM'000	Note	Total RM'000
Assets:						
Additions to non-current assets	3,158	1,384	33,857	(17,564)	(c)	20,835
Segment assets	212,799	105,924	118,245	(145,959)	(d)	291,009
Segment liabilities	177,191	64,747	32,500	(125,575)	(e)	148,863

31. SEGMENT INFORMATION (CONT'D)

31 March 2018	Apparel RM'000	Labelling RM'000	Others RM'000	Adjustments and elimination RM'000	Note	Total RM'000
Revenue:						
External sales	448,992	60,877	19,095	–		528,964
Inter-segment sales	90,698	3,062	10,893	(104,653)	(a)	–
Total revenue	539,690	63,939	29,988	(104,653)		528,964
Results:						
Bad debts written off	–	–	58	–		58
Gain on disposal of:						
- Property, plant and equipment	(240)	–	(46)	88		(198)
Depreciation and amortisation:						
- Property, plant and equipment	3,265	3,547	848	(84)		7,576
- Investment properties	252	–	3	2		257
- Land use rights	21	48	–	–		69
Employment benefits expenses	79,360	14,726	12,906	–		106,992
Finance costs	4,712	691	–	(687)		4,716
Interest income	484	242	82	(687)		121
Impairment of trade and other receivables	6	5	–	–		11
Inventories written down	202	–	–	–		202
Inventories written off	115	–	–	–		115
Rental expenses:						
- land and buildings	3,281	372	972	–		4,625
- machinery	-	6	12	–		18
Rental income from investment property	(971)	–	(7)	373		(605)
Segment profit/(loss)	14,215	4,174	(6,804)	(1,608)	(b)	9,977
Tax expense	(2,908)	(1,151)	(1,089)	(68)		(5,216)
Profit for the financial year	11,307	3,023	(7,893)	(1,676)		4,761

31. SEGMENT INFORMATION (CONT'D)

31 March 2018	Apparel RM'000	Labelling RM'000	Others RM'000	Adjustments and elimination RM'000	Note	Total RM'000
Assets:						
Additions to non-current assets	2,623	1,916	534	(55)	(c)	5,018
Segment assets	212,166	88,483	103,039	(117,347)	(d)	286,341
Segment liabilities	193,818	49,604	30,659	(115,186)	(e)	158,895

31. SEGMENT INFORMATION (CONT'D)

(a) Inter-segment sales are eliminated on consolidation.

(b) The following items are added to/(deducted from) segment profit/(loss) to arrive at profit before tax presented in the statements of comprehensive income.

	2019 RM'000	2018 RM'000
Impairment loss on investment in subsidiaries	1,786	4,480
Impairment loss on trade and other receivables	–	4,285
Reversal of allowance for impairment of investment in subsidiaris	(3,035)	–
Profit from inter-segment sales	(20,688)	(10,373)
	(21,937)	(1,608)

(c) Additions to non-current assets consist of:

	2019 RM'000	2018 RM'000
Property, plant and equipment	20,835	5,018

(d) Inter-segment assets are deducted from segment assets to arrive at total assets reported in the statements of financial position.

(e) Inter-segment liabilities are deducted from segment assets to arrive at total liabilities reported in the statements of financial position.

Geographical Information

(i) The following table provides an analysis of the Group's revenue and assets by geographical segment:

	Revenue		Non-current assets	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	59,480	109,149	40,778	27,976
Cambodia	76,809	72,397	20,057	19,467
The People's Republic of China	169,676	281,250	24,793	24,141
Hong Kong	132,518	66,168	23	52
	438,483	528,964	85,651	71,636

31. SEGMENT INFORMATION (CONT'D)

Geographical Information (Cont'd)

(ii) Non-current assets information presented above consist of the following items as presented in the statement of financial position:

	2019 RM'000	2018 RM'000
Property, plant and equipment	73,334	58,976
Investment properties	10,006	10,410
Land use rights	2,311	2,250
Total non-current assets	85,651	71,636

Information about major customers

Revenue from three (2018: three) major customers amounted to RM253,082,000 (2018: RM332,597,000), arising from sales by the apparel segment.

32. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the current financial year's presentation:

	Group		
	As previously classified RM'000	Reclassification RM'000	As reclassified RM'000
2018			
Statements of financial position			
Tax assets	–	288	288
Tax liabilities	(12,057)	12,057	–
Other payables	(30,146)	(12,345)	(42,491)

	Company		
	As previously classified RM'000	Reclassification RM'000	As reclassified RM'000
2018			
Statements of financial position			
Investment in subsidiaries	80,824	(381)	80,443
Amounts owing to subsidiaries	(2,828)	381	(2,447)

33. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 17 July 2019, the Company proposed to establish an Employee's Share Option Scheme of up to 15% of the total number of issued ordinary shares in the Company (excluding treasury shares, if any) for the eligible directors and employees of the Company and its subsidiaries (excluding dormant subsidiaries), subject to shareholders approval at the Extraordinary General Meeting ("EGM") to be held on 26 August 2019.

34. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2019 and 31 March 2018.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises borrowings and trade and other payables, less deposits, cash and bank balances whereas total capital comprises the equity attributable to equity holders of the Group and the Company.

	Group		**Company**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Loans and borrowings	51,561	60,773	94	–
Trade and other payables	95,019	98,013	5,708	7,679
Deposits, cash and bank balances	(54,885)	(51,160)	(8,272)	(19,229)
Net debt	91,695	107,626	(2,470)	(11,550)
Equity attributable to the owners of the Company	140,340	125,210	83,769	63,629
Capital and net debt	232,035	232,836	81,299	52,079
Gearing ratio	40%	46%	-3%	-22%

STATEMENT BY **DIRECTORS**
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **CHAN CHOO SING** and **CHAN CHOW TEK**, being two of the directors of PCCS Group Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 98 to 179 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of directors:

CHAN CHOO SING
Director

CHAN CHOW TEK
Director

Date: 18 July 2019

STATUTORY **DECLARATION**
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, **CHAN CHOW TEK**, being the director primarily responsible for the financial management of PCCS Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 98 to 179 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHAN CHOW TEK

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 18 July 2019.

Before me,

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PCCS Group Berhad, which comprise the statements of financial position as at 31 March 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 98 to 179.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Inventories (Note 9 to the financial statements)

The Group has significant inventories amounting to RM52,180,000 as at 31 March 2019. The valuation of the inventories of the Group is stated at lower of cost and net realisable value. The Group writes down its obsolete or slow-moving inventories based on the assessment of their estimated net selling price. The directors specifically analyse sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow-moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

We focused on the valuation of inventories due to significance of the value of inventories as part of the total assets and the multiple locations in which the inventories are located.

Our response:

Our audit procedures included, among others:

- observing year end physical inventory count to examine the physical existence and condition of the inventories;
- reviewing of the significant component auditor's working papers on the valuation of the inventories;
- reviewing subsequent sales and evaluating the Group's assessment on estimated net realisable values on selected inventory items; and
- evaluating whether the inventories have been written down to their net realisable values for inventory items with net realisable values lower than their costs.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Group (Cont'd)

Trade receivables (Note 10 to the financial statements)

The Group has significant trade receivables as at 31 March 2019. We focused on this area because the directors made significant judgements over assumptions about risk of default and expected loss rate. In making the assumptions, the directors selected inputs to the impairment calculation, based on the Group's past history and existing market conditions at the end of the reporting period.

Our response:

Our audit procedures included, among others:

- developing understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports;
- obtaining confirmation of balances from selected receivables;
- checking subsequent receipts, customer correspondence, and considering level of activity with the customer and management explanation on recoverability with significantly past due balances; and
- assessing the reasonableness and calculation of impairment loss as at the end of the reporting period.

Revenue (Note 19 to the financial statements)

The revenue recorded by the Group during the year amounted to RM438,483,000. We have identified revenue recognition to be a key audit matter as we considered the voluminous sales transaction to be the possible cause of higher risk of material misstatements in respect of timing and the amount of revenue recognised.

