Annual Report 2020

PCCS GROUP BERHAD
[Reg. No. 199301026191 (280929-K)]
(Incorporated in Malaysia)

Passion Care Commitment Sustainability

CONTENTS

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Twenty-Sixth ("**26th**") 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, 24 August 2020 at 10:30 a.m. for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 March 2020 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 Clause 117 of the Company's Constitution, and being eligible, have offered themselves for re-election:-

   (a) Dato' Chan Chor Ngiak — **Resolution 1**
   (b) Mr. Chan Chor Ang — **Resolution 2**

3. To approve the payment of Directors' fees amounting to RM402,000/- for the financial year ended 31 March 2020. — **Resolution 3**

4. To approve the benefits payable to the Independent Non-Executive Directors up to RM10,000/- for the period from 24 August 2020 until the next Annual General Meeting of the Company pursuant to Section 230(1)(b) of the Companies Act 2016. — **Resolution 4**

5. 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 5**

As Special Business

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

6. **ORDINARY RESOLUTION** — **Resolution 6**
   - RETENTION OF MR. JULIAN LIM WEE LIANG AS INDEPENDENT DIRECTOR

   "THAT Mr. Julian Lim Wee Liang, who would on 14 November 2020 has served the Board as an Independent Director of the Company for a cumulative term of nine (9) years, be and is hereby retained as an Independent Director of the Company."

7. **ORDINARY RESOLUTION** — **Resolution 7**
   - 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 twenty per centum (20%) of the total number of issued shares of the Company for the time being as empowered by Bursa Malaysia Securities Berhad pursuant to Bursa Malaysia Securities Berhad's letter dated 16 April 2020 to grant additional temporary relief measures to listed issuers 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."

8. **ORDINARY RESOLUTION** **Resolution 8**
- PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT subject to the Companies Act 2016, the Constitution of the Company and Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature ("**Recurrent Related Party Transactions**") as set out in the Company's Circular to Shareholders dated 24 July 2020 with the related parties mentioned therein subject further to the following:-

(i) the Recurrent Related Party Transactions are in the ordinary course of business which are necessary for day-to-day operations and are on terms not more favourable than those generally available to the public; and

(ii) disclosure is made in the annual report breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year;

AND THAT the authority conferred by such mandate shall commence immediately upon the passing of this Ordinary Resolution and continue to be in force until:-

(a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting at which such Proposed New Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at an Annual General Meeting, the authority is renewed;

(b) the expiration of the period within which the next Annual General Meeting of the Company after the date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier,

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or contemplated and/or authorised by this Resolution."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 or the Company's Constitution.

By Order of the Board

CHUA SIEW CHUAN (SSM PC NO. 201908002648) (MAICSA 0777689)
CHENG CHIA PING (SSM PC NO. 202008000730) (MAICSA 1032514)
Company Secretaries

Kuala Lumpur
24 July 2020

Notes:

(A) Information for Shareholders/Proxies

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 17 August 2020 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting.

2. A member entitled to attend and vote at the Meeting, shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote instead of the member at the Meeting. A proxy need not be a Member of the Company. 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 attend, participate, speak and vote at the Meeting and upon appointment a proxy shall be deemed to confer authority to demand or join in demanding a poll.

3. Where a member appoints more than one (1) proxy in relation to the Meeting, he shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.

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 it holds.

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 and Special Business:-

(B) Audited Financial Statements for the financial year ended 31 March 2020

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) Resolution 6 – Retention of Mr. Julian Lim Wee Liang as Independent Director

1. The Board has assessed the independence of Mr. Julian Lim Wee Liang and is satisfied that he can continue bringing independent views to the Board and safeguarding the minority interest of the Company. The Board believes his leadership quality, knowledge and experiences in the industry will continue to contribute positively to the proceedings of the Board and the Board Committees.

(D) Resolution 7 – Authority to Issue Shares pursuant to the Companies Act 2016

1. The Company intended to renew the authority granted to the Directors of the Company at the 25th Annual General Meeting of the Company held on 26 August 2019 ("**Previous Mandate**") to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 20% of the total number of issued shares of the Company for the time being ("**20% General Mandate**").

   As at the date of this notice, the Previous Mandate granted by the shareholders had not been utilised and hence no proceeds were raised therefrom.

   As part of the initiative from Bursa Malaysia Securities Berhad to aid and facilitate listed issuers in sustaining their business or easing their compliance with Bursa Malaysia Securities Berhad' requirements, amid the unprecedented uncertainty surrounding the recovery of the COVID-19 outbreak and Movement Control Order imposed by the Government, Bursa Malaysia Securities Berhad had vide a letter dated 16 April 2020 allows a listed issuer to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad of not more than 20% of the total number of issued shares for the general issue of new securities.

   After having considered all aspects of the 20% General Mandate, the Board is of the opinion that the seeking of the 20% General Mandate would be in the best interest of the Company and its shareholders, on the following basis: -

   - the 20% General Mandate would provide the Company and its subsidiaries with financial flexibility to raise capital expeditiously for its operations, future expansion and business development;
   - the 20% General Mandate would allow the Company to raise equity capital promptly rather than the more costly and time-consuming process by obtaining shareholders' approval in a general meeting should the need for capital arise;
   - other financing alternatives such as debt financing may incur interest burden to the Company and its subsidiaries; and
   - the 20% General Mandate provides the Company with the capability to capture any capital raising and/ or prospective investment opportunities when they are identified.

   The 20% General Mandate, if passed, will provide flexibility for the Company and empower the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion. This authority unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting. The proceeds raised from the 20% 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.

(E) Resolution 8 - Proposed New Shareholders' Mandate

1. The Proposed Resolution 8 is to obtain new Shareholders' Mandate for new Recurrent Related Party Transactions. New Shareholders' Mandate will enable the Company and its subsidiaries ("**the Group**") to enter into Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those general available to the public and are not, in the Company's opinion, detrimental to the minority shareholder of the Company.

CORPORATE **STRUCTURE**
AS AT 24 JULY 2020

PCCS Group Berhad
[(Reg. No. 199301026191(280929-K)]
(Incorporated in Malaysia)

- Apparel Division
- Embroidery, Printing & Seamless Bonding Division
- Label & Packaging Division
- Others

- ***100%*** PCCS Garments Limited
- ***100%*** Beauty Apparels (Cambodia) Ltd
- ***100%*** JIT Textiles Limited
- ***100%*** PCCS Garments (Suzhou) Ltd
  - ***51%*** PCCS Garments (Shandong) Ltd
- ***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
- ***100%*** La Prima Medicare Pte Ltd
- ***100%*** La Prima Medtech Sdn. Bhd. (formerly known as Perusahaan Chan Choo Sing Sdn. Bhd.)

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Julian Lim Wee Liang
Senior Independent Non-Executive Chairman

Chan Choo Sing
Group Managing Director

Chan Chow Tek
Executive Director

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

Chan Chor Ang
Non-Independent Non-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 (SSM PC NO. 201908002648) (MAICSA 0777689)
Cheng Chia Ping (SSM PC NO. 202008000730) (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.
[197701005827 (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

CORPORATE **INFORMATION**
(CONT'D)

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

C.L. Boo & Associates
Advocates & Solicitors
Mezzanine Floor,
Penggaram Complex,
1, Jalan Abdul Rahman
(Off Jalan Rahmat),
83000 Batu Pahat,
Johor Darul Takzim

PRINCIPAL BANKERS

- Malayan Banking Berhad [196001000142 (3813-K)]
- CIMB Bank Berhad [197201001799 (13491-P)]

SUBSIDIARY COMPANIES

Ample Apparels Limited
Beauty Apparels (Cambodia) Ltd.
Beauty Electronic Embroidering Centre Sdn. Bhd.
[198301007214 (102438-U)]
Beauty Silk Screen (M) Sdn. Bhd.
[200201015641 (583304-X)]
Beauty Silk Screen Limited
JIT Embroidery Limited
JIT Textiles Limited
Keza Sdn. Bhd. [198501005846 (138288-U)]
Keza (Cambodia) Limited
La Prima Medicare Pte. Ltd.
La Prima Medtech Sdn. Bhd.
(formerly known as Perusahaan Chan Choo Sing Sdn. Bhd.)
[198101004650 (70765-W)]
Mega Labels & Stickers Sdn. Bhd.
[198901012835 (190144-X)]
Mega Label (Malaysia) Sdn. Bhd.
[200001030590 (533197-U)]
Mega Labels & Stickers (Cambodia) Co., Ltd.
PCCS Garments Limited
PCCS Garments (Shandong) Ltd.
PCCS Garments (Suzhou) Ltd.
PCCS (Hong Kong) Limited
Perfect Seamless Garments (Cambodia) Limited
Thirty Three (Hong Kong) Limited
Thirty Three (Shanghai) Limited
Thirty Three Trading Sdn. Bhd. [199601019478 (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 46 | Male

Date of appointment as Director	:	14 November 2011
Length of service as director since appointment (as at 24 July 2020)	:	8 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 five (5) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2020.

Chan Choo Sing

Group Managing Director
Malaysian, aged 66, Male

Date of appointment as Director	:	21 June 1995
Length of service as director since appointment (as at 24 July 2020)		25 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. 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 40.0% in the equity of CCS Capital Sdn. Bhd., who is the major shareholder 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. (currently known as La Prima Medtech 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 were successfully listed on the Main Board of Bursa Malaysia Securities Berhad 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. He is the Honorary Member of the Rotary Club of Batu Pahat.
Time committed	:	Mr. Chan attended all five (5) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2020.

Chan Chow Tek

Executive Director
Malaysian, aged 63, Male

Date of appointment as Director	:	21 June 1995
Length of service as director since appointment (as at 24 July 2020)	:	25 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 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 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. (currently known as La Prima Medtech 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 all five (5) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2020.

Dato' Chan Chor Ngiak

Non-Independent Non-Executive Director
Malaysian, aged 58, Male

Date of appointment as Director	:	21 June 1995
Length of service as director since appointment (as at 24 July 2020)	:	25 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 is 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 five (5) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2020.

Chan Chor Ang

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 24 July 2020)	:	25 years 1 month
Board Committee(s) served on	:	Nil
Academic/ Professional Qualification(s)	:	Complete 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 is a major shareholder of PCCS.
Working experience	:	Mr. Chan joined Perusahaan Chan Choo Sing Sdn. Bhd. (currently known as La Prima Medtech 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 all five (5) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2020.

Piong Yew Peng

Independent Non-Executive Director
Malaysian, aged 50, Male

Date of appointment as Director	:	1 April 2015
Length of service as director since appointment (as at 24 July 2020)	:	5 year 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 five (5) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2020.

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 2020.
2) None of the Directors have any conflict of interest with the Company.

Chan Wee Kiang

Deputy Group General Manager
Malaysian, aged 42, Male

Date of appointment as Deputy Group General Manager	:	30 March 2008
Academic/ Professional Qualification(s)	:	Bachelor of Commerce (Accounting and 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 PCCS effective from 20 March 2018. Mr. Chan is the son of Mr. Chan Choo Sing, who is a Director and major shareholder of PCCS and Madam Tan Kwee Kee, who is a major shareholder of PCCS. Mr. Chan has indirect interest of 30% in the equity of CCS Capital Sdn. Bhd, the major shareholder of PCCS.
Working experience	:	Mr. Chan started his career in Perusahaan Chan Choo Sing Sdn. Bhd. (currently known as La Prima Medtech 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 2020.
Conflict of Interest	:	Nil

Tang Lai Huat

Corporate Controller
Malaysian, aged 37, 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, 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. After that he joined several manufacturing companies and gained extensive experience in manufacturing industry and overall corporate operation. He was the Financial Controller of LimKokWing University of Creative Technology before he joined the Company in year 2013. Then, he was appointed as General Manager of Finance & Account in JIT Textiles Limited, one of the subsidiary of the Company. He was relocated to the Company's Corporate Office as Financial Controller in 2016 and was promoted as Corporate Controller since March 2018. Currently he is also a committee member of Chung De Classics Education Association Malaysia.
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 2020.
Conflict of Interest	:	Nil

Chan Wee Boon

Group General Manager for Mega Label (Malaysia) Sdn. Bhd.
Malaysian, aged 40, Male

Date of appointment as Group General Manager for Label and Sticker Division	:	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 shareholder of PCCS and Madam Tan Kwee Kee, who is a major shareholder of PCCS. He is the brother of Mr. Chan Wee Kiang, who is a major shareholder 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 and Packaging Division in year 2014. The past work 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 2020.
Conflict of Interest	:	Nil

Tan Kwee Kee

Manufacturing Director
Malaysian, aged 62, 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 PCCS effective from 17 July 2014. Madam Tan is the wife of Mr. Chan Choo Sing, who is a Director and major shareholder of PCCS. Madam Tan is the mother of Mr. Chan Wee Kiang, who is a major shareholder of PCCS. Madam Tan has indirect interest 20% in the equity of CCS Capital Sdn. Bhd, the major shareholder 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 struggle with her husband, Mr. Chan Choo Sing, they were successfully list PCCS in Main Market of Bursa Malaysia Securities Berhad. With her extensive industry experience accumulated for the past forty-five (47) 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 joint 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. Although she does not possess tertiary education qualification, with her years of experience accumulated in PCCS, she possess a certain level of management skills. She is also actively attends management courses i.e. Japan Lean Monozukuri Study in 2017, Program Wealth Master and Design of Equity Incentive Scheme in 2018, 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 2020.
Conflict of Interest	:	Nil

CHAIRMAN'S LETTER **TO SHAREHOLDERS**

Dear Shareholders,

I am pleased to enclose herewith the Annual Report 2020 and the Audited Financial Statements for the financial year ended 31 March 2020 ("**AFS 31 March 2020**").

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 industries we invested in with happy stakeholders.

OUR MISSION

Moving ahead to realise our vision of having a great platform in the industries our Group invested in, we have pursued a strategy to make investments which could bring changes to the world. We aim to diversify our businesses into which could be meaningful to the people and create harmony in the world.

ECONOMIC OUTLOOK

Year 2019 and 2020 have been challenging years to most of the companies in the world, including our Group. The trade war between United States and China continuously causing economic instability since 2018. The European Union ("**EU"**) has partially withdrawn the Everything But Arms (EBA) scheme with Cambodia, citing a serious and systematic violation of principles in four core human and labour rights. The suspension which took effect since 12 August 2019 affects one-fifth (1/5) or €1 billion of Cambodia annual exports to the EU's 27 nation bloc. Most of the garments manufacturers in Cambodia were badly hit by this policy.

The coronavirus disease (COVID-19) was first diagnosed in December 2019. The World Health Organisatition has declared the COVID-19 outbreak as pandemic in recognition of its rapid spread across the globe. This pandemic is negatively impacting global economic growth beyond anything experienced in nearly a century. Almost every country in the world has chosen to lockdown their cities and borders and forced non-essential businesses (businesses other than food and beverage, hospitals, pharmacies, financial services and etc) to temporarily shut down their business activities in order to stop the outbreak of virus and hence caused the spike of unemployment rate in each and every country.

OUR COMPETITIVE ADVANTAGE

We ended our financial year 2020 in a positive note despite it being a sluggish year for garment manufacturers and printing and labeling industry. This is because we always ensure that we provide our customers with quality products and services at competitive price by following a cost-leadership strategy augmented by on time delivery. In addition, we work closely with our customers and suppliers to ensure our sourcing and processing are designed to minimise production costs.

We always ensure that every cent we spent were at the right place and right time, and that is why we are currently having a very solid financial ground of having RM65.0 million cash and bank reserve ready to serve any emergency situation, if arise. We have managed to maintain optimal gearing ratio of 39% so that we could easily approach the banks for facilities, when necessary.

Furthermore, we also see the crisis brought by COVID-19 pandemic as an opportunity for us to diversify our businesses into other industries with such a solid financial ground since that many businesses are currently facing serious financial problems. Therefore, it is possible that we will venture into industries which are non-garment manufacturing related in the coming years.

OUR FORTHCOMING TWENTY-SIXTH ("26TH") ANNUAL GENERAL MEETING ("AGM")

I wish to inform that the 26th 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, 24 August 2020 at 10:30 a.m.

At the forthcoming 26th AGM, the following resolutions shall be put forward for your consideration:-

- Our Directors, namely Dato' Chan Chor Ngiak and Mr. Chan Chor Ang are offering themselves for re-election at the 26th AGM.

- Upon the review and recommendation of the Nomination Committee, the Board recommended Mr. Julian Lim Wee Liang, who would on 14 November 2020 has served the Board as an Independent Director of the Company for a cumulative term of nine (9) years, for retention as an Independent Director of the Company.

- 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 2021.

- As per the previous financial year, the proposed total Directors' fees for the financial year ended 31 March 2020 remained at RM402,000/-.

- The Board recommended benefits payable to the Independent Non-Executive Directors up to RM10,000/- for the period from 24 August 2020 until the next AGM of the Company.

- 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 a Shareholders' Mandate for new Recurrent Related Party Transactions of a revenue or trading nature. The purpose to seek the Shareholders' Mandate is to enable the Group to enter into Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those general available to the public and are not, in the Company's opinion, detrimental to the minority shareholder of the Company.

OUR FORTHCOMING TWENTY-SIXTH ("26TH") ANNUAL GENERAL MEETING ("AGM") (CONT'D)

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 26th 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 26th 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 26th 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, 22 August 2020 at 10:30 a.m**.

As in previous AGM, we will call for a poll on each resolution at the forthcoming 26th 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.

At last, I wish all shareholders always stay healthy and safe, and hope that the world will prosper.

Yours sincerely,

Julian Lim Wee Liang
Senior Independent Non-Executive Chairman

24 July 2020

MANAGEMENT'S DISCUSSION **AND ANALYSIS**

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 2020.

OUR BUSINESS

As indicated by the Board Chairman in his Letter to Shareholders, our mission is to make investment changes the world and vision to build up a great platform with happy 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
- Wan He Da Manufacturing Company Limited

Manufacturing location – People's Republic of China ("**PRC**")
- PCCS Garments (Shandong) Ltd
- PCCS Garments (Suzhou) Ltd

(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

OUR BUSINESS (CONT'D)

Key business units (Cont'd)

(ii) Label and Packaging Division

The core activities of the Label and Packaging 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) Label and Packaging Facilities - Malaysia
- Mega Label (Malaysia) Sdn. Bhd. – Shah Alam and Batu Pahat

(b) Label and Packaging 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
- Beauty Silk Screen Limited
- Perfect Seamless Garments (Cambodia) 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.