Our response:

Our audit procedures included, among others:

- understanding the design and implementation of the controls in recognition of revenue;
- reviewing the terms in the purchase orders and sales invoices on a sample basis;
- checking the relevant supporting documents on a sample basis for the delivery to customers; and
- testing the recording of sales transactions for the financial year, including testing revenue cut-off and review of credit notes issued after year end, to establish whether the sales transactions were recorded in the correct accounting period.

Company

We have determined that there are no key audit matters to be communicated in our report which arise from the audit of the financial statements of the Company.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

OTHER MATTERS

1. The financial statements of the Group and of the Company for the financial year ended 31 March 2018 were audited by another firm of Chartered Accountants whose report dated 23 July 2018 expresses an unmodified opinion on these financial statements.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
LLP0019411-LCA & AF 0117
Chartered Accountants

Ng Boon Hiang
No. 02916/03/2020 J
Chartered Accountant

Kuala Lumpur

Date: 18 July 2019

GROUP **PROPERTIES**
AS AT 31 MARCH 2019

No.	Location	Description and Existing Use	Tenure	Land Area (build-up area) sq. ft.	Age of Building No. of Years	Net Book Value RM'000	Date of Acquisition/ Revaluation*
	Perusahaan Chan Choo Sing Sdn Bhd						
1	No. 18, Jalan Keris Naga, Taman Pasifik Selatan, 83000 Batu Pahat, Johor, Malaysia.	4 Storey Building Complex	Freehold	6,056 (13,946)	26	687	04/04/1994*
	Keza Sdn Bhd						
2	No. 11A, Jalan 3, Taman Perindustrian Sinaran, 86000 Kluang, Johor, Malaysia.	Factory Building	Freehold	2,002 (2,000)	20	107	04/09/2007
	Mega Label (Malaysia) Sdn Bhd						
3	No. 4, Jalan Palam 34/18A, Seksyen 34, 40470 Shah Alam, Selangor Darul Ehsan. Malaysia.	2 Storey Office cum 1 Storey Factory	Freehold	22,593 (14,936)	8	3,980	28/12/2010
4	Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor, Malaysia.	Office and Factory Building	Freehold	185,130# (88,000)	21	7,737	12/12/1997
5	Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor, Malaysia.	2 Blocks of Hostel Building	Freehold	74,104 (148,844)	16	3,420	31/03/2004

 # Including 74,104 sq ft for Hostel - Item 5

No.	Location	Description and Existing Use	Tenure	Land Area (build-up area) sq. ft.	Age of Building No. of Years	Net Book Value RM'000	Date of Acquisition/ Revaluation*
	PCCS Garments (Suzhou) Ltd						
6	North Side of Road 318, Jin Xing Village, Zhen Ze Town Development Zone, 215231 Zhen Ze ,Wu Jiang City, Jiang Su Province, China.	Office and Factory Building	Leasehold expiring 3/11/2052	162,497 (128,325)	17	9,033	28/08/2008
		1 Block of Dormitory	Leasehold expiring 27/7/2058	23,509 (28,710)	11	1,636	21/08/2008
7	Room 203,205 & 206, 2nd Floor, Shanghai Western Business District C-2, No.31, Lot 1555, Jing Sha Jiang Xi Road, Jia Ding Area, Shanghai, China 201803	3 units Office Lot cum 3 units car park	Leasehold expiring 13/9/2056	10,570 (9,462)	6	7,083	30/04/2013
	PCCS Garments Wuhan Limited						
8	Room 3, 28th Floor, 1st Block, Time Square, Yan Jiang Road No. 159, Jiang An Area, Wuhan City, Hubei Province, China.	1 unit Office Lot	Leasehold expiring 01/03/2053	1,939 (1,939)	15	2,129	09/09/2010
	Mega Labels & Stickers (Cambodia) Co., Ltd.						
9	P2-067, Phnom Penh Special Economic Zone, Sangkat Kantouk, Sangkat Phleung Chhe Rotes, and Sangkat Beung Thom, Khan Por Senchey, Phnom Penh, Cambodia.	2 Blocks of 2 Storey Office and Factory Building	Leasehold expiring 22/7/2062	61,785 (42,614)	7	5,124	23/07/2012
10	P2-068, Phnom Penh Special Economic Zone, Sangkat Kantouk, Sangkat Phleung Chhe Rotes, and Sangkat Beung Thom, Khan Por Senchey, Phnom Penh, Cambodia.	Factory Building	Leasehold expiring 12/9/2062	56,145 (25,663)	4	2,459	12/09/2012

ANALYSIS OF **SHAREHOLDINGS**
AS AT 28 JUNE 2019

Total Issued Share Capital	:	210,042,007 shares
Class of Shares	:	Ordinary Shares
Voting rights	:	One (1) vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	276	8.87	13,259	0.01
100 – 1,000	244	7.84	168,209	0.08
1,001 – 10,000	1,682	54.07	7,567,655	3.60
10,001 – 100,000	774	24.88	25,988,318	12.37
100,001 – 10,502,099 (*)	133	4.28	67,319,460	32.05
10,502,100 and above (**)	2	0.06	108,985,106	51.89
TOTAL	**3,111**	**100.00**	**210,042,007**	**100.00**

REMARK: * Less than 5% of issued holdings
** 5% and above of issued holdings

LIST OF SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of PCCS (holding 5% or more of the capital) based on the Register of Substantial Shareholders of the Company are as follows:

	Direct Interest		Indirect Interest	
Substantial Shareholders	No. of Shares	%	No. of Shares	%
Chan Choo Sing	–	–	108,985,106 (1)	51.89
Chan Chow Tek	2,522,750	1.20	24,000,078 (2)	11.43
Tan Kwee Kee	–	–	108,985,106 (3)	51.89
Setia Sempurna Sdn. Bhd.	24,000,078	11.43	–	–
CCS Capital Sdn. Bhd.	84,985,028	40.46	–	–
Chan Wee Kiang	–	–	84,985,028 (4)	40.46

Notes:

(1) Deemed interested by virtue of his direct interest of 34.4% in the equity of Setia Sempurna Sdn. Bhd. and 40% in the equity of CCS Capital Sdn. Bhd.
(2) Deemed interested by virtue of his direct interest of 24.4% in the equity of Setia Sempurna Sdn. Bhd.
(3) Deemed interested by virtue of her spouse, Mr. Chan Choo Sing's direct interest of 34.4% in the equity of Setia Sempurna Sdn. Bhd. and by virtue of her direct interest of 20% in the equity of CCS Capital Sdn. Bhd.
(4) Deemed interested by virtue of his direct interest of 30% in the equity of CCS Capital Sdn. Bhd.

LIST OF DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings of PCCS based on the Register of Directors' Shareholdings of the Company are as follows:

	Direct Interest		Indirect Interest	
Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Chan Choo Sing	–	–	108,985,106 (1)	51.89
Chan Chow Tek	2,522,750	1.20	24,000,078 (2)	11.43
Dato' Chan Chor Ngiak	70,934	0.04	4,665 (3)	negligible
Chan Chor Ang	1,698,225	0.81	140,000 (4)	0.07
Julian Lim Wee Liang	–	–	–	–
Piong Yew Peng	–	–	–	–

Notes:

(1) Deemed interested by virtue of his direct interest of 34.4% in the equity of Setia Sempurna Sdn. Bhd. and 40% in the equity of CCS Capital Sdn. Bhd.
(2) Deemed interested by virtue of his direct interest of 24.4% in the equity of Setia Sempurna Sdn. Bhd.
(3) Deemed interested by virtue of his spouse, Datin Mok Gwa Nang's shareholding in the Company.
(4) Deemed interested by virtue of his spouse, Madam Chia Lee Kean's shareholding in the Company.

ANALYSIS OF **SHAREHOLDINGS**

AS AT 28 JUNE 2019
(CONT'D)