Financial Highlights

Economy and Market Outlook

Year 2020 will be a tough year for most of the countries in the world due to the outbreak of coronavirus disease 2019 (COVID-19) pandemic since December 2019. Governments in the world have no choice but to implement strict control measures like lockdown of cities and borders in order to contain the further spread of virus in the region. Soon the lockdown of cities and borders greatly reduced the global demand of crude oil due to travel restrictions imposed by governments, which caused the "black swan" to the crude oil price – fell the historical low of below Zero US Dollar.

Global Institutions like World Bank and International Monetary Fund ("**IMF**") had cut their forecast on global economy growth rate for both year 2020 and 2021 due to the global health crisis and the global economic recovery is expected to be gradual.

Similar to Malaysia, World Bank and IMF had also expected a pronounced GDP contraction started from second quarter of 2020 ("**2Q 2020**") due to the Movement Control Order ("**MCO**") imposed by Malaysian governments to contain the outbreak of COVID-19. Although the Malaysian has now come to the Phase 5 of MCO – the Recovery MCO which expected to last until 31 August 2020, the economic disruption resulting from the MCO is foreseen to last over a year until 2021.

Meanwhile, COVID-19 has also changed the general lifestyle of people, which ultimately changed the consumer's spending behaviour, for instances nesting at home after work for a longer time to avoid leaving their homes to reduce the exposure to virus, working from home partially and entirely, avoiding public transport, shopping online and etc.

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

Economy and Market Outlook (Cont'd)

In order to survive from this global crisis, companies or businesses must be able to keep up with the changes of consumer's behaviour so that it won't be eliminated from the game. Sufficient cash flows must be maintained to meet any unforeseen circumstances and to secure any possible opportunities, since the banks have now tightened up their lending standards to reduce their risks.

Although the outlook for year 2020 looks volatile and uncertain, we have managed to end our FYE 31 March 2020 on a positive note. Our management team always full of enthusiasm and are committed to keep on improving the business operations. Our strong financial ground has also given us great confidence that we can survive the crisis. Therefore, we present to you our financial performance for FYE 31 March 2020 as below:

Summary Financial Performance

Summary of the financial performance for the past two (2) audited financial statements for the FYEs 31 March 2018 to 2019 as well as the audited financial statements for the FYE 31 March 2020 is as follows:

	FYE 31 March 2018 (RM'000)	FYE 31 March 2019 (RM'000)	FYE 31 March 2020 (RM'000)
Revenue	528,964	438,483	425,032
Gross profit	103,710	89,128	84,526
Profit After Tax ["**PAT**"] attributable to owners of the Company	4,524	20,475	15,116
Weighted average number of Shares in issue ('000)	210,042	210,042	210,403
Earnings Per Share ["**EPS**"] / (sen):	2.2	9.7	7.2
Gross profit margin (%)	19.61	20.33	19.89
PAT margin (%)	0.86	4.67	3.56

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 2018 to 2019 as well as the audited financial statements for the FYE 31 March 2020 are as follows:

	FYE 31-Mar-18 (RM'000)	FYE 31-Mar-19 (RM'000)	FYE 31-Mar-20 (RM'000)
External revenue			
Apparel	448,992	345,930	341,763
Label and Packaging	60,877	72,585	61,891
Others*	19,095	19,968	21,378
Total	528,964	438,483	425,032
Operating Profit/(Loss)			
Apparel	14,215	26,219	16,111
Label and Packaging	4,174	4,247	(9,705)
Others*	(6,804)	17,597	3,423
Inter-company adjustments and eliminations	(1,608)	(21,937)	5,756
Total	9,977	26,126	15,585

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.

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

Operational Review

(i) Apparel division

The revenue from the Group's Apparel division decreased by approximately 1.20% or RM4.17 million from approximately RM345.93 million recorded in the FYE 31 March 2019 to approximately RM341.76 million in the FYE 31 March 2020. The decrease in revenue was mainly due to the slowed down of operation in China apparel division.

The Group's Apparel division registered an Operating Profit of approximately RM16.11 million in the FYE 31 March 2020 as compared to an Operating Profit of approximately RM26.22 million in the FYE 31 March 2019 mainly due to the fixed cost incurred in newly acquired subsidiary in Shandong, China which is currently under renovation in order to meet the requirement and compliance of factory audit to be carried out by renowned global fashion brand companies.

(ii) Label and Packaging division

The revenue from the Group's Label and Packaging division decreased by approximately 14.73% or RM10.69 million from approximately RM72.59 million recorded in the FYE 31 March 2019 to approximately RM61.89 million in the FYE 31 March 2020. The decrease in revenue was mainly due to the loss of one major customer in label and packaging division.

The Group's Label and Packaging division registered an Operating Loss of approximately RM9.70 million in the FYE 31 March 2020 as opposed to an Operating Profit of approximately RM4.25 million in the FYE 31 March 2019 which was mainly due to the impairment loss on amount due from inter-company approximately RM8.1 million. This amount was subsequently rewound to the Group on inter-company adjustments and eliminations.

(iii) Others

The revenue from the Group's Others division increased by approximately 7.06% or RM1.41 million from approximately RM19.97 million recorded in the FYE 31 March 2019 to approximately RM21.38 million in the FYE 31 March 2020. The revenue increase was mainly due to more external orders secured from printing and embroidering divisions.

Operating Profit of the Group's Others division decreased by RM14.18 million from profit of RM17.60 million in the FYE 31 March 2019 to profit of RM3.42 million in the FYE 31 March 2020 mainly due to lesser dividends received from subsidiaries in the investment holding company and impairment provided for inactive subsidiaries compared with the FYE 31 March 2019.

Future Business Outlook

(i) Apparel Division

Due to the partial withdrawal of Everything But Arms ("**EBA**") Scheme with Cambodia by European Union ("**EU**") and the outbreak of COVID-19, we would expect a slowdown in both Cambodia and PRC operations. The performance of the apparel division will be largely depending on the macroeconomic development under the impact of COVID-19 pandemic as it affects consumer's spending behaviour and whether there will be further sanctions by EU towards Cambodia as it will affects our customer's strategic supply chain management. We are of the view that global economy would only start to recover by third quarter of year 2021.

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

Future Business Outlook (Cont'd)

(ii) Label and Packaging Division

We are of the opinion that our label and packaging division will face lacklustre growth in the coming quarters due to the MCO imposed by Malaysia government from 18 March 2020 in order to contain the outbreak of COVID-19. However, we are optimistic that the positive profit-making model shall be able to maintain since our customers are mostly fast-moving consumer goods (FMCG) companies.

(iii) Others

We are of the view that the printing and embroidery division will much rely on the development of apparel division.

The Board will play a leading role and work closely with the Management to ensure that the Group can smoothly pass through the unstable economic environment.

The board is of the view that we shall remain cautious on our prospects and to control costs and capital expenditure, and to maintain and improve the utilisation of our existing plants' capacities for all the divisions and segments within the Group.

Moving forward, the Management will also exploit the opportunities to expand our businesses into industries other than apparel and label and packaging in order to diversify the income stream of the Group.

OFFER OF OPTIONS UNDER EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Group has on 16 December 2019 offered first batch of ESOS options to the eligible Directors and employees of the Group to subscribe for the new ordinary shares in the Company under the ESOS. Total of 7,728,400 ESOS options were offered and the Exercise Price of the options offered is RM0.370 per option. The options are vested upon acceptance of the offer.

As at 31 March 2020, 361,000 ESOS options were exercised by the eligible Directors and employees, which is approximately 4.67% of total ESOS options offered.

DIVIDEND

In order to ensure that the Group is able to maintain its momentum of turning around the operating profitability as well as the ability to exploit new business opportunities, we have chosen not to adopt any fixed dividend policy.

The Board had on 24 December 2019 declared a single-tier interim dividend of RM0.01 per ordinary share for a total of RM2.1 million in respect of the FYE 31 March 2020.

The Board did not recommend any final dividend payment to the shareholders for the FYE 31 March 2020.

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 label and packaging products are ultimately consumed by consumers. The recovery of the Group's apparels segment will also be depending on the length of COVID-19 economic recovery period especially for Europe countries.

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 2020 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

24 July 2020

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 2020 ("**FYE 2020**").

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 Malaysia Securities**").

Details application for each practice of the MCCG during the FYE 2020 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 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.

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 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:-

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.

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

I. BOARD RESPONSIBILITIES (CONT'D)

(b) Demarcation of responsibility

Board Charter

The Board Charter of the Company was established on 31 July 2014. The Board Charter documented the division of responsibilities and powers between the Board and Management as well as the different Committees established by the Board and matters reserved for the Board.

(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**"), which was revised on 28 November 2018, is applicable to the Board, the Management and the employees of the Group. The Company 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.

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.

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

The Board Charter, COC and Whistle Blowing Policy are to be regularly reviewed by the Board as and when required, and they are available for viewing at the Company's website http://www.pccsgroup.net/.

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 Malaysia 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.

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

II. BOARD COMPOSITION (CONT'D)

Tenure of Independent Directors

The Company has on its Board, one (1) Independent Director, namely Mr. Julian Lim Wee Liang ("**Mr. Julian**"), who would on 14 November 2020 serve as Independent Director for a cumulative term of nine (9) years.

Following the assessment and recommendation made by the Nomination Committee of the Company, the Board opined that the Mr. Julian's Independence remains unimpaired and is satisfied that he can continue bringing independent views to the Board and safeguarding the minority interest of the Company. The Board has subsequently recommended that Mr. Julian be retained as Independent Director, subject to shareholders' approval at the forthcoming Twenty-Sixth (26th) Annual General Meeting of the Company.

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 2020, there was no new Director appointed to the Board 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 and summary of works of the Audit Committee are stated 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 Malaysia Securities, the summary of activities of the Nomination Committee during the FYE 2020 were disclosed as follows:-

- Review and confirmed the minutes of the Nomination Committee Meeting held in financial year ended 31 March 2019;
- Recommended the re-election of Mr. Chan Choo Sing and Mr. Chan Chow Tek who retired pursuant to Article 94 of the Company's Articles of Association at the Twenty-Fifth Annual General Meeting held on 26 August 2019 ("**25th 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 Malaysia 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 2019 and identified the training needs for FYE 2020.

(b) Continuing Education and Training of Directors

All Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities for directors of listed issuers. Directors' training is an on-going process as the Directors recognise the need to continually develop and refresh their skills and knowledge and to update themselves on the developments in the related industry and business landscape.

The Directors will continue to participate from time to time in training programmes to keep abreast with the latest developments in the capital markets, relevant changes in laws and regulations, corporate governance matters, and current business issues, from time to time.

The training programmes and seminars attended by Board members in FYE 2020 are as follows:

Directors	Training(s) Attended
Julian Lim Wee Liang	• Quarterly Tax Updates 2019 • The Art of Taxation and Staying Relevant in Changing Times • 2020 Budget Seminar • Anti-Bribery and Corruption Management System
Chan Choo Sing	• Anti-Bribery and Corruption Management System
Chan Chow Tek	• Anti-Bribery and Corruption Management System
Dato' Chan Chor Ngiak	• Anti-Bribery and Corruption Management System
Chan Chor Ang	• Anti-Bribery and Corruption Management System
Piong Yew Peng	• Malaysia Tax Budget 2020

Upon review, the Board concluded that the Directors' Trainings for the FYE 2020 were adequate.

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 Directors 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/.

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.

The Nomination Committee conducted the following assessments annually:-

Evaluation	Assessment criteria
Individual Directors	• Fit and proper; • Contribution and performance; and • Calibre 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 Main LR of the Bursa Malaysia Securities

Based on the assessments conducted for the FYE 2020, the Nomination Committee was satisfied with the performance of the Board as a whole, the Board Committees and each individual Director.

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

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 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.

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 2020, 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	19	–	–	–	127
Chan Chow Tek	48	16	–	–	–	64
Non-Executive Directors						
Dato' Chan Chor Ngiak	66	8	–	–	–	74
Chan Chor Ang	48	8	–	–	–	56
Julian Lim Wee Liang	66	8	–	–	–	74
Piong Yew Peng	66	8	–	–	–	74

** Subject to the approval by shareholders at the 26th 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	108	846	191	–	–	1,145
Chan Chow Tek	48	640	83	–	–	771
Non-Executive Directors						
Dato' Chan Chor Ngiak	66	8	–	–	–	74
Chan Chor Ang	48	8	–	–	–	56
Julian Lim Wee Liang	66	8	–	–	–	74
Piong Yew Peng	66	8	–	–	–	74

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.

TOR 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 2020, 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**"). 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.

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

I. AUDIT COMMITTEE (CONT'D)

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.

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 2020, 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 Malaysia Securities.

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

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

I. COMMUNICATION WITH STAKEHOLDERS (CONT'D)

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

For the FYE 2020, 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 25th AGM held in year 2019 was 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 25th AGM and to facilitate informed decision-making. Full explanation of the effects of a proposed resolution of any special business was accompanied with the notice of 25th AGM.

Directors' Commitment

All the Directors were present at the 25th AGM of the Company held in year 2019 to engage with the shareholders personally and proactively.

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 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 2020, 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 21 July 2020.

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 2020 ("**FYE 2020**") in compliance with Paragraph 15.15(1) of the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Malaysia 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 Malaysia 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 Malaysia 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 Malaysia Securities.

The terms of office and performance of the Audit Committee and each of its members were reviewed by the Nomination Committee on 22 May 2020 in accordance with Paragraph 15.20 of the Main LR of Bursa Malaysia Securities and was satisfied that they are able to carry out their duties in accordance with their Terms of Reference for the FYE 2020. 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 2020. Details of attendance at Audit Committee during the FYE 2020 were as follows:-

Directors	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 2020 were as follows:-

1. Overview of Financial Performance and Reporting

- Reviewed the unaudited quarterly financial results for the quarter ended 31 March 2019, 30 June 2019, 30 September 2019 and 31 December 2019 and recommend the same to the Board of Directors for approval;
- Reviewed the draft audited financial statements for the financial year ended 31 March 2019 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 Malaysia Securities; and
- Reviewed the Group's compliance with the accounting standards and relevant regulatory requirements.

C. SUMMARY OF WORK (CONT'D)

2. Oversight of External Auditors

- Reviewed the suitability, objectivity and independence of Messrs. Baker Tilly Monteiro Heng PLT for its re-appointment as External Auditors. Upon reviewed and satisfied with the assessment, the proposed re-appointment of Messrs. Baker Tilly Monteiro Heng PLT has been recommended to the shareholders for approval at the Twenty-Fifth 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 2020, 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 two times with the External Auditors without the presence of the Executive Board and Management to discuss the issue of concern arising from the annual statutory audit;
- Reviewed the audit fees FYE 2020 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 2020 and reported to the Board of Directors for notation;
- Reviewed the IA Reports 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;
- 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 Employees' Share Option Scheme ("ESOS")

- Reviewed the summary of allocation of options pursuant to ESOS on quarterly basis.

6. 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 2019.

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 the 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 report 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 2020, 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 a system continues to operate satisfactorily and effectively within the Group.

For the FYE 2020, the following subsidiaries of the Group were audited by Sterling:-

Name of Entities audited by Sterling	Date of IA Report
PCCS Group Berhad	26 August 2019
JIT Textiles Limited and Wan He Da Manufacturing Company Limited	27 November 2019 and 21 February 2020

(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 2020, 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 Group Berhad	27 May 2019
JIT Textiles Limited	27 May 2019
Beauty Silk Screen Limited	27 May 2019
Thirty Three (Shanghai) Limited	27 May 2019
PCCS Garments (Suzhou) Limited	27 May 2019
Mega Labels and Stickers (Cambodia) Co., Ltd.	26 August 2019
PCCS Group Berhad	26 August 2019
JIT Textiles Limited	26 August 2019
PCCS Garments (Suzhou) Limited	26 August 2019
PCCS Group Berhad	27 November 2019
Mega Labels and Stickers (Cambodia) Co., Ltd.	27 November 2019
PCCS Garments (Suzhou) Limited	27 November 2019

D. IA FUNCTION (CONT'D)

3. Total costs incurred for the FYE 2020

The total costs incurred for the IA function of the Group for the FYE 2020 was RM39,500/- (2019: RM54,547/-).

4. IA Charter

The Board noted that pursuant to Paragraph 15.12(1)(e) and (f) of the Main LR of Bursa Malaysia 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 2020. For the FYE 2020, the Audit Committee concluded that the IA function is independent and Sterling has performed their audit assignments with impartiality, proficiency and due professional care.

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 2020 ("**FYE 2020**") 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 Performance Management Review Team ("**PMRT**") and a Risk Management Working Group ("**RMWG**") 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 TianShen, P'ng Kim Leng, Teo Bee San, Sim Sian Ling, Ng Beng Hong, Teo Lee Ping, Chong Cher Kung, Lee Hui Cheng, Phua Chee How, Daniel Pua Kian Boon, Daniel Ng Kok Hoe, Loy Heng Ye, Tan Soo Ching

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 structures for the risk management are as follows:-

RMWG → **PMRT** → **Audit Committee** → **Board**

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 & Packaging Division);
(6) Risk Measurement (Garment Division); and
(7) Implementing Risk Management Process.

For the FYE 2020 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 & Packaging Division (Malaysia and Cambodia), including assessment of any possible corruption risk in its annual risk assessment of the group in according to the Paragraph 15.29(1c) of the Main LR. 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 2020 and up to the date of this Statement, the PMRT has held four (4) meeting with the Audit Committee, while the RMWG has held four (4) 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
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 uses 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 2020, 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 independence.

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 plans.

During the FYE 2020, 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 continue to operate satisfactorily and effectively within the Group.