THIRTY (30) LARGEST SHAREHOLDERS

No.	Shareholders	Number of Shares	%
1.	CCS Capital Sdn. Bhd.	84,985,028	40.46
2.	Setia Sempurna Sdn. Bhd.	24,000,078	11.43
3.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Koon Yew Yin	4,780,100	2.28
4.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kit Pheng	3,896,700	1.86
5.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ong Wee Khiang	3,461,400	1.65
6.	JS Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Looi Boon Han	3,170,000	1.51
7.	Chan Chow Tek	2,522,750	1.20
8.	Siow Kok Chian	2,500,000	1.19
9.	Ching Gek Lee	1,900,000	0.90
10.	Chan Chor Ang	1,898,225	0.90
11.	Low Hing Noi	1,225,000	0.58
12.	Goh Ching Mun	1,224,000	0.58
13.	Ooi Chin Hock	1,105,700	0.53
14.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ooi Chin Hock	1,063,350	0.51
15.	Maybank Nominees (Tempatan) Sdn. Bhd. Pang Kian Wee	1,042,000	0.50
16.	Lim Poh Teot	996,866	0.47
17.	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kit Pheng	950,000	0.45
18.	Tan Yue Teck	936,000	0.45
19.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Hock Fatt	935,000	0.45
20.	JS Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tay Ley Chee	913,600	0.43
21.	Gek Lee Enterprise Sdn. Bhd.	875,000	0.42
22.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng You Choon	800,000	0.38
23.	Chuah Tin Chong	800,000	0.38
24.	Ban Hock Seng Sdn. Bhd.	780,000	0.37
25.	Tan Yue Teck	779,800	0.37
26.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for See Kok Wah	752,700	0.36
27.	Ahmad Shahrin bin Rohani @ Ahmad Sanny	750,000	0.36
28.	Loh Chin Yoong	720,000	0.34
29.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore for Asia Plus Securities Company Limited	700,000	0.33
30.	Syarikat Rimba Timur (RT) Sdn. Bhd.	700,000	0.33
		151,163,297	71.97

ANALYSIS OF **WARRANTHOLDINGS**
AS AT 28 JUNE 2019

Description	:	Warrants
Total Outstanding Warrants	:	90,017,957 Warrants
Maturity Date	:	25 December 2022

ANALYSIS BY SIZE OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 – 99	45	4.08	2,150	0.00
100 – 1,000	35	3.18	19,807	0.02
1,001 – 10,000	382	34.66	2,116,069	2.35
10,001 – 100,000	542	49.18	21,800,259	24.22
100,001 – 4,500,896 (*)	96	8.71	34,704,570	38.55
4,500,897 and above (**)	2	0.18	31,375,102	34.85
TOTAL	**1,102**	**100.00**	**90,017,957**	**100.00**

REMARK: * Less than 5% of issued holdings
** 5% and above of issued holdings

LIST OF DIRECTORS' WARRANTHOLDINGS

The Directors' Warrantholdings of PCCS based on the Register of Directors' holdings of the Company are as follows:

	Direct Interest		Indirect Interest	
Directors	No. of Warrants	%	No. of Warrants	%
Chan Choo Sing	–	–	26,707,902 (1)	29.67
Chan Chow Tek	–	–	–	–
Dato' Chan Chor Ngiak	30,400	0.03	1,999 (2)	negligible
Chan Chor Ang	–	–	60,000 (3)	0.07
Julian Lim Wee Liang	–	–	–	–
Piong Yew Peng	–	–	–	–

Notes:

(1) Deemed interested by virtue of his direct interest of 40% in the equity of CCS Capital Sdn. Bhd.
(2) Deemed interested by virtue of his spouse, Datin Mok Gwa Nang's warrantholding in the Company.
(3) Deemed interested by virtue of his spouse, Madam Chia Lee Kean's warrantholding in the Company.

ANALYSIS OF **WARRANTHOLDINGS**
AS AT 28 JUNE 2019
(CONT'D)