For the FYE 2020 and up to the date of this Statement, four (4) 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 2019 – Jun 2019)
	Aug 2019	• PCCS Group Berhad (Banking Payment System).
		• Follow up status update on:
		  • Mega Labels & Stickers (Cambodia) Co., Ltd. (Sales and Marketing, and Human Resources)
		  • PCCS Group Berhad (Finance and Account, and Human Resources and Administration)
		  • JIT Textiles Limited (Sales and Marketing, Costing, Manufacturing / Production and Production)
		  • PCCS Garments (Suzhou) Ltd. (Warehouse Management and Stock Handling Records)

2nd Quarter
(Jul 2019 – Sep 2019)
	Nov 2019	• JIT Textiles Limited and Wan He Da Manufacturing Company Limited (Marketing, Merchandising, Procurement and Supplier Quality Assurance and Payment and Disbursement).
		• Follow up status update on:
		  • PCCS Group Berhad (Bank Payment System and Human Resources and Administration)
		  • Mega Labels & Stickers (Cambodia) Co., Ltd. (Sales and Marketing and Human Resources)
		  • PCCS Garments (Suzhou) Ltd. (Warehouse Management and Stock Handling Records)

INTERNAL AUDIT FUNCTION (CONT'D)

For the FYE 2020 and up to the date of this Statement, four (4) 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
3rd Quarter (Oct 2019 – Dec 2019)	Feb 2020	• JIT Textiles Limited and Wan He Da Manufacturing Company Limited (Finance and Accounts).
4th Quarter (Jan 2020 – Mar 2020)	May 2020	• Follow up status update on: • JIT Textiles Limited and Wan He Da Manufacturing Company Limited (Finance and Accounts, Marketing, Merchandising, Procurement and Supplier Quality Assurance, and Payment and Disbursement) • PCCS Group Berhad (Bank Payment System, and Human Resources and Administration) • Mega Labels and Stickers (Cambodia) Co., Ltd. (Sales and Marketing, and Human Resources) • PCCS Garments (Suzhou) Ltd (Warehouse Management and Stock Handling records)

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 2020, 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 the 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 regular basis to reflect changing risks or to resolve any operational deficiencies. It is also to promote efficiency and accountability for the Group.

KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)

- **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 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 FYE 2020, and up to the date of this Statement.

CONCLUSION

For the FYE 2020 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 21 July 2020.

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 Malaysia 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 2020, 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 Malaysia 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 dated 21 July 2020.

AUDIT AND NON-AUDIT FEES

For the financial year ended 31 March 2020, 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	85,500	338,889
Non-audit services rendered		
(1) Tax Review and Services	3,700	44,180
(2) Review of the Statement of Risk Management and Internal Control	5,000	5,000
Total	**94,200**	**388,069**

CORPORATE EXERCISE FEES

Investment bankers, legal fees and other related expenses for the offer of Employees' Share Option Scheme ("**ESOS**") to eligible Directors and employees of the Group amounted to RM133,481.00 for the financial year ended 31 March 2020.

UTILISATION OF PROCEEDS

No proceeds were raised from any corporate proposal other than ESOS during the financial year ended 31 March 2020.

ESOS

The Group has established and implemented ESOS with effect from 16 December 2019 and the ESOS is governed by its By-Laws approved by the shareholders at an Extraordinary General Meeting held on 26 August 2019 and shall be in force for a duration of five (5) years.

The information in relation the ESOS are set out in the table below:-

	Total number of Options as at 31 March 2020	
Description	**All Eligible Employees including Directors and Chief Executive**	**Directors and Chief Executive**
(1) Options granted	7,728,400	420,000
(2) Options exercised	361,000	150,000
(3) Options outstanding	7,367,400	270,000

In accordance of the Company's By-laws, not more than seventy per centum (70%) of the Company's ordinary shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management of the Group. Since the commencement of the ESOS up to the financial year ended 31 March 2020, the Company has granted 31.55% of options to the Directors and senior management.

ESOS (CONT'D)

A breakdown of the ESOS options offered to and exercised by, or shares granted to and vested in Non-Executive Directors pursuant to ESOS in respect of the financial year ended 31 March 2020 are set out in table below:-

No.	Name of director	Number of Options granted	Number of Options vested	Number of Options exercised
1.	Julian Lim Wee Liang	50,000	50,000	–
2.	Dato' Chan Chor Ngiak	50,000	50,000	50,000
3.	Chan Chor Ang	50,000	50,000	–
4.	Piong Yew Peng	50,000	50,000	–

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 2020.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE

The Company intends to seek its shareholders' approval to obtain new shareholders mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature ("**RRPTs**") with the related parties which are necessary for the day-to-day operation and are in the ordinary course of business of the Group at the Twenty-Sixth Annual General Meeting of the Company.

The new Shareholders' Mandate, details as provided in the Circular to Shareholders dated 24 July 2020 will be sent together with this 2020 Annual Report.

Details of the RRPTs occurred during the financial year ended 31 March 2020 are disclosed in Note 30 to the Financial Statements set out on page 160 of this 2020 Annual Report.

ABOUT THIS STATEMENT (102-1, 102-50, 102-52)

PCCS Group Berhad ("**PCCS**" or "**the Group**") presents its third annual sustainability statement covering the Group's progress and performance on the economic, environmental and social ("**EES**") front. At PCCS, we conduct business on the principles of building a sustainable economy, invest in community development and work to minimise the impact of our business operations on the environment.

Our journey to strengthen the Group's EES performance and to address the opportunities and challenges that ensue from such efforts help future-proof our business and create inclusive economic growth for all stakeholders. The developments covered in this statement include our decision to adopt five of the 17 United Nations Sustainable Development Goals (SDGs), namely:

SDG 1 - No Poverty,
SDG 6 - Clean Water and Sanitation,
SDG 8 - Decent Work and Economic Growth,
SDG 12 - Responsible Consumption and Production, and
SDG 13 - Climate Action.

Another highlight in this year's statement is a review of the materiality matters and a reassessment of the EES topics that are most relevant to its business and stakeholders.

In line with the reporting period of the Annual Report, the statement presents initiatives undertaken during the financial year ended 31 March 2020 ("**FY2020**") and where applicable, comparative data from preceding years has been included.

Scope and Boundary of Reporting (102-2, 102-3, 102-4, 102-46, 103-1)

The scope of the statement includes our corporate headquarters located in Batu Pahat, Johor, our label and packaging manufacturing facilities in Malaysia and apparel manufacturing facilities in China and Cambodia.

Division	Companies	Location	Material Matter Disclosure
Label and Packaging	Mega Label (Malaysia) Sdn Bhd ("**MEGAM**")	Malaysia	All
Apparel	JIT Textile Limited ("**JTL**")	Cambodia	
	PCCS Garments (Suzhou) Limited ("**SGL**")	China	

Reporting Framework

Towards building a strong narrative, this statement has been prepared in line with the reporting requirements listed by Bursa Malaysia Securities Berhad ("**Bursa Malaysia**"). We have also referred to the Global Reporting Initiative ("**GRI**") Standards – Core Option to define the disclosures of our sustainability statement. Throughout the statement, the relevant GRI indicators have been denoted against the corresponding topic and have been indicated in the GRI Content Index available on pages 83 to 85 of this Annual Report.

Feedback (102-53)

We value feedback from our stakeholders regarding our sustainability performance and the content of this report. Please direct any enquiries, comments or concerns to:

Name	:	Mr. Tang Lai Huat
Position	:	Corporate Controller PCCS Group Berhad's Corporate Office Lot 1376, GM127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim.
Email	:	lhtang@pccsgroup.net

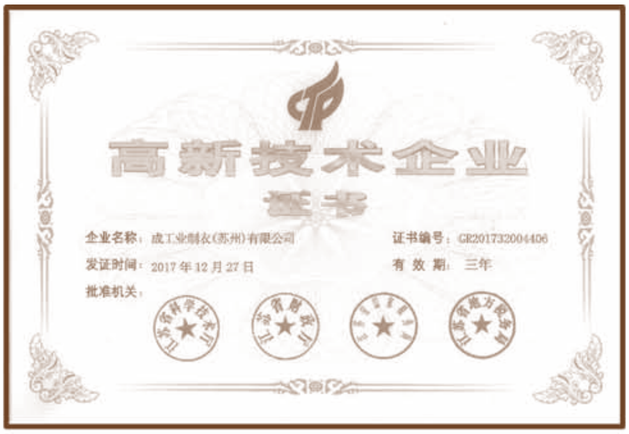
AWARDS AND RECOGNITION

The Group continues its effort to implement sustainability practices to demonstrate how sustainability benefits business, stakeholders and the environment. This year, the Group has earned awards and recognition that reflect its commitment to sustainability. It also reflects our mission to deliver quality products, services and value to our stakeholders and serve to motivate us to further achieve new heights and continuously improve.

In the reporting year, SGL received recognition for Labour Relations and Harmonious Enterprise from the Suzhou Ministry of Human Resource and Social Security. SGL earned this recognition primarily because of its efforts to advocate human care and champion internal communication as a strategy to improve employee engagement.

SGL also received the National High-Tech Enterprise Awards issued by the Jiangsu Provincial Department of Science and Technology, the Jiangsu Provincial Department of Finance and the Jiangsu Provincial Taxation Bureau of the State Administration of Taxation. This Award acknowledges SGL's research and technological achievements in the "High-Tech Fields Supported by the State", in forming core business activities with intellectual property.

Labour Relations and Harmonious Enterprise



National High-Tech Enterprise

OUR SUSTAINABILITY APPROACH

Our Commitment to the UN Sustainable Development Goals

The 17 United Nations Sustainable Development Goals are a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity. They represent a global system of targets, and are used to safeguard global sustainability. Businesses around the world have been called upon to adopt these SDGs and contribute towards achieving their targets through innovation, technology and responsible supply chain.

OUR SUSTAINABILITY APPROACH (CONT'D)

Our Commitment to the UN Sustainable Development Goals (Cont'd)

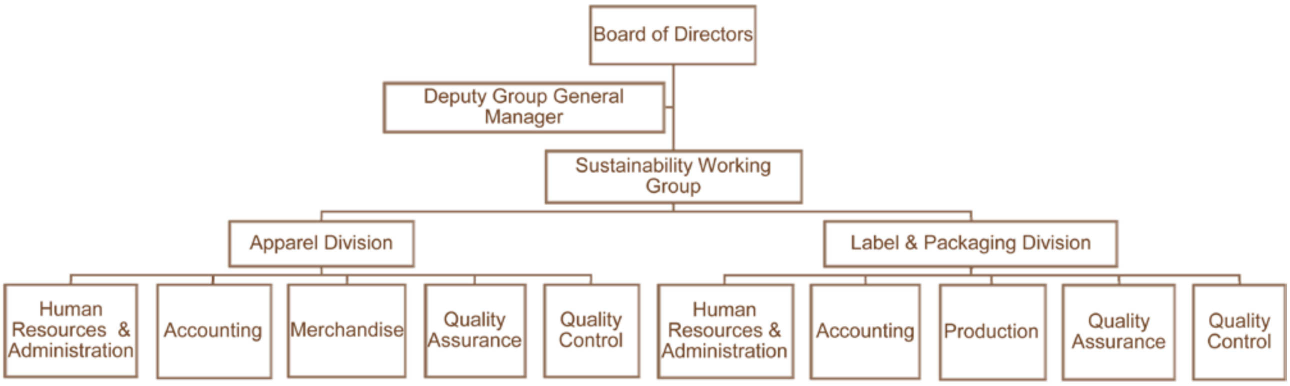
We have adopted five SDGs and aligned our day to day operations to meet the aspirations of these goals.

SDG	Our Contribution
Goal 1: No Poverty Reducing poverty through employment opportunities	• The Group provides job opportunities to more than 2,500 employees. • The Group encourages hiring local talent according to the country's operation.
Goal 6: Clean Water and Sanitation Ensuring sustainable management of water by reducing our water consumption and enhancing effluent quality	• Conduct annual effluent monitoring at MEGAM to ensure compliance to the permissible limit set by the Department of Environment ("**DOE**"). • Management of scheduled waste as per legal requirements of countries where we operate. • Established Key Performance Indicators ("**KPIs**") for water conservation at MEGAM and SGL.
Goal 8: Decent Work and Economic Growth Ensuring a safe working environment to our employees, productive employment and boosting economic growth.	• Of the 2,500 employees hired under the Group, both male (28%) and female (72%) employees enjoy equal opportunities and fair treatment. Employment benefits include insurance, bonus, profit-sharing and employee recognition (service awards for length of service). • The Group adheres to the countries' regulatory requirement for minimum wages. • Prohibition of discrimination and harassment under Whistle Blowing policy to provide safe working environment. • MEGAM provided training to foreign employees to ensure they are working aligned with standard operation procedure. • MEGAM established a Safety Policy and a guideline on Safety Operation of Machines • SGL and JTL undertook weekly 6S inspections to identify occupational safety and health ("**OSH**") hazards and risks
Goal 12: Responsible Consumption and Production Ensuring sustainable consumption and production pattern by monitoring and reducing waste.	• The introduction of the auto splicer mechanism has directly reduced material usage by at least 3% and improved uptime performance by at least 5%. • Appointed Certified Environmental Professional for Scheduled Waste Management. • Auto-cutter and computerised marker planning system to minimise fabric waste. • Established the Waste Sorting Programme. • Implemented paper reduction initiative. • Annual reporting on sustainability in the Group's annual report.
Goal 13: Climate Action Minimising activities which contribute to climate change.	• MEGAM established a KPI on energy reduction in view of the solar panels that were installed to supply 25% of daily energy consumption. • MEGAM replaced conventional lighting with LED. • Installation of energy efficient light bulb at JTL. • JTL collobrated with local government for energy-efficient project.

OUR SUSTAINABILITY LEADERSHIP (102-18, 102-20,102-26,102-32)

We are accountable to our stakeholders and we uphold strong leadership and governance within the Group to meet stakeholder expectations and to effectively manage our EES opportunities and risks.

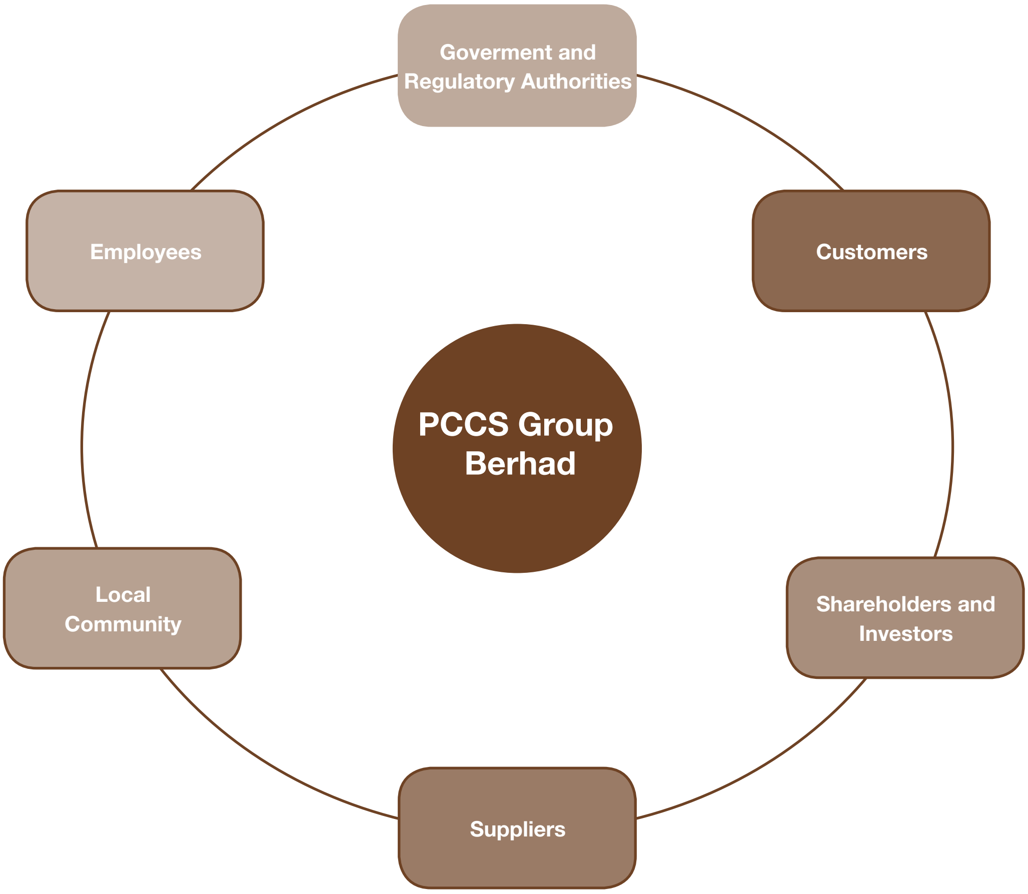
PCCS has established a two-tier governance structure comprising a Sustainability Working Group ("**SWG**") that reports directly to the Board of Directors ("**the Board**"). The Board is responsible for setting the direction of the Group, and for approving the sustainability strategy and the annual sustainability statement. Led by the Deputy Group General Manager, the SWG is responsible for planning and implementing sustainability initiatives across the Group.



Roles	Responsibilities
The Board	• Approves the sustainability strategies, policies and initiatives recommended by the Deputy Group General Manager and the SWG • Approves the sustainability statement
Deputy Group General Manager	• Recommends and advises the Board on matters pertaining to sustainability strategies, policies, and initiatives • Reviews material sustainability matters identified by the SWG and recommends to the Board • Provides regular updates to the Board • Oversees sustainability initiatives implemented by the SWG
SWG	• Implements sustainability initiatives • Identifies material matters relevant to the Group • Collates and records sustainability performance data • Identifies challenges and constraints • Oversees the preparation of the sustainability statement

OUR STAKEHOLDERS (102-40,102-43,102-44)

At PCCS, stakeholder engagement is vital as it keeps us abreast with stakeholder needs and expectations. Through the years, we have maintained regular and effective communication with our valued stakeholders via various engagement platforms in order to manage stakeholders' demands.



We have established mechanisms to elicit stakeholder feedback which management evaluates and actively responds to in a balanced manner while comprehending their requirements and expectations.

OUR STAKEHOLDERS (102-40,102-43,102-44) (Cont'd)

Stakeholders	Areas of Interest	Forms of Engagement	Frequency of Engagement
Government and Regulatory Authorities	- Compliance with laws and regulations - Contribute to the development of the local economy	Inspections	As and when required
		Reports	As and when required
Shareholders and Investors	- Return on investment - Corporate governance - Business compliance	Regular reports and announcements	As and when required
		Annual General Meeting	Yearly
		Company website	As and when necessary
Employees	- Employees' compensation and benefits - Career development - Safe and healthy working environment	Performance reviews	As and when required
		Regular meeting and training	Monthly
		Emails, notice boards, employee engagement activities	As and when necessary
Customers	- High-quality and safe products and services - Rights of customers - Consumers Engagement	Customer satisfaction survey	As and when necessary
		Face-to-face meetings and on-site visits	As and when necessary
		Customer service hotline and email	As and when necessary
Suppliers	- Fair and open procurement - Maintaining a long-term relationship - Compliance with relevant laws and regulations	Open tendering	As and when necessary
		Suppliers' satisfactory assessment	As and when necessary
		Face-to-face meetings and on-site visits	As and when necessary
		Industry seminars	As and when necessary
Local Community	- Contribution to communities - Business compliance - Environmental protection awareness	Media conferences and responses to inquiries	As and when necessary
		Public welfare activities	As and when necessary

OUR MATERIAL SUSTAINABILITY MATTERS

Materiality Assessment

The group identified eight material matters during the first materiality assessment conducted in Financial Year Ended 31 March 2018 ("**FY2018**") and in Financial Year Ended 31 March 2019 ("**FY2019**"), one additional matter was added that was important to our business in the apparel and labelling manufacturing sectors.

This year, the Group repeated the materiality assessment to further streamline, identify and prioritise its material matters. We reviewed the previously identified nine material matters and consolidated them into seven; and then based on SWG feedback and the Group's EES opportunities and risks, another eight new material matters were identified. In total, 15 material matters were prioritised in FY2020.

During the materiality assessment, we ranked and prioritised the material matters based on their importance to our business operations and our stakeholders.

Step 1	Step 2	Step 3
Identification	**Prioritisation**	**Validation**
A comprehensive list of material sustainability matters based on PCCS Group's risks and opportunities, as well as benchmarking with industry peers	A materiality assessment was conducted with the SWG members to prioritise and rank the material matters using a weighted ranking method	The results were plotted on a materiality matrix and presented to the Board for approval

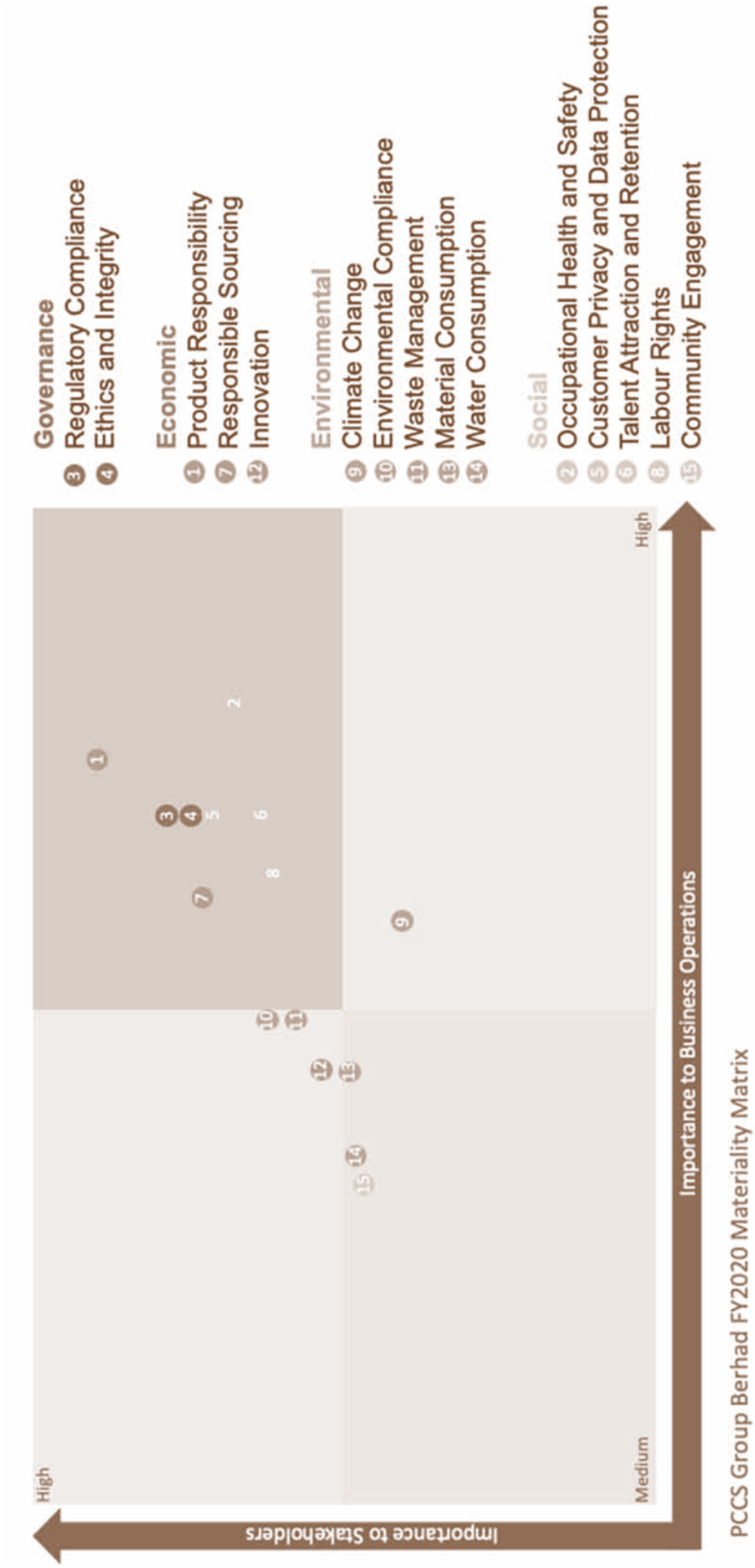
Materiality Matrix (102-47)

Based on the results of the materiality assessment, a materiality matrix was generated, illustrating the priority of each material matter. The eight matters located in the top right quadrant of the matrix are those that are most important to our business and our stakeholders:

- Product Responsibility,
- Occupational Health and Safety,
- Regulatory Compliance,
- Ethics and Integrity,
- Customer Privacy and Data Protection,
- Talent Attraction and Retention,
- Responsible Sourcing, and
- Labour Rights

OUR MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Materiality Matrix (102-47) (Cont'd)



OUR MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Mapping of Material Matters (102-40, 102-47)

To further demonstrate our commitment to sustainability, we have mapped our 15 material matters to the relevant stakeholders, GRI indicators and SDGs.

Material Matters	Definition	Stakeholders	GRI Indicators	SDG
Product Responsibility	Product quality and safety that meet or exceed customer expectations.	• Customers • Government and Regulatory Authorities • Suppliers	417: Marketing and Labelling	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Occupational Health and Safety	Policies, initiatives, and other measures that promote a safe and healthy working environment for our employees.	• Government and Regulatory Authorities • Employees	403: Occupational Health and Safety	8 DECENT WORK AND ECONOMIC GROWTH
Regulatory Compliance	Initiatives and measures to ensure adherence to laws, regulations, guidelines, and specifications relevant to our business processes.	• Government and Regulatory Authorities • Shareholders and Investors	103: Management Approach	8 DECENT WORK AND ECONOMIC GROWTH
Ethics and Integrity	Values, principles, ethical standards, and norms of behaviour within the Group that ensure ethical business conduct at all times.	• Government and Regulatory Authorities • Shareholders and Investors • Employees • Suppliers • Customers	102: General Disclosures 103: Management Approach 205: Anti-corruption	8 DECENT WORK AND ECONOMIC GROWTH
Customer Privacy and Data Protection	Efforts undertaken by the Group to protect customers' data and privacy against unauthorised access or use.	• Government and Regulatory Authorities • Customers	418: Customer Privacy	8 DECENT WORK AND ECONOMIC GROWTH
Talent Attraction and Retention	How the Group manages equitable remuneration, benefits, training and development, and other engagement programmes for its employees to retain talent and strengthen the workforce.	• Employees • Local Community • Shareholders and Investors	401: Employment 404: Training and Education	8 DECENT WORK AND ECONOMIC GROWTH
Responsible Sourcing	Efforts to minimise the Group's impact on the environment arising from our procurement practices.	• Government and Regulatory Authorities • Suppliers	102: General Disclosures 203: Indirect Economic Impacts 204: Procurement	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Labour Rights	The various labour laws that the Group abides by against exploitation, ill-treatment and discrimination among others.	• Government and Regulatory Authorities • Employees • Shareholders and Investors	103: Management Approach	8 DECENT WORK AND ECONOMIC GROWTH

OUR MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Mapping of Material Matters (102-40, 102-47) (Cont'd)

Material Matters	Definition	Stakeholders	GRI Indicators	SDG
Climate Change	Initiatives by the Group to track and minimise our emission footprint due to business operations.	• Government and Regulatory Authorities • Local Community	302: Energy 305: Emissions	13 CLIMATE ACTION
Environmental Compliance	Ensuring compliance with all environmental laws and regulations to minimise negative impacts on the environment.	• Government and Regulatory Authorities • Local Community	307: Environmental Compliance	6 CLEAN WATER AND SANITATION 13 CLIMATE ACTION
Waste Management	Initiatives by the Group for proper waste management across operations through policy and recovery processes, while minimising impacts on the environment and communities.	• Government and Regulatory Authorities • Local Community	306: Effluents and Waste	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 6 CLEAN WATER AND SANITATION
Innovation	Initiatives by the Group to adopt innovative approaches in our manufacturing processes in providing the best product quality and services to our customers.	• Customers • Shareholders and Investors • Employees	103: Management Approach	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Material Consumption	Initiatives by the Group to reduce unnecessary material usage and increase material efficiency.	• Suppliers • Customers	103: Management Approach	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Water Consumption	Initiatives by the group on responsible water management.	• Government and Regulatory Authorities • Local Community	303: Water and Effluents	6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Community Engagement	Community engagement programmes through various activities, donations, and sponsorship.	• Local Community • Customers	413: Local communities	1 NO POVERTY

APPROACH TO GENUINE RESPONSIBILITY

Regulatory Compliance (103-2)

We practice self-regulation, ensuring that all of our business activities within the Group are in-line with the applicable laws and regulations. Led by strong governance, we established multiple internal guidelines and procedures to achieve zero non-compliance throughout our apparel and labelling operations.

Below are some of the key laws and regulations that the Group adheres to:

MEGAM	JTL	SGL
• Companies Act 2016 • Employment Act 1955 • Malaysian Code on Corporate Governance • Environmental Quality Act 1974 • Occupational Safety and Health Act (OSHA) 1994 • Factories and Machinery Act 1967	• Law on Commercial Enterprises • Labour Law 2018 • Law on Environmental Protection and Natural Resources Management	• Company Law 2018 • Employment and Labour Law 2020 • Environmental Protection Law 2018

Ethics and Integrity (102-16, 102-17, 205-2)

The Group remains steadfast in conducting its business with integrity and the highest standards of ethical conduct. This shapes a culture of responsibility among employees at all levels, helps uphold our corporate reputation and maintain brand positioning to further build our thriving business.

Code of Conduct and Ethics

The Group's Code of Conduct and Ethics ("**the Code**") lays down the Group's expectations of Directors' and employees' behaviour while conducting business. The Code covers areas such as conflict of interest, anti-corruption, anti-money laundering, sexual harassment, and harassment and abuse. The Code is publicly available in the Corporate Governance section on our corporate website at http://www.pccsgroup.net/. It is available both in English and Mandarin-Chinese, making it accessible to our employees in the countries where we operate.

The Group mentions the Code in detail in the Employee Handbook and publicises updates or changes to the Code on the notice boards. We also conduct briefing sessions on the Code to new employees during the induction programme.

In addition to the Code, the Group has in place a number of policies and guidelines that strengthen our business conduct such as Whistleblowing Policy, Anti-Corruption Policy and Grievance Mechanism.

APPROACH TO GENUINE RESPONSIBILITY (CONT'D)

Ethics and Integrity (102-16, 102-17, 205-2) (Cont'd)

Whistleblowing Policy

Our Whistleblowing Policy provides a clear reporting channel for all employees and members of the public to disclose any improper conduct or any action that is harmful to the reputation of the Group or compromise the interest of stakeholders.

Any concerns about malpractices is escalated verbally or in writing either to the Chairman of the Audit Committee, Senior Independent Non-Executive Chairman or Group Managing Director. Employee-related issues are addressed to the Head of Human Resources or the Deputy Group General Manager for investigation.

All reports are treated with high confidentiality and whistleblowers making the allegation remain anonymous. In FY2020, no whistleblowing cases were reported.

Anti-Corruption Policy

The Group has adopted a zero-tolerance approach and takes a strong stance against all forms of corruption and bribery throughout our value chain.

To further enforce our commitment towards zero corruption and bribery within the Group, the Anti-Corruption Policy was established to set out relevant measures to prevent the occurrence of corruption and bribery. Such concerns are escalated to the Audit Committee, where the report is investigated.

Grievance Mechanism

At MEGAM, the Grievance Policy was created to resolve issues promptly through discussions with supervisors, managers, Head of Departments or Head of Human Resources. The Human Resources Department is responsible for investigating and resolving any grievance issues received from employees. However at SGL, we encourage employees to put their written complaints into the Grievance Suggestion Box.

OUR RESPONSIBILITY TO OUR CONSUMERS

Product Responsibility (102-43, 416-1)

MEGAM

We are Quality Management System (QMS) ISO 9001:2015 certified. By qualifying for this certification, which requires a comprehensive process of third-party audits and verifications, we garner the trust of our stakeholders to deliver good quality labelling products. Prior to third-party audits, we also conduct internal audits and customers' quality audits, to ensure we comply with all the quality procedures established internally or externally by our customers.

Furthermore, we have implemented an Integrated Management System ("**IMS**") which combines the quality and environmental components into one comprehensive system to improve our business focus, ease internal and external audit processes, reduce management cost, improve customer satisfaction and uplift our corporate reputation. To align with the IMS, a Quality Policy was established. It outlines our commitment to continuously improve product quality through the following key aspects:

Guided by our Control Plan and Sampling Plan, we monitor the crucial activities conducted at MEGAM stringently which includes the production of adhesive paper rolls, plate-making, printing, die-cutting, lamination, packing and delivery. We also perform in-process Quality Control ("**QC**") inspection and Outgoing Quality Assurance ("**QA**") inspection throughout our operations for effective control and monitoring processes. Initiatives conducted in ensuring the quality of our labelling products include:

- Proper identification and segregation of non-conforming products;
- Calibration of measuring equipment as per designated scheduled;
- Regular servicing of machineries and workplace observation during operations; and
- Monitoring of relevant production and quality records.

OUR RESPONSIBILITY TO OUR CONSUMERS (CONT'D)

Product Responsibility (102-43, 416-1) (Cont'd)

MEGAM (Cont'd)

In terms of product labelling, MEGAM collaborated with our buyers of renowned brands including Decathlon, Adidas and Champion to ensure we fully comply with the rules and regulations of importing countries. Product specifications that require labelling conformity include the following:

Product Information	a. Brand b. Country of Origin c. Size d. Content e. Product Identification Code f. Care and Wash Instruction
Product Warning	a. Flammability b. Children Choking Hazard c. Allergy to fiber, if any
Product Compliance	a. Test for harmful substance (Oeko tex) b. Comply to European Health, Safety and Environment (CE mark) c. Recycle fiber content

SGL

Product quality is a vital factor in driving business success. Our product quality is determined based on the durability, visual, and perceived quality of fabric. For this reason, a Quality Assurance Department was established to conduct comprehensive inspections of raw materials, semi-finished products, and finished products at our manufacturing plants to identify defects and non-compliance during different stages of production. Our apparel inspection includes testing fabric shrinkage, tape test and shear test to ensure the quality is in compliance with the relevant standards.

At SGL, we comply with the **Decathlon Production Requirement ("DPR")** to ensure the quality of apparel manufacturing operations in China

Our quality control initiative is also extended to performing final quality assessments internally prior to shipping the product to customers. Any products that do not meet the required standards will have to be reworked, disposed, or dealt with accordingly. This approach is implemented to ensure product quality, reduce costs associated with shipping errors and to safeguard our corporate reputation.

Customer Satisfaction

To sustain our apparel and labelling manufacturing businesses, we regularly engage with our customers to understand their expectations and identify areas for improvement. We work towards ensuring all evolving customer demands, complaints and suggestions are addressed to achieve greater customer satisfaction and increase our long-term goal of retaining repeat business.

Customer feedback on our apparel and labelling products are obtained through phone calls, emails, and on-site meetings. We assign an Ad-Hoc Investigation Team to interrogate and address all complaints and issues received before responding to our customers. All complaints and feedback from the customers, the root cause of issues as well as corrective and preventive actions are recorded in our Improvement Corrective Action Plan Manual. The information in this manual are regularly updated and Production Heads, Supervisors, and leaders are informed of these updates via meetings to ensure complaints do not recur. The document is also circulated monthly throughout the Group to strengthen awareness on potential issues faced in providing quality products and services.

At MEGAM, an annual customer satisfaction survey is conducted and the following are the four main areas that are assessed.

- Customer service and marketing service skills;
- Delivery service satisfaction;
- Response towards customers' needs and requirements; and
- Overall rating of our product quality.

We are pleased to note that the customer satisfaction score we obtained in FY2020 was 85.7%.

OUR RESPONSIBILITY TO OUR CONSUMERS (CONT'D)

Responsible Sourcing (102-9, 204-1)

We source materials responsibly, taking into consideration the expectations of our customers, the social impact on communities and the environmental impact. We pay special attention to make sure hazardous substances are not consumed to produce our products. We also ensure sustainable supply of materials to avoid any disruption during manufacturing and to meet customer demands and expectations.

Selection of Suppliers

MEGAM

We understand the selection of suppliers is crucial in the entire procurement process as it is a key determinant for achieving high-quality products and customer satisfaction. Acknowledging this need, we have established the Supplier Qualification Procedure to guide us in evaluating new suppliers' suitability with the main objectives to reduce procurement risk and maximise value.

MEGAM engaged **70%** of local suppliers in FY2020

New suppliers' selection process considers the ability of a potential supplier to meet our business requirement including their compliance with hazardous substance requirements as stated in our Purchasing Procedure. With the procedure in place, we prohibit the use of hazardous substances in materials provided by suppliers in accordance to the Registration, Evaluation, Authorisation and Restriction of Chemical ("**REACH**") regulated by the European Union. This measure is vital to guarantee product safety and maintain customers' trust.

REACH

Ensure a high level of protection of human health and the environment from the risk that can be posed by chemicals. Do not allow the use of Substance of Very High concern (SVHC) that have a bad effect on humans and environment, the promotion of alternative test methods, and the free circulation of substances on the internal market. Industry is responsible for assessing and managing the risk posed by chemicals and providing appropriate safety information to their user.

Besides that, pricing, delivery lead time and quality are important indicators to MEGAM in ensuring a cost-effective procurement process. Our Quality Assurance team is responsible for looking into the quality system of suppliers to gauge their capability in delivering high-quality products and services.

MEGAM has created a list of approved suppliers referred to as preferred suppliers which is assessed based on their good track record. These group of suppliers are our key partners in delivering business objectives and we intend to maintain this business relationship to build a sustainable business in the long run.

JTL and SGL

SGL Engaged 90% of local suppliers in FY 2020

We are required to engage main suppliers as identified by our buyers. This is part of quality measures undertaken by the buyers that JTL and SGL are required to comply with. In the case where JTL and SGL are able to determine its suppliers for minor supplies, aspects of quality, delivery and pricing are the main elements that are considered.

Performance Evaluation of Suppliers

MEGAM

We conduct biannual supplier evaluations in accordance with the established Supplier Rating and Classification Procedure to rate suppliers' performance and to categorise them into groups to facilitate monitoring of their improvement measures. The evaluation is executed to assess the performance of suppliers in the areas of timely delivery, quality of products and services. The services aspect includes speed of response to request or inquiry, customer service, competitive pricing, lead time and suppliers' financial strength.

Following the evaluation, suppliers are classified into Grade A, Grade B and Grade C suppliers, with Grade A being the best suppliers. Grade B suppliers are suppliers who are advised to improve their performance and Grade C are potentially disqualified suppliers subject to approval from Senior Manager or General Manager.

OUR RESPONSIBILITY TO OUR CONSUMERS (CONT'D)

Innovation (103-1)

In today's rapidly changing environment, the Group recognises the need to evolve in order to continuously meet the needs and demanding expectations of our stakeholders. We believe ongoing improvement on our business approach and management is crucial to remain relevant in the competitive industries that we serve.

At MEGAM, as part of our manufacturing processes, we implement application and automation of technology to monitor and control the manufacturing of our products. This approach reduces the quantity of waste generated due to human error, improves productivity as well as product quality, acting as a catalyst for our business to thrive, and provides us with the ability to adapt to the marketplace.

Adoption of Toyota Production System at MEGAM

MEGAM adopted the Toyota Production System ("**TPS**") which is commonly known as the Lean Management System, which aims to maximise production efficiency through the elimination of waste.

MEGAM has transformed its conventional production lines to throughput-based production lines underpinning the TPS concept. Introduction to the TPS concept and theories are conducted bi-monthly for our employees via training sessions. It was followed by forming the *Kaizen* (referred to as improvement) team and carrying out *Kaizen* projects to eliminate waste identified in our manufacturing processes. Completed projects were rewarded and recognised, and shared throughout the company for knowledge-sharing purposes.

TPS has become part of our culture since 1998. Since then, we have standardised all our workflow and continue to improve our existing management system as well as introduce new management systems suited to our manufacturing businesses. We have adopted the concept of Training Within Industries to develop skills and experiences of operators and leaders. In addition, we have instituted the Total Productive Maintenance system ("**TPM**") and the Overall Equipment Effectiveness ("**OEE**").

"TPM is a system to maintain and improve the reliability of production and quality and safety aspects of machineries, processes, and workforce"

"OEE is a measure of how effective a manufacturing operation is utilised in comparison to its full capacity. OEE is used to enhance our real-time monitoring to check for effectiveness"

Data Privacy Protection (418-1)

We are mindful of the threat data breach or data loss can impose on customers and business activities, and its impact on corporate reputation is severe. Hence, we made efforts to implement stringent customer personal data security measures and internal controls within the Group. We adhere to respective national Personal Data Protection laws and regulations as listed below, to ensure customer personal data are properly managed during its collection, storage and usage.

MEGAM	JTL	SGL
Malaysian Personal Data Protection Act 2010 (PDPA 2010)	Civil Code of Cambodia 2007: Protection of the Right to Privacy (Article 10, Article 11, Article 12 and Article 13)	Personal Information Security Specification 2018

Our employees are made aware of their roles in safeguarding customers' information as well as the consequential penalties in case of any data breach. This is done by communicating the rules and regulations related to data protection in the Employee Handbook and the Code. In addition, employees are obligated to sign a confidentiality clause before commencing work at PCCS. As for our customers, a non-disclosure agreement is attached to the contract agreement which is to be signed once product details and orders are confirmed.

At MEGAM, all data is protected through assessment control by our Top Management. The company ensures customer data shall only be disclosed through formal approval from the Company General Manager with a documented Information Request Form.

OUR RESPONSIBILITY TO OUR CONSUMERS (CONT'D)

Data Privacy Protection (418-1) (Cont'd)

Cyber Security Measures

The Group considers cyber security to be a crucial element of our business to protect customer personal data from the increasingly widespread threat of data theft, data breaches and data loss. Hence, we implement cyber risk reduction measures including the installation of Antivirus Programmes and Firewall systems.

In FY2020, there were no substantial complaints concerning the breach of customer privacy and loss of customer data.

MANAGING OUR ENVIRONMENTAL IMPACTS

Managing environmental impacts within the manufacturing sector has become a salient part of achieving sustainability. It is imperative that we carefully evaluate our approaches in managing our environmental impacts to minimise any adverse exposure to the surrounding environment.

At MEGAM, our Environmental Policy guides the company on how to address and minimise environmental impacts arising from our activities.

MEGAM Environmental Policy

Everyone is committed to care for the environment for our future generation through:

Masterfully use of Resources
Environment Conservation, Protection, and Prevention of Pollution
Go Green – Reduce, Reuse, and Recycle
Adhere to All Relevant Legal and Regulatory Requirements

In FY2020, MEGAM established its Environmental Management Programme and formulated five Key Performance Indicator ("**KPI**") targets. We will track the progress of our KPIs in the following year.

Energy Conservation Programme
To reduce 2% of electricity consumption against revenue.

Water Conservation Programme*
To reduce 3% of water consumption against revenue.

Reduction of Chemical Purchase Programme
To reduce 3% of total purchase of chemical against revenue.

3Rs Programme
To reduce two reams of A4 paper consumption against revenue.

Scheduled Waste Disposal Programme
To reduce 5% of scheduled waste disposal against revenue.

*Note: SGL has also set to reduce 3% of water consumption against revenue.

MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

Environmental Compliance (307-1)

Environmental compliance is crucial to sustaining our operating license. PCCS strictly adheres to the following environmental laws and regulations in conducting our business operations.

MEGAM	• Environmental Quality Act 1974 • Environmental Quality (Scheduled Wastes) Regulations 2005 • Environmental Quality (Clean Air) Regulations 2014 • Environmental Quality (Industrial Effluent) Regulations 2009 • Customer Restriction of Hazardous Substances (RoHS) Requirements
JTL	• Declaration Certificate of the Operation Garment Factory (No. 282) • Discharge Permit of Treated Sewage into Public Canal of Phnom Penh 2018 (No. 918) • Solid Waste Permit (No. 909) • Environment Protection Agreement and Endowment Fond Receipt 2018 (No. 306)
SGL	• People's Republic of China ("PRC") Environmental Protection Law

At MEGAM, we conducted industrial effluent and stack emission monitoring at least once a year. Based on the monitoring activities conducted in FY2020, it was observed that MEGAM successfully met the compliance limits.

Climate Change (302-1, 302-3, 302-4, 305-1, 305-2, 305-4)

As the world becomes more aware of the inimical effects of climate change, companies must strive to contribute in mitigating its impacts. We invest in technologies and implement initiatives to reduce our energy consumption, switch to renewable energy sources, and optimise energy efficiency throughout our operation.

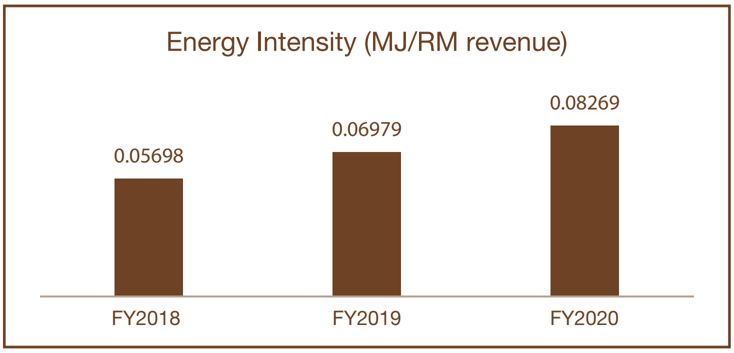
Energy Consumption

The main sources of energy consumption in our operations are from purchased electricity and fuel consumption. MEGAM, JTL and SGL utilise diesel and petrol for transportation and manufacturing purposes.

Energy Consumption (MJ)			
Source of Energy	FY2018	FY2019	FY2020
Purchased electricity	24,070,514	23,006,711	22,328,715
Fuel	6,071,117	7,594,151	10,130,237
Solar panels	–	–	447
Total Energy Consumption	30,141,631	30,600,862	32,459,399

*Source of conversion factor: Malaysia Energy Statistics Handbook 2018

Our energy consumption is directly linked to business demands and in the reporting year, our energy intensity has increased by 18% compared to the previous reporting year.



MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

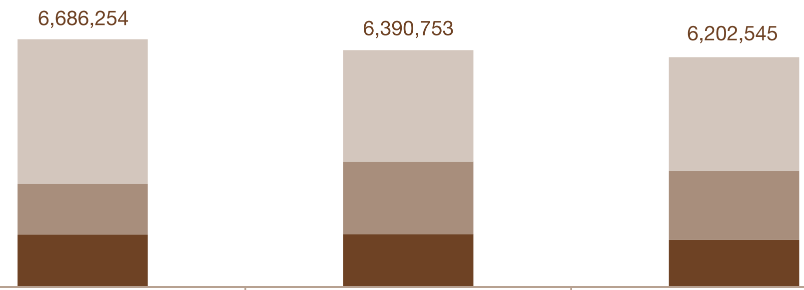
Climate Change (302-1, 302-3, 302-4, 305-1, 305-2, 305-4) (Cont'd)

Electricity Consumption

For FY2020, we have expanded the scope of our reporting by disclosing and comparing our year-on-year data for electricity consumption at MEGAM, JTL and SGL respectively. By practicing systematic record-keeping throughout the subsidiary companies, we are able to monitor our consumption trends and identify measures that would contribute to energy savings.

The total electricity consumption in MEGAM, JTL and SGL has reduced by 3% compared to FY2019. The major electricity contributor is MEGAM as massive amount of electricity is needed to produce heat for printing, especially for laser printing. Whilst in JTL and SGL, we consume electricity mostly during our apparel sewing process.

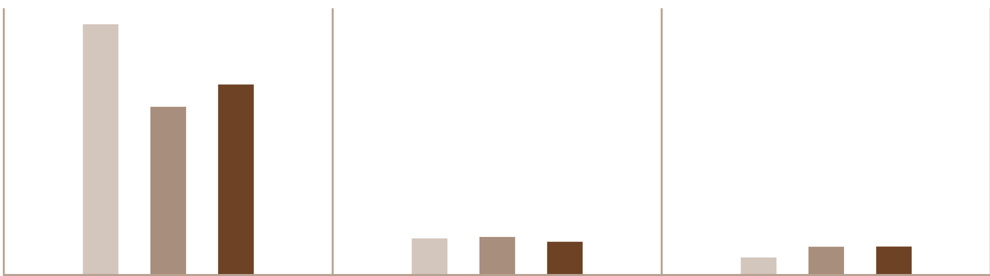
Electricity Consumption (kWh)



	FY2018	FY2019	FY2020
MEGAM	3,903,927	3,003,623	3,060,124
JTL	1,373,143	1,967,418	1,880,006
SGL	1,409,184	1,419,712	1,262,415

We present the electricity intensity* to obtain a concise comparison of consumption over the years. In the last reporting year, MEGAM has shown 33% reduction in water intensity compared to FY2018. In FY2020, we observed that MEGAM recorded 13% of increment in electricity intensity.

Electricity Intensity by Company (kWh/RM Revenue)



	MEGAM	JTL	SGL
FY2018	0.07519	0.01090	0.00518
FY2019	0.05044	0.01135	0.00840
FY2020	0.05710	0.00989	0.00848

* The electricity consumed per revenue (kwh per Ringgit Malaysia)

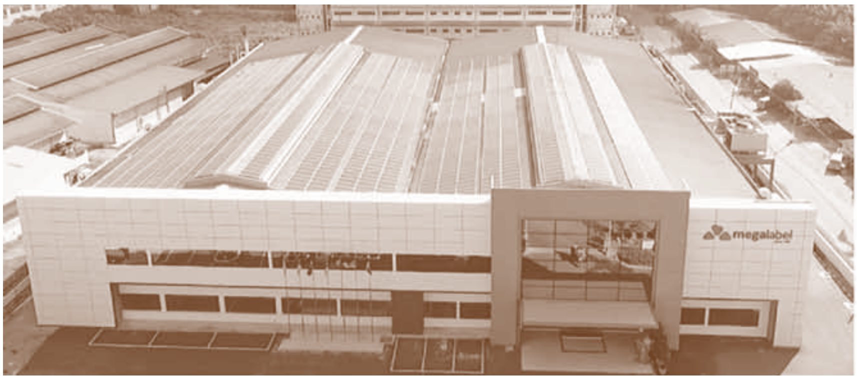
MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

Climate Change (302-1, 302-3, 302-4, 305-1, 305-2, 305-4) (Cont'd)

Electricity Reduction Initiatives

Several initiatives have been put in place to reduce electricity consumption in MEGAM and SGL.

MEGAM	• Installation of solar panels and batteries in April 2019. • Replaced conventional lights with LED light tubes. • Switching off lights during office hours. • Set all computers into sleeping mode whenever away from the keyboard for more than five minutes. • Maintained optimum air-conditioning temperature to conserve electricity. • Pasted stickers at all the switches to promote energy savings. • Conducted monthly review on electricity consumption in order to detect unusual electricity consumption.
SGL	• Upgraded air compressor. • Replaced sewing machines with energy-efficient machines.



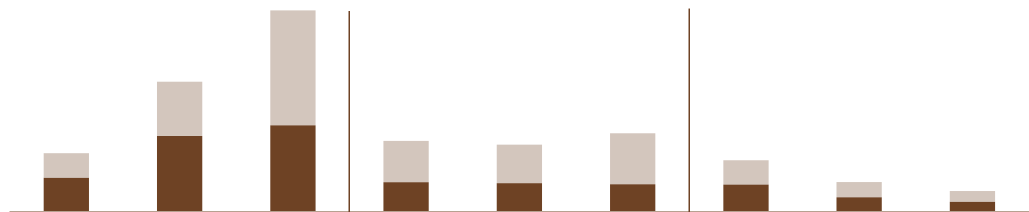
The installation of solar panels and batteries at MEGAM, have contributed to 25% reduction in daily electricity consumption.

Fuel Consumption

Other than electricity, the consumption of fuel in manufacturing and transportation also results in GHG emission. On that note, we continue to strive to identify ways to reduce fuel consumption and improve our fuel efficiency.

MEGAM recorded the highest fuel consumption with an increase of 55% from last year due to an increase in our production and distribution.

Fuel Consumption (ℓ)



	FY2018	FY2019	FY2020	FY2018	FY2019	FY2020	FY2018	FY2019	FY2020
	MEGAM			JTL			SGL		
Diesel	23,951	53,112	112,755	40,492	37,619	49,873	23,772	14,986	10,448
Petrol	33,719	74,770	84,955	29,388	28,452	27,274	27,031	14,525	10,235

MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

Climate Change (302-1, 302-3, 302-4, 305-1, 305-2, 305-4) (Cont'd)

Greenhouse Gas Emission

GHG emission from our businesses are resulted from manufacturing and distribution activities. This year, we continue to record and report our GHG emissions by monitoring Scope 1 and Scope 2 of GHG emissions in accordance with the Greenhouse Gas Protocol.

Scope 1	Scope 2
We report Scope 1 emissions which are direct emissions from the use of fuel in machineries and company-owned vehicles. The volume of CO_2 emission from the consumption of fuel is derived from the emission factor published by the IPCC Guidelines for National GHG Inventories.	We report Scope 2 emissions which are indirect emissions from electricity consumption. The volume of CO_2 emissions from the use of electricity was derived using the emission factor published by the Malaysian Green Technology Corporation for the Peninsular Grid and Institute for Global Environmental Strategies (IGES) 2017 for MEGAM, JTL and SGL, respectively.

We observed slight increment in GHG emissions compared to the previous year which was resulted from higher energy consumption recorded in FY2020.

Total GHG Emissions (kgCO_2)			
	FY2018	FY2019	FY2020
Scope 1	378,635	501,883	734,525
Scope 2	4,559,573	4,336,956	4,213,436
Grand total GHG emissions	4,938,208	4,838,839	4,947,961

Note: Values are restated for FY2018 and FY2019 due to change in the methodology of calculation and difference in emission factor used.

*Source of emission factor is as below:

Scope 1
JTL and SGL – Intergovernmental Panel on Climate Change (IPCC)
MEGAM – GreenTech Malaysia

Scope 2
JTL and SGL: Institute for Global Environmental Strategies (IGES) 2017
MEGAM: GreenTech Malaysia

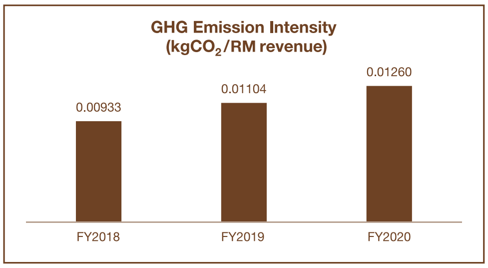
MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

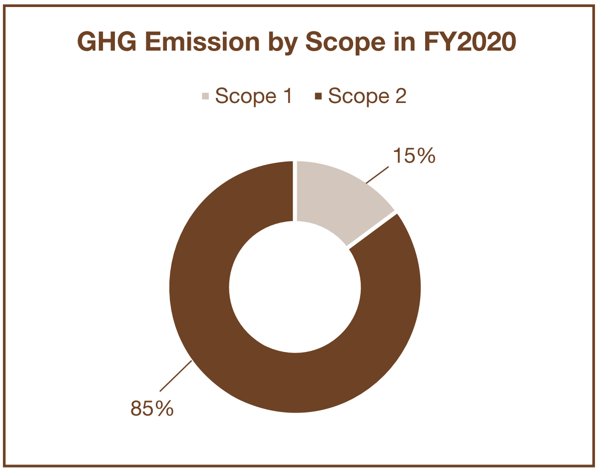
Climate Change (302-1, 302-3, 302-4, 305-1, 305-2, 305-4) (Cont'd)

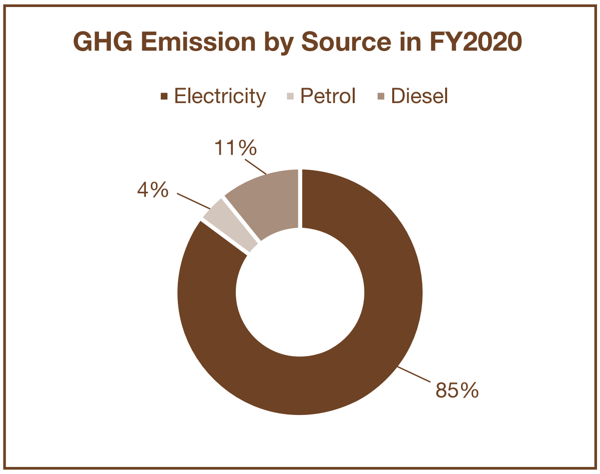
Greenhouse Gas Emission (Cont'd)

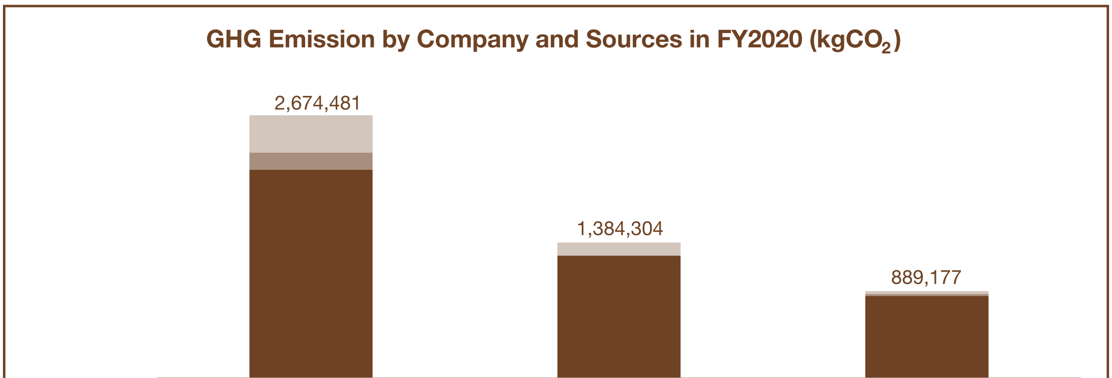
Our emission intensity has increased in FY2020 by 14% compared to FY2019.

The pie chart below signifies that 85% of GHG emission is contributed by Scope 2 emission while the remaining is the emission from Scope 1.









	MEGAM	JTL	SGL
Diesel	378,113	132,190	27,165
Petrol	172,642	1,910	22,506
Electricity	2,123,726	1,250,204	839,506

Note: Values are restated due to a change in the methodology of calculation and difference in emission factor used.

*Source of emission factor is as below:

Scope 1
JTL and SGL – Intergovernmental Panel on Climate Change (IPCC)
MEGAM – GreenTech Malaysia

Scope 2
JTL and SGL – Institute for Global Environmental Strategies (IGES) 2017
MEGAM – GreenTech Malaysia

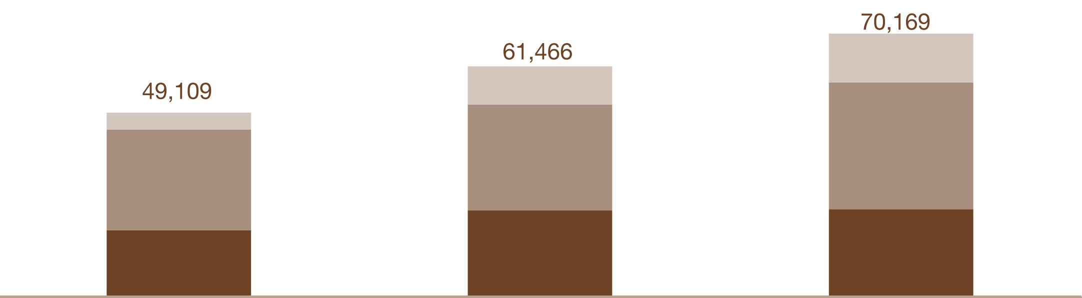
MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

Water Consumption (303-1, 303-5)

Although PCCS does not operate in any areas that experience water scarcity, we remain vigilant of our consumption and strive to reduce our water footprint by constantly monitoring our water consumption and implement water-saving initiatives.

Water consumption in MEGAM, JTL and SGL are primarily for manufacturing processes and domestic use, in which we source the water from municipal water suppliers. In addition, water source in JTL is supplemented by rainwater collected using a rainwater harvesting system.

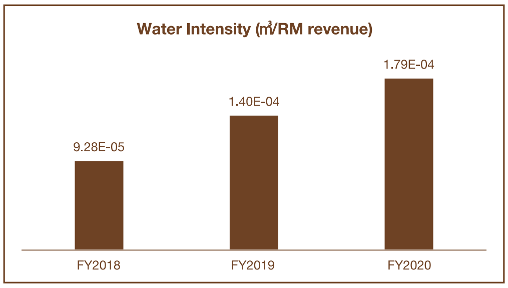
Total Water Consumption (m^3)



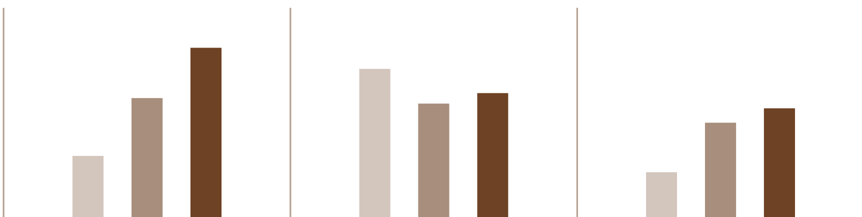
	FY2018	FY2019	FY2020
MEGAM	4,593	10,185	13,020
JTL	26,817	28,303	33,867
SGL	17,699	22,978	23,282

For the last three years, we have recorded an increasing trend in water consumption. In FY2020, the combined operations of MEGAM, JTL and SGL resulted in an increase of 14% as compared to FY2019.

The water intensity across our operations has increased by 28% in FY2020 compared to FY2019.



Water Intensity by Company (m^3/RM revenue)



	MEGAM	JTL	SGL
FY2018	8.85E-05	2.13E-04	6.51E-05
FY2019	1.71E-04	1.63E-04	1.36E-04
FY2020	2.43E-04	1.78E-04	1.56E-04

MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

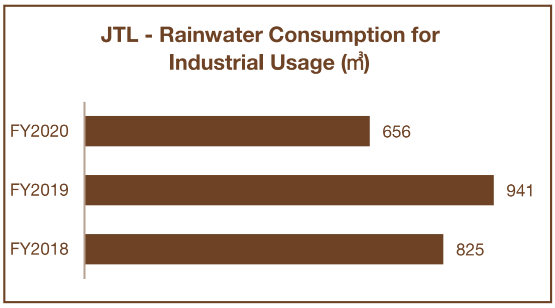
Water Consumption (303-1, 303-5) (Cont'd)

Water Reduction Initiatives

Our approach to reduce water consumption includes several initiatives that have been implemented in our operations.

Water Reduction Initiatives	
MEGAM	
• Regular site inspections to check on any leakages or wastages. • Implement internal operating procedures for water conservation. • Stickers pasted at all water pipes to promote water saving. • Monthly reviews on water consumption in order to detect unusual water consumption. • Installation of Internal Water Filtering System to treat and reuse water for cleaning purposes.	
JTL and SGL	
Initiatives	Description
Conducted survey to identify potential water reduction initiatives	The awareness of our employees on water conservation is crucial to uncover water savings opportunities and to engage them in the execution of water reduction programme.
Launch of Water Awareness Programme	Provide incentives and award for employees (Eco-Friendly Awards), who has been proactive in contributing ideas and efforts in reducing water consumption.
Weekly Meeting with Employees	This meeting aims to discuss water conservation initiatives, progress on implementation of water reduction policies, and achievement on water savings.

We have also implemented the use of rainwater harvesting system in JTL, in an effort to use rainwater as opposed to the unnecessary use of municipal water.



Material Consumption (301-2)

The efficient management of material inputs is necessary to reduce waste and operational costs. We closely monitor our material consumption patterns to identify areas where consumption can be optimised or reduced. This includes recycling our input materials to reduce the consumption of virgin resources.

MEGAM manages its material consumption by purchasing the right amount of material using the Enterprise Resource Planning ("**ERP**") system. For the reporting period, we have successfully reduced our stock-in-hand by 20-30% to prevent unnecessary additional inventory.

In addition, by investing in an auto splicer machine at MEGAM, we reduced material consumption by at least 3% which resulted in an improvement of the uptime performance by 5%.

Waste Management (306-2)

At PCCS, we constantly aim to reduce our waste output which will lead to the reduction of waste disposed at landfills. Recognising this, we adopted the 3Rs (Reduce, Reuse, Recycle) concept throughout our business operations.

Built upon this, we took the initiative to conduct waste separation at the source which segregate waste into hazardous waste and non-hazardous waste. Non-hazardous waste is further segregated into recyclables and non-recyclables, where recyclables are sent to recycling facilities while non-recyclables are disposed at landfills.

MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

Waste Management (306-2) (Cont'd)

Hazardous Waste

At MEGAM, we established Waste Segregation and Management Procedures in managing our hazardous waste including safe disposal of waste through DOE licensed waste collectors in Malaysia. For JTL, we dispose our waste through authorised agents registered with the Ministry of Environment in Cambodia.

	Type of Hazardous Waste	Amount of Hazardous Waste (Tons)
MEGAM	SW322: Waste of non-halogenated organic solvents	18,267.5
	SW409: Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	
	SW410: Rags, plastics, papers or filters contaminated with scheduled wastes	
	SW416: Sludges of inks, paints, pigments, lacquer, dye or varnish	
	SW417: Waste of inks, paints, pigments, lacquer, dye or varnish	
	SW423: Spent processing solution, discarded photographic, chemicals or discarded photographic wastes	
	SW429: Chemical that are discarded or off-specification	
JTL	Mostly electronic waste such as the components of sewing machine, printer and scanners, amongst others	6.0

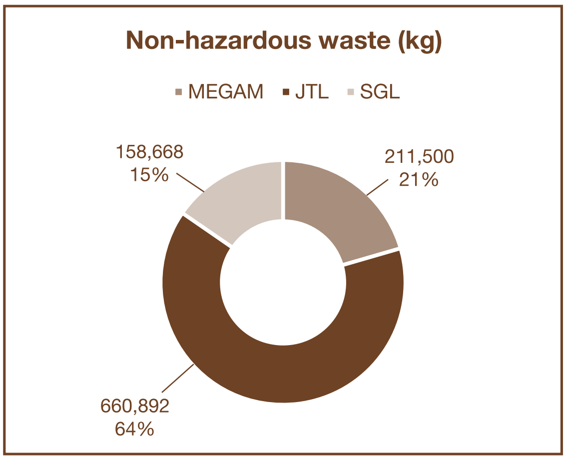
To improve the management of hazardous waste in MEGAM, we have implemented the following initiatives:

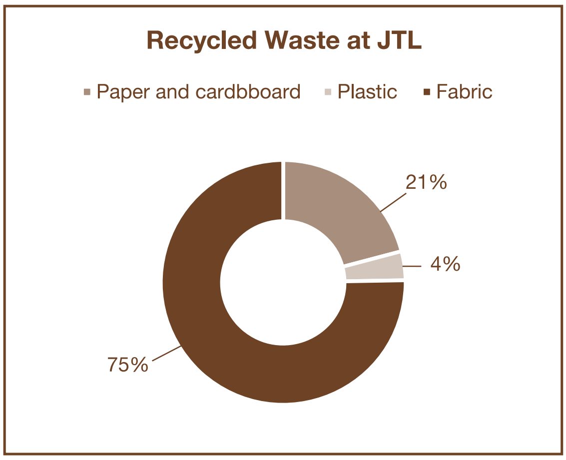
Scheduled Waste Initiatives in MEGAM
• Provide yearly training on scheduled waste management to relevant personnel. • Train competent employees by attending the course on Certified Environmental Professional in Scheduled Wastes Management. • Issue only "One" standard bag of fabric rag on monthly basis to the production section.

Non-Hazardous Waste

At JTL and SGL, we have implemented a Waste Sorting Programme that separates our non-hazardous waste into reusable, recyclable, and non-recyclable waste to ensure that our waste is disposed of in the most appropriate method. As we are in the apparel industry, remnant fabric material is the main source of our non-hazardous waste.

JTL produced the highest amount of non-hazardous waste contributing to 64%. This is followed by MEGAM and SGL by 21% and 15%, respectively.





MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

Waste Management (306-2) (Cont'd)

Non-Hazardous Waste (Cont'd)

We have implemented the following initiatives to improve the management of our waste:

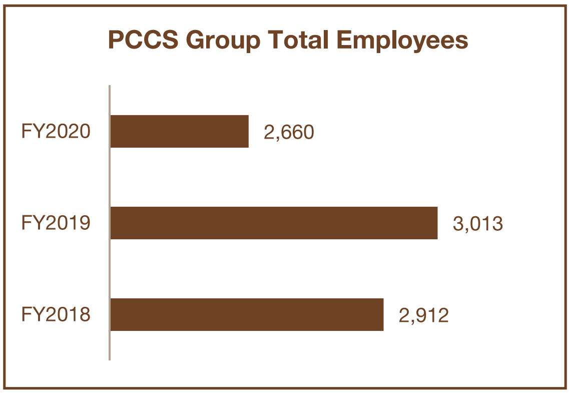
Waste Reduction Initiatives	
MEGAM	• Use soft copy documents instead of hard copies • Use recycled paper for internal documents • Monitor and record data on paper usage
JTL	• Reduce and reuse documentation paper • Sell used poly bags to fabric waste warehouse • Sell carboard tubes from fabric roll to warehouse • Reuse plastic sewing thread cones • Conduct waste segregation in the canteen area
SGL	• Install auto-cutter and computerised marker marking system to minimise fabric waste

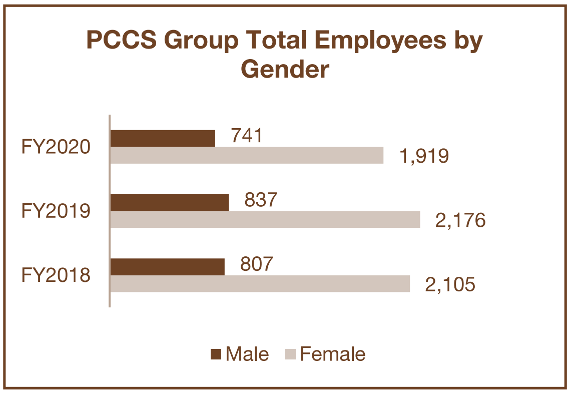
EMPOWERING OUR PEOPLE

Workplace Diversity (102-7, 102-8, 405-1)

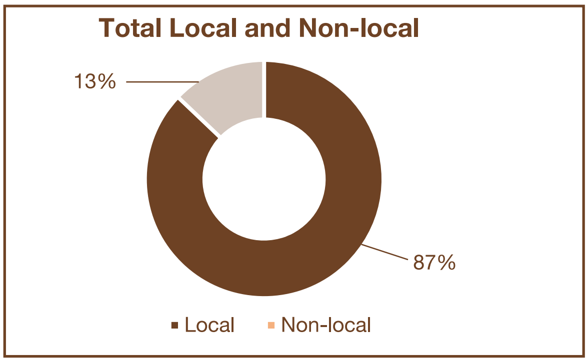
The Group recognises the importance of having a diverse and inclusive workforce regardless of gender, age, and background which promotes collaboration and innovation resulted from various perspectives and talents.

The total number of employees in the Group FY2020 was 2,660. Majority of our employees are women accounting for more than 70% for the past three years, with 95% of the women in the workforce employed at our manufacturing divisions in China and Cambodia. We empower the women by providing fair employment opportunities.





* FY2018 and FY2019 Total Employees include headcounts from MEGAM, JTL, SGL and Wan He Da Manufacturing Company Limited



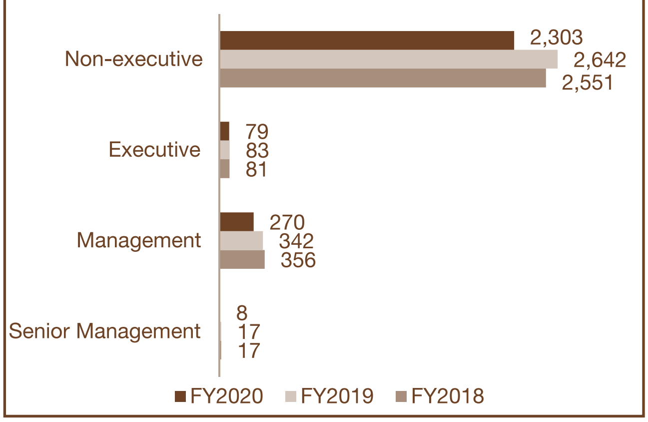
The Group continues to promote and attract talent from the local community in the areas where we operate. We take pride in contributing to the local economy for the reporting year, we are please to announce that 87% of our employees comprise locals with the remaining 13% made up of foreign workers.

Due to the nature of our business in the manufacturing sector, 85% of our total employees are inevitably from the non-executive group. In terms of age group, our largest workforce is in the age bracket of 30 – 50 years old (52%) and followed by the age bracket of 30 years old and below (46%).

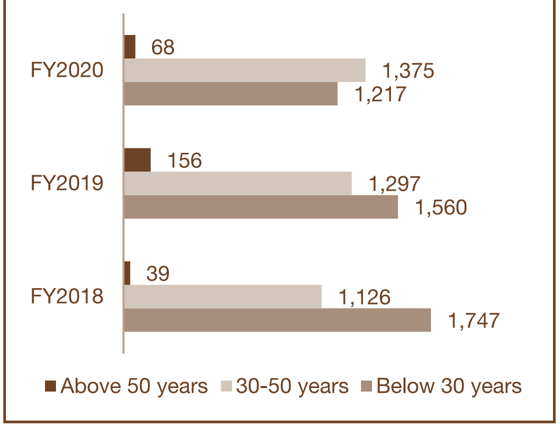
EMPOWERING OUR PEOPLE (CONT'D)

Workplace Diversity (102-7, 102-8, 405-1) (Cont'd)

PCCS Group Total Employees (by Employment Category)



PCCS Group Total Employees (by Age Group)



Talent Attraction and Retention (401-1, 401-2, 404-1, 404-3)

We regard our employees as our greatest asset and strive to continuously enhance their competencies with a wide range of training programmes to build their skills and learning as well as reward them with competitive remuneration packages, employee benefits, and career development opportunities. The Group uses several platforms including career fairs, internships, employee referral programme, and online job portal for recruitment to attract more talent to join the Group.

We provide our employees at MEGAM with continuous education and programmes on industry standards at our in-house auditorium.

Adherence to Minimum Wages

The Group adheres to the regulatory requirement for minimum wages in the countries where we operate, namely, Malaysia, Cambodia and China. We are pleased to report that in Cambodia, it is the Group's practice to offer salaries that is higher than the legal limit.

MEGAM	JTL	SGL
Effective 1st February 2020 the minimum wage had increased to RM 1,200 released by Malaysia Human Resource Ministry	Cambodia Labour Minister announced a raise wages to USD 190 to the textile and footwear industry effective January 2020	Remained at RMB 2,020

Benefits and Compensation

The Group provides benefits to support all employees in meeting both work and life needs. Our employees are entitled to various benefits elements such as group personal accident insurance, work-related communication expenses, and annual, parental, hospitalisation, and marriage leave.

In MEGAM, to further motivate our employees, we provide bonuses, offer profit sharing options, and reward loyal employees via long service awards ceremony to show appreciation to our employees.

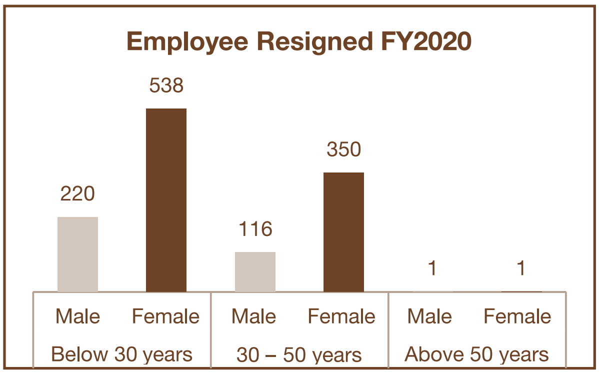
Furthermore, our premise in JTL is equipped with a nursing room for breastfeeding mothers and a daycare centre for children aged between 18 months to 36 months.

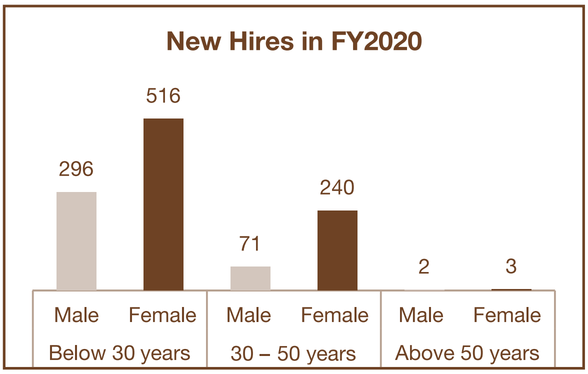
EMPOWERING OUR PEOPLE (CONT'D)

Talent Attraction and Retention (401-1, 401-2, 404-1, 404-3) (Cont'd)

Employee Hires and Turnover

In FY2020, across the Group, we provided employment opportunities for 1,128 workers and we recorded a hire rate of 42% with a majority being women below 30 years. Our turnover rate was 44% with JTL contributing to the highest number of employees who resigned due to highly competitive market in Cambodia.



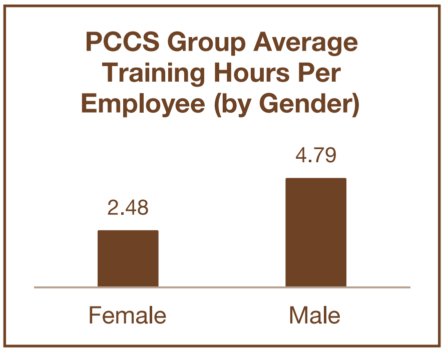


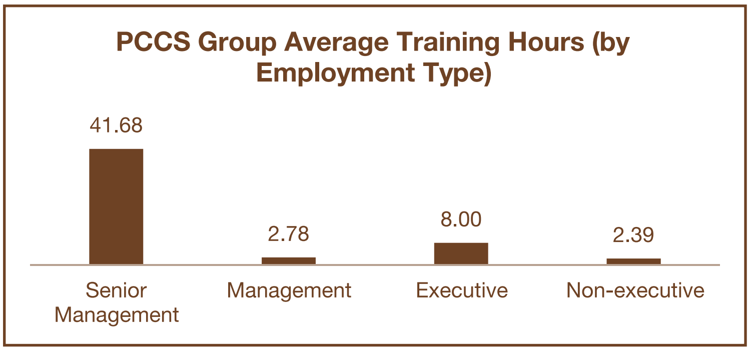
Training and Development

The Group strongly believes that the creation of long-term value is intrinsically linked to the development of human capital. We provide a combination of training programmes, workshops and courses to improve competency, increase health and safety awareness, strengthen leadership skills and prepare for future challenges.

8,407.68
Total Training Hours
provided to employees in FY2020

Average of **3.16** Training Hours Per Employee





Employee Engagement

The Group believes that engaged employees are more satisfied with work, tend to stay longer, as well as are more productive and dedicated. We conduct employees performance appraisal and distribute annual satisfaction survey at all our operations to measure employees satisfaction.

100%

Employees received performance appraisal

**Based on MEGAM and SGL*

At MEGAM, performance appraisal and employees satisfaction survey was conducted biannually, and we are pleased to report that employees satisfaction score had increased from 77.9% in April to 86.6% in January as we continue to improve our care value.

We celebrate diversity, strengthen the relationship among our employees and promote work-life balance by organising annual festive celebrations in all countries of our operations, such as Hari Raya, Chinese New Year, Christmas, and also Khmer New Year celebration.

Furthermore, in MEGAM, we regularly conduct sport activities such as badminton, aerodance and Mega Leadership Camp team building.

EMPOWERING OUR PEOPLE (CONT'D)

Labour Rights (406-1, 408-1)

The Group strongly believe that every employee must be treated fairly and with respect. We endeavor to provide our employees with a diverse and inclusive working environment where their rights are respected and upheld, preventing any possible human rights violations. Each of our operation is subjected to the laws as listed below according to the countries where we operate.

MEGAM	JTL	SGL
Employment Act 1955	Cambodia Labour Law 1997	PRC Labour Law

Equal Employment Opportunity

In our recruitment process, the Group takes pride in being an employer that provides equal opportunities regardless of religious belief, age, gender and background. The Group offers employment opportunities based on merit, knowledge, experience, and skills.

Prohibition of Discrimination and Harassment

The Group is committed in providing a working environment that is conducive, safe, and free of any form of discrimination and harassment. The Group views discrimination and harassment as a serious violation of its rules and regulations, and core values. Any employee found guilty of such misconduct will be subjected to disciplinary actions that may include dismissal.

There were no cases of discrimination and harassment filed during the reporting year.

Prevention of Child Labour

The Group prohibits all forms of child slavery and labour in its employment system by only accepting job applications from persons at and above the legal employment age; and comply with the laws and regulations of the countries that we operate within including the stipulations of the International labour Organisation as applicable.

Occupational Health And Safety (403-1, 403-2, 403-4, 403-5, 403-7, 403-8, 403-9)

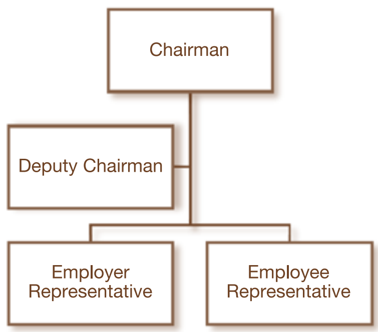
The Group recognises the importance of providing our employees with a safe and healthy working environment, which protects the wellbeing of employees and minimises accidents and incidents at the workplace. In order to guide the Group in ensuring a safe workplace, we are certified to occupational safety and health ("**OSH**") management system and governed by standards and guidelines, as listed below.

MEGAM	JTL	SGL
Guideline on Safety Operation on Machines Standard	Health, Safety and Environment ("**HSE**") Management System	PRC Safety Workplace

We recognise our statutory and social responsibilities to provide the highest standard of health, safety and environment protection for our employees. In order to ensure the implementation of an OSH management system, standards and procedures, the Group established OSH Committee at each of our subsidiary companies. The Committee is responsible to oversee our operational safety ensuring the effectiveness of standards and procedures, identifying safety and health risk, establishing safety rules and conducting awareness and training programme to increase knowledge and skills of employees.

The OSH committee meets regularly to discuss any accidents and incidents, and to determine appropriate corrective and mitigation actions in order to reduce safety and health risks. The Committee also reviews and updates the operational safety rules whenever necessary to ensure alignment with the latest business requirements.

Occupational Safety and Health Committee



EMPOWERING OUR PEOPLE (CONT'D)

Occupational Health And Safety (403-1, 403-2, 403-4, 403-5, 403-7, 403-8, 403-9) (Cont'd)

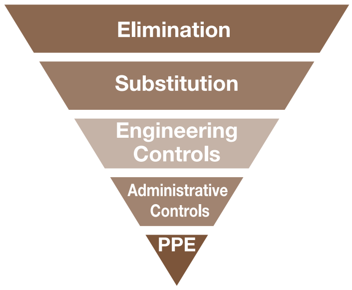
In MEGAM, we have established a Safety Policy and developed a guideline on Safety Operation on Machines. The appointed Safety Officer is responsible to enforce the requirements of the guidelines and to ensure compliance to the applicable regulations.

- Machines are not allowed to be operating unattended.
- No machines shall be operated without adequate lighting.
- Appropriate attire and Personal Protective Equipment ("**PPE**") as provided shall be used for self-protection.
- Die-cutting section of machines shall be well protected, enclosed or free from interaction with operators when power is supplied to run the machine.
- Supervisor shall be informed when abnormal machine conditions are discovered.

Accidents and incidents are required to be recorded and investigated; and our employees are provided with knowledge and skills to identify safety and health risks including unsafe acts, and to report these to the safety and health officer or supervisor for further action.

Safety and Health Risk

The Group implements the hierarchy of controls to manage the safety and health risks that could occur in our operations. The hierarchy of controls as shown in the illustration explains that elimination of risk is the most effective approach while Personal Protective Equipment ("**PPE**") is the least effective measure in minimising and eliminating exposure to hazards.



At MEGAM, we established the Hazard Identification, Risk Assessment and Risk Control ("**HIRARC**") methodology aimed at identifying hazards at the workplace and implementing measures to reduce risk.

Meanwhile, at SGL we conduct weekly 6S inspections to eliminate safety and health hazards that occur due to poor housekeeping. This is to ensure that essential tools, materials and resources are located at the right place, for easy retrieval.

Sort	Remove materials which are not needed or used at the workplace	Safety	Make the workplace safe and free from hazards
Set in Order	Organise everything in a proper place and manner for quick retrieval	Standardise	Standardise the ways of maintaining tidiness, orderliness and cleanliness
Shine	Clean up the workplace. This is to be conducted by individual employee.	Sustain	Commit and practice 6S daily by making it a way of life

Emergency Reponse Plan

To ensure good and effective co-ordination in various emergency situations that could occur within our operations, we have developed an emergency response plan ("**ERP**"). It includes drills, procedures, list of all necessary details on the organisation, communication and responsibilities to be observed by all levels of employment including management, administrative office, fire fighting team, first-aid emergency service team, security guard, warden, employees and visitors.

2,705.80 Hours

of health and safety training provided to employees.

**Based on MEGAM and JTL*

EMPOWERING OUR PEOPLE (CONT'D)

Occupational Health And Safety (403-1, 403-2, 403-4, 403-5, 403-7, 403-8, 403-9) (Cont'd)

OSH Training

We believe that it is our responsibility to provide the necessary knowledge and skills to employees to promote a safe and healthy work culture throughout the organisation. In view of this, the Group has provided multiple training programmes, which are listed below.

MEGAM
• Safety Awareness Briefing for New Employees • Annual Forklift Training • First Aider Training • Fire Drill & Chemical Spill Drill • Safety Briefing for Service Providers

JTL
• OSH and Fire Safety Management System • Fire Fighting Training Fire Evacuation Drill Training at Factory • HSE Orientation for New Join Employees • Forklift Safety Driving Refresher and Training • Chemical Safe Handling, Spillage and PPE Training • PPE and Refresher Training • First Aid and Refresher Training • Health, Safety and Environment Policy Training • Advanced Risk Assessment • Electrical Safety Training • Machinery Safety Guard Training • High and Hot Work Safety Training • Emergency Drill at Hostel • Permit to Work and Lockout/Tagout Training and Refresher

SGL
• Fire Evacuation Drill

Injury Record

Air quality, brightness, temperature and noise levels are monitored across our operations. Employees working in areas of high noise level are provided with hearing protectors such as earplugs or earmuffs to reduce noise exposure.

At MEGAM, the noise level was within the limit stipulated in the Occupational Safety and Health (Noise Exposure) Regulations 2019. In FY2020, 35 NIHL cases were reported in MEGAM, of which most cases were due to external factors such as history of exposure to noise in employee's previous employment and personal lifestyle.

Number of Injury Reported in FY2020	
Battery splashed in the eye	1
Knife cut	1
Slipped on the stairs	1
Burns from hot water	1
Noise Induced Hearing Loss ("**NIHL**")	35

**Based on MEGAM and JTL*

At JTL, we offer free medical service at our operational site to ensure our employees have access to immediate healthcare services. The healthcare service is provided by qualified doctors and nurses, providing employees with primary care in the event of injury. Zero injury cases were reported at SGL in FY2020.

EMPOWERING OUR PEOPLE (CONT'D)

Occupational Health And Safety (403-1, 403-2, 403-4, 403-5, 403-7, 403-8, 403-9) (Cont'd)

Penalty System

The Group initiated a penalty system as a discipline programme for employees should they violate any of the safety rules to ensure that the safety standards of the Group are maintained and accidents are kept to a minimum. At MEGAM, we penalise employees who do not wear PPE as required at the workplace.

While at JTL, a warning letter will be issued if an employee is found violating the safety rules indicated:

- Smoking in prohibited area
- Speeding in company's premises (>10kmh)
- Vandalism involving fire, safety and health equipments
- Failure to observe fire precaution
- Careless and indifferent attitude affecting own safety and/or others
- Gross negligence of work resulting in dangerous occurrence/serious accident and causing damage to company property
- Bringing/consuming intoxication liquid or drug within company premises.
- Littering
- Creating health hazards
- Not complying with the instruction pertaining to safety received from superior and members of OSH committee

All safety personnel and heads or department are empowered to take disciplinary action against any employee found violating the safety rules.

CREATING A STRONGER COMMUNITIES

Creating Value For Society (413-1)

The Group believes that sustainable business development works in tandem with the development of communities. Therefore, we strategise our contribution in creating value while giving back to local communities, where the strengths of our business complement the needs of society.

During the year, MEGAM conducted various community engagement programmes including charity drives and sponsorship.

Programme	Description
Commercial House Charity Golf	Charity donation to provide better education to underprivileged children
Pertubuhan Kebajikan Kasih Murni Batu Pahat	Charity donation to cover counselling and tuition fees for students with special needs
Majlis Penurusan Komuniti Kampung Panchor	Sponsorship for Hari Raya Celebration in Kampung Panchor
Junior Chamber International Bukit Mertajam	Sponsorship for Province Wellesley Run 2019 organised by MY CO2 Group of Companies with the objective to foster unity and build awareness on healthy and balanced living – 11 employees participated in the charity run.
Persatuan Alumni Tiong Hua UTHM	Sponsorship for Tiong Hua Cultural Night 2019
Persatuan Bola Keranjang Daerah Batu Pahat	Sponsorship for basketball tournament

CREATING A STRONGER COMMUNITIES (CONT'D)

Creating Value For Society (413-1) (Cont'd)

PCCS employees at Province Wellesley Run,
Bukit Mertajam

Basketball Tournament at Batu Pahat,
Basketball Association Court

CONCLUSION

As an apparel and labeling manufacturer, the Group aims to set a benchmark for sustainable business practices. Year-on-year, we endeavour to enhance and integrate sustainable initiatives into our daily business operations, leveraging on the positive impacts of sustainability to achieve greater business growth.

GRI CONTENT INDEX (102-55)

Disclosure	Description	Page
Organisational Profile		
102-1	Name of the organisation	51
102-2	Activities, brands, products, and services	51
102-3	Location of headquaters	51
102-4	Location of operations	51
102-7	Scale of the organisation	76
102-8	Information on employees and other workers	76
102-9	Supply Chain	65
Ethics and Integrity		
102-16	Values, principles, standards and norms of behaviour	61
102-17	Mechanisms for advice and concerns about ethics	61
Governance		
102-18	Governance structure	54
102-20	Executive-level responsibility for economic, environmental and social topics	54
102-26	Role of highest governance body in setting purpose, values, and strategy	54
102-32	Highest governance body's role in sustainability reporting	54
Stakeholder Engagement		
102-40	List of stakeholder groups	55, 59
102-43	Approach to stakeholder engagement	55, 63
102-44	Key topics and concerns raised	55

GRI CONTENT INDEX (102-55) (CONT'D)

Disclosure	Description	Page
Reporting Practice		
102-46	Defining report content and topic boundaries	51
102-47	List of material topics	57
102-50	Reporting period	51
102-52	Reporting cycle	51
102-53	Contact point for questions regarding the report	51
102-55	GRI content index	83
Management Approach		
103-1	Explanation of the material topic and its Boundary	51, 66
103-2	The management approach and its components	51-83
103-3	Evaluation of the management approach	51-83
GRI 200: ECONOMIC		
Procurement Practices		
204-1	Proportion of spending on local suppliers	65
205-2	Communication and training about anti-corruption policies and procedures	61
GRI 300: ENVIRONMENTAL		
Energy		
302-1	Energy consumption within the organisation	68
302-3	Energy Intensity	68
302-4	Reduction of energy consumption	68
Water and Effluents		
303-1	Interactions with water as a shared resource	73
303-5	Water Consumption	73
Emissions		
305-1	Direct (Scope 1) GHG Emissions	68
305-2	Energy Indirect (Scope 2) GHG Emissions	68
305-4	GHG Emission Intensity	68
Effluents and Waste		
306-2	Waste by type and disposal method	74
Environmental Compliance		
307-1	Non-compliance with environmental law and regulations	68
GRI 400: SOCIAL		
Occupational Health and Safety		
403-1	Occupational health and safety management system.	79
403-2	Hazard identification, risk assessment, and incident investigation	79
403-4	Worker participation, consultation, and communication on occupational health and safety	79
403-5	Worker training on occupational health and safety	79
403-7	Promotion of worker health	79
403-8	Workers covered by an occupational health and safety management system	79
403-9	Work-related injuries	79

GRI CONTENT INDEX (102-55) (CONT'D)

Disclosure	Description	Page
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	76
Non-Discrimination		
406-1	Incidents of discrimination and corrective actions taken	79
Child Labour		
408-1	Operations and suppliers at significant risk for incidents of child labor	79
Employment		
401-1	New employee hires and employee turnover	77
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	77
Training and Education		
404-1	Average hours of training per year per employee	77
404-3	Percentage of employees receiving regular performance and career development reviews	77
Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programmes	82
Customer Health and Safety		
416-1	Assessment of the health and safety impact of product and service categories	63
Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	66

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 2020.

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 9 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	13,242	2,351
Attributable to:		
Owners of the Company	15,116	2,351
Non-controlling interests	(1,874)	–
	13,242	2,351

DIVIDENDS

The amount of dividends 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 2020, paid on 4 February 2020	2,100

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 March 2020.

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, the Company issued 361,000 new ordinary shares from the exercise of the Company's Employee Share Option Scheme ("ESOS") as disclosed in Note 15 to the financial statements which amounted to RM192,000.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

During the financial year, the Company did not issue any debentures.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year other than the issue of options pursuant to the ESOS.

At an Extraordinary General Meeting held on 26 August 2019, the Company's shareholders approved the establishment of an ESOS for directors and employees who meet the criteria of eligibility for participation.

The salient features and other details of the ESOS are disclosed in Note 16(d) to the financial statements.

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 *
Dato' Chan Chor Ngiak *
Chan Chor Ang *
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	
Pan Jing	
Lim Hock Beng	
Chen TianSheng	(Appointed on 4 September 2019)
Tang Lai Huat	(Appointed on 4 September 2019)
Shi XiaoQun	(Appointed on 4 September 2019)
Wang WenJun	(Appointed on 4 September 2019)
Huang Wei	(Resigned on 18 October 2019)
Tang AiHua	(Resigned on 18 October 2019)
Zhu XiuWen	(Resigned on 8 October 2019)

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 in the Company

	Number of ordinary shares			
	At 1 April 2019	**Bought**	**Sold/ Transferred**	**At 31 March 2020**
Direct interests:				
Chan Choo Sing	–	8,256,102	–	8,256,102
Chan Chow Tek	4,522,750	8,956,142	(5,522,750)	7,956,142
Dato' Chan Chor Ngiak	1,189,359	4,777,026	(1,118,425)	4,847,960
Chan Chor Ang	1,898,225	3,359,944	(500,200)	4,757,969
Indirect interests:				
Chan Choo Sing*^	108,985,106	6,597,064	(24,000,078)	91,582,092
Chan Chow Tek*	24,000,078	–	(24,000,078)	–
Dato' Chan Chor Ngiak#	4,665	–	–	4,665
Chan Chor Ang#	140,000	–	(40,000)	100,000

* Shares held through Company in which the directors have substantial financial interest
# Shares held through spouse
^ Shared held through spouse and son

	Number of warrants			
	At 1 April 2019	**Bought**	**Sold**	**At 31 March 2020**
Direct interests:				
Chan Chow Tek	1,350,000	–	(1,350,000)	–
Dato' Chan Chor Ngiak	509,725	–	(479,325)	30,400
Chan Chor Ang	813,525	–	(813,525)	–
Indirect interests:				
Chan Choo Sing	46,707,902	–	(30,000,000)	16,707,902
Dato' Chan Chor Ngiak	1,999	–	–	1,999
Chan Chor Ang	60,000	–	(60,000)	–

	Number of ESOS			
	At 1 April 2019	**Granted**	**Exercised**	**At 31 March 2020**
Direct interests:				
Chan Choo Sing	–	120,000	–	120,000
Chan Chow Tek	–	100,000	(100,000)	–
Dato' Chan Chor Ngiak	–	50,000	(50,000)	–
Chan Chor Ang	–	50,000	–	50,000
Julian Lim Wee Liang	–	50,000	–	50,000
Piong Yew Peng	–	50,000	–	50,000

DIRECTORS' INTERESTS (CONT'D)

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, warrants and options over ordinary shares 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 25 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, other than those arising from the share options granted under the ESOS.

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 9 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 34 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 35 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 24 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, 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: 21 July 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	119,328	73,334	330	218
Land use rights	6	–	2,311	–	–
Investment properties	7	9,763	10,006	–	–
Investment in subsidiaries	9	–	–	57,172	71,148
Deferred tax assets	18	258	–	–	–
Total non-current assets		129,349	85,651	57,502	71,366
Current assets					
Inventories	10	65,778	52,180	–	–
Trade and other receivables	11	55,769	93,625	22,380	9,956
Other current assets	12	10,445	4,668	455	47
Tax assets	13	217	–	4	–
Deposits, cash and bank balances	14	65,031	54,885	10,909	8,272
Total curent assets		197,240	205,358	33,748	18,275
TOTAL ASSETS		326,589	291,009	91,250	89,641

STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 MARCH 2020 (CONT'D)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	83,830	83,638	83,830	83,638
Warrants reserve	16	6,383	6,383	6,383	6,383
Foreign exchange reserve	16	6,201	7,353	–	–
Legal reserve fund	16	3,006	1,973	–	–
Share option reserve	16	1,113	–	1,113	–
Retained earnings/ (Accumulated losses)		52,976	40,993	(6,001)	(6,252)
		153,509	140,340	85,325	83,769
Non-controlling interests		7,274	1,806	–	–
TOTAL EQUITY		160,783	142,146	85,325	83,769
Non-current liabilities					
Loans and borrowings	17	25,194	9,364	60	58
Deferred tax liabilities	18	26	20	–	–
Total non-current liabilities		25,220	9,384	60	58
Current liabilities					
Loans and borrowings	17	40,332	42,197	71	36
Trade and other payables	19	100,254	95,019	5,794	5,708
Tax liabilities		–	2,263	–	70
Total current liabilities		140,586	139,479	5,865	5,814
TOTAL LIABILITIES		165,806	148,863	5,925	5,872
TOTAL EQUITY AND LIABILITIES		326,589	291,009	91,250	89,641

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

STATEMENTS OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue	20	425,032	438,483	11,522	20,726
Cost of sales	21	(340,506)	(349,355)	–	–
Gross profit		84,526	89,128	11,522	20,726
Other income	22	6,444	10,261	1,101	2,319
Administrative expenses		(58,345)	(56,624)	(2,554)	(2,016)
Net (impairment losses)/ reversal of impairment losses on financial assets		(1,172)	(31)	(7,668)	1,249
Selling and marketing expenses		(11,562)	(12,956)	–	–
Other expenses		(41)	–	–	–
		(71,120)	(69,611)	(10,222)	(767)
Profit from operations		19,850	29,778	2,401	22,278
Finance costs	23	(4,265)	(3,652)	(8)	(2)
Profit before tax	24	15,585	26,126	2,393	22,276
Tax expense	26	(2,343)	(6,081)	(42)	(36)
Profit for the financial year		13,242	20,045	2,351	22,240
Other comprehensive loss, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(1,040)	(3,245)	–	–
Reclassification adjustment for the cumulative exchange gain on translation of financial statements of foreign operations transferred to profit or loss upon winding up of a subsidiary		(97)	–	–	–
Total comprehensive income for the financial year		12,105	16,800	2,351	22,240

		Group		Company	
	Note	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Profit/(Loss) attributable to:					
Owners of the Company		15,116	20,475	2,351	22,240
Non-controlling interests		(1,874)	(430)	–	–
		13,242	20,045	2,351	22,240
Total comprehensive income/(loss) attributable to:					
Owners of the Company		13,964	17,230	2,351	22,240
Non-controlling interests		(1,859)	(430)	–	–
		12,105	16,800	2,351	22,240
Earning per share (sen)					
- Basic	27	7.19	9.75		
- Diluted	27	7.19	9.75		

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

	Note	← Share capital RM'000	Share option reserve RM'000	Warrants reserve RM'000	Attributable to owners of the Company 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 2019		83,638	–	6,383	7,353	1,973	40,993	140,340	1,806	142,146
Total comprehensive income for the financial year										
Profit for the financial year		–	–	–	–	–	15,116	15,116	(1,874)	13,242
Other comprehensive loss for the financial year		–	–	–	(1,055)	–	–	(1,055)	15	(1,040)
Reclassified to profit or loss upon winding up a subsidiary		–	–	–	(97)	–	–	(97)	–	(97)
Total comprehensive income		–	–	–	(1,152)	–	15,116	13,964	(1,859)	12,105
Transactions with owners										
Non-controlling interests arising from acquisition of new subsidiary		–	–	–	–	–	–	–	853	853
Subscription of shares by non-controlling interests in a subsidiary		–	–	–	–	–	–	–	6,474	6,474
Issue of ordinary shares pursuant to ESOS	15	192	(58)	–	–	–	–	134	–	134
Share option issued	16(d)	–	1,171	–	–	–	–	1,171	–	1,171
Transfer to legal reserve fund		–	–	–	–	1,033	(1,033)	–	–	–
Dividends paid on shares	28	–	–	–	–	–	(2,100)	(2,100)	–	(2,100)
Total transactions with owners		192	1,113	–	–	1,033	(3,133)	(795)	7,327	6,532
At 31 March 2020		83,830	1,113	6,383	6,201	3,006	52,976	153,509	7,274	160,783

	Note	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
		← Attributable to owners of the Company					→		
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)	–	–	–
Dividends paid on shares	28	–	–	–	–	(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	Share capital RM'000	Share option reserve RM'000	Warrants reserve RM'000	Accumulated losses RM'000	Total equity RM'000
		Attributable to owners of the Company				
Company						
At 1 April 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						
Dividends paid on shares, representing total transactions with owners	28	–	–	–	(2,100)	(2,100)
At 31 March 2019		83,638	–	6,383	(6,252)	83,769
Total comprehensive income for the financial year						
Profit for the financial year, representing total comprehensive income		–	–	–	2,351	2,351
Transactions with owners						
Issue of ordinary shares pursuant to ESOS	15	192	(58)	–	–	134
Share option issued	16(d)	–	1,171	–	–	1,171
Dividends paid on shares	28	–	–	–	(2,100)	(2,100)
Total transactions with owners		192	1,113	–	(2,100)	(795)
At 31 March 2020		83,830	1,113	6,383	(6,001)	85,325

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

STATEMENTS OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from operating activities					
Profit before tax		15,585	26,126	2,393	22,276
Adjustments for:					
Amortisation of land use rights		–	53	–	–
Bad debts written off		1,175	37	–	–
Depreciation on property, plant and equipment		13,004	6,775	79	38
Depreciation on investment properties		273	249	–	–
Gain on disposal of non-current asset held for sale		–	(4,567)	–	–
Impairment loss on goodwill		1,250	–	–	–
Interest expense		4,265	3,652	8	2
Interest income		(728)	(400)	(207)	(149)
Loss on voluntary winding up of a subsidiary		41	–	–	–
Loss/(Gain) on disposal of property, plant and equipment		275	(585)	(30)	(4)
Net impairment loss on:					
- investment in subsidiaries		–	–	10,662	–
- trade and other receivables		1,172	31	–	–
- other current assets		–	3,705	–	–
Net reversal of impairment loss on amount owing by subsidiaries		–	–	(2,994)	(1,249)
Inventories written down		571	5	–	–
Property, plant and equipment written off		–	113	–	7
Share-based payments		1,171	–	121	–
Unrealised (gain)/loss on foreign exchange		(4,109)	(2,283)	(371)	200
Waiver of debts from a subsidiary		–	–	–	(1,187)
		18,360	6,785	7,268	(2,342)
Operating cash flows before changes in working capital		33,945	32,911	9,661	19,934
Changes in working capital:					
Inventories		(14,169)	(2,991)	–	–
Other current assets		(5,778)	(352)	–	–
Trade and other receivables		39,026	11,133	(408)	(20)
Trade and other payables		(15,339)	(2,995)	86	(350)
		3,740	4,795	(322)	(370)
Net cash generated from operations		37,685	37,706	9,339	19,564
Interest paid		(4,265)	(3,652)	(8)	(2)
Tax paid		(5,356)	(3,619)	(116)	(828)
Net cash from operating activities		28,064	30,435	9,215	18,734

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from investing activities					
Acquisition of a subsidiary, net of cash acquired		(1,244)	–	–	–
Advances to subsidiaries		–	–	(4,695)	(12,000)
Interest received		728	400	207	149
Investment in subsidiary		–	–	–	(14,000)
Purchase of property, plant and equipment	5(a)	(27,790)	(18,482)	(91)	(79)
Proceeds from disposal of non-current asset held for sale		–	8,500	–	–
Proceeds from disposal of property, plant and equipment		471	981	30	4
Net cash used in investing activities		(27,835)	(8,601)	(4,549)	(25,926)
Cash flows from financing activities	(a)				
Dividends paid to owners of the Company		(2,100)	(2,100)	(2,100)	(2,100)
Net drawdown of term loans		16,414	7,626	–	–
Proceeds from ordinary shares issued pursuant to ESOS		134	–	134	–
Repayments of lease liabilities/finance lease liabilities		(3,593)	(1,082)	(63)	(44)
Repayments to subsidiaries		–	–	–	(1,621)
Repayments of short–term borrowings		(5,482)	(17,910)	–	–
Subscription of shares in a subsidiary by non-controlling interest		6,474	–	–	–
Net cash from/(used in) financing activities		11,847	(13,466)	(2,029)	(3,765)
Net increase/(decrease) in cash and cash equivalents		12,076	8,368	2,637	(10,957)
Cash and cash equivalents at the beginning of the financial year		54,885	50,961	8,272	19,229
Effects of foreign exchange rate changes		(1,930)	(4,444)	–	–
Cash and cash equivalents at the end of the financial year	14	65,031	54,885	10,909	8,272

(a) Changes in liabilities arising from financing activities:

Group	**Note**	**1.4.2019 RM'000**	**Effect of adoption of MFRS 16 RM'000**	**Cash flows RM'000**	**Acquisition RM'000**	**31.3.2020 RM'000**
Lease liabilities	17	4,636	4,855	(3,593)	1,771	7,669
Term loans	17	8,140	–	16,414	–	24,554
Short-term borrowings	17	38,785	–	(5,482)	–	33,303
		51,561	4,855	7,339	1,771	65,526
Company						
Lease liabilities	17	94	–	(63)	100	131

Group	**Note**	**1.4.2018 RM'000**	**Cash flows RM'000**	**Acquisition RM'000**	**31.3.2019 RM'000**
Finance lease liabilities	17	3,365	(1,082)	2,353	4,636
Term loans	17	514	7,626	–	8,140
Short-term borrowings	17	56,695	(17,910)	–	38,785
		60,574	(11,366)	2,353	51,561
Company					
Finance lease liability	17	–	(44)	138	94
Amounts owing to subsidiaries	19	2,447	(1,621)	–	826
		2,447	(1,665)	138	920

(b) Total cash outflows for leases

During the financial year, the Group and the Company had total cash outflows for leases of RM4,077,000 and RM70,000 respectively.

The accompanying notes form an integral part of these 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 9. 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 21 July 2020.

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 MFRS	
MFRS 16	Leases
Amendments/Improvements to MFRSs	
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investments in Associates and Joint Ventures
New IC Int	
IC Int 23	Uncertainty over Income Tax Treatments

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 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 Leases and IC Int 4 *Determining whether an Arrangement contains a Lease.*

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group and the Company have applied MFRS 16 using the modified retrospective approach with an amount equal to the lease liability, adjusted by the amount of, any prepaid or accrued lease payments relating to that lease recognised in the statements of financial position immediately before the date of initial application (i.e. 1 April 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group and the Company have elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 April 2019. Existing lease contracts that are still effective on 1 April 2019 will be accounted for as lease contracts under MFRS 16.

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group and the Company have complied with in the current financial year, the application 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.

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 16 Leases (Cont'd)

Impact of the adoption of MFRS 16 (Cont'd)

(i) Classification and measurement

As a lessee, the Group and the Company previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group and to the Company.

On adoption of MFRS 16, for all their leases other than short-term and low value asset leases, the Group and the Company:

- recognised the right-of-use assets and lease liabilities in the statements of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid for leases into principal (presented within financing activities) and interest portions (presented within operating activities) in the statements of cash flows for the current financial year.

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments. The Group and the Company applied this approach to all other leases.

The Group and the Company also applied the following practical expedients wherein they:

(a) applied a single discount rate to a portfolio of leases with similar characteristics;
(b) applied the exemption not to recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
(c) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
(d) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117

The Group and the Company recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

For land use rights that were classified as intangible assets under MFRS 138

The Group recognised the carrying amount of the land use rights under MFRS 138 immediately before transition as the carrying amount of the right-of-use assets at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

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 16 Leases (Cont'd)

Impact of the adoption of MFRS 16 (Cont'd)

(ii) Short-term lease and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of hostel that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The effects of adoption of MFRS 16 as at 1 April 2019 increase/(decrease) are as follows:

	Adjustment	Group Increase/ (Decrease) RM'000
Assets		
Non-current assets		
Property, plant and equipment	(i)	7,166
Land use rights	(i)	(2,311)
Total non-current assets		4,855
Non-current liabilities		
Loans