THIRTY (30) LARGEST WARRANTHOLDERS

No.	Warrantholders	Number of Warrants	%
1.	CCS Capital Sdn. Bhd.	26,707,902	29.67
2.	JS Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tee Mui Kea	4,667,200	5.18
3.	Ng Thong Yang	2,131,000	2.37
4.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Boon Huat	1,910,000	2.12
5.	Ong Lam Huat	1,331,000	1.48
6.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Jason Ching Chou-Yi	1,100,000	1.22
7.	Neng Aik Hong	1,000,000	1.11
8.	Ong Chin Hong	995,400	1.11
9.	Chan Chor Ang	813,525	0.90
10.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Sia Ngo Hin	800,000	0.89
11.	Ching Gek Lee	750,000	0.83
12.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Boon Tiong	741,600 722,000	0.82 0.80
13.	Maybank Nominees (Tempatan) Sdn. Bhd. Ng Yeow Boo		
14.	Lee Ha Ming	700,000	0.78
15.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ooi Chin Hock	637,650	0.71
16.	JS Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tay Ley Chee	611,120	0.68
17.	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tay Beng Leng	600,000	0.67
18.	Low Hing Noi	525,000	0.58
19.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yeoh Yew Choo	500,000	0.56
20.	Kong Keng Hee @ Kong Keng Sew	500,000	0.56
21.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Kai Tong	500,000	0.56
22.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Sivabalan A/L Muthusamy	500,000	0.56
23.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Jieqiang	500,000	0.56
24.	Tan See Seng	500,000	0.56
25.	Chan Chor Ngiak	479,325	0.53
26.	Ng Siaw Hwa	461,000	0.51
27.	Loh Chin Yoong	400,000	0.44
28.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Eddie bin Abd Rashid	400,000	0.44
29.	Gek Lee Enterprise Sdn. Bhd.	375,000	0.42
30.	Tang Boon Heng	368,400	0.41
		52,227,122	58.02

PCCS GROUP BERHAD

Company No. 280929-K
(Incorporated in Malaysia)

FORM OF PROXY

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

*I/We, ____
(Full Name as per NRIC/Certificate of Incorporation in Capital Letters)

______________________Company No./NRIC No. ________________________________of

____
(Full Address)

being a *Member/Members of PCCS GROUP BERHAD, do hereby appoint ______________________

____ NRIC No. ______________________
(Full Name as per NRIC in Capital Letters)

of ____
(Full Address)

or failing *him/her,______________________________ NRIC No. ______________________
(Full Name as per NRIC in Capital Letters)

of ____
(Full Address)

or failing *him/her, the CHAIRMAN OF THE MEETING, as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Twenty-Fifth ("**25th**") Annual General Meeting of the Company to be held at PCCS Group Berhad's Corporate Office, Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim on Monday, 26 August 2019 at 10:30 a.m. or at any adjournment thereof.

Please indicate with an "X" in the spaces provided below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

	Resolutions		For	Against
1.	To re-elect Mr. Chan Choo Sing as Director *(Article 94)*	*(Resolution 1)*		
2.	To re-elect Mr. Chan Chow Tek as Director *(Article 94)*	*(Resolution 2)*		
3.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company until the conclusion of next Annual General Meeting and to authorise the Directors to fix their remuneration	*(Resolution 3)*		
	As Special Business			
4.	Ordinary Resolution - Payment of Directors' Fees	*(Resolution 4)*		
5.	Ordinary Resolution - Authority to Issue Shares pursuant to the Companies Act 2016	*(Resolution 5)*		
6.	Special Resolution - Proposed Adoption of the New Constitution of the Company	*(Resolution 6)*		

* Strike out whichever not applicable

Signed this _________ day of ______________________2019

____
Signature of Member/Common Seal

Notes:

1. For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 66(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 19 August 2019. Only a depositor whose name appears on the Record of Depositors as at 19 August 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
2. A member of the Company entitled to attend and vote at a meeting of a company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting. Where a holder appoints two (2) proxies, he shall specify the proportions of his shareholdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or at any adjournment thereof.
7. Any Notice of Termination of Authority to act as Proxy must be received by the Company before the commencement of the General Meeting or at any adjournment thereof, failing which, the termination of the authority of a person to act as proxy will not affect the following in accordance with Section 338 of the Companies Act 2016:-
   (a) the constitution of the quorum at such meeting;
   (b) the validity of anything he did as chairman of such meeting;
   (c) the validity of a poll demanded by him at such meeting; or
   (d) the validity of the vote exercised by him at such meeting.

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Stamp

Securities Services (Holdings) Sdn. Bhd. (36869-T)

Level 7, Menara Milenium,
Jalan Damanlela.
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur,
Wilayah Persekutuan

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ANNUAL
REPORT
2019

PCCS GROUP BERHAD (280929-K)
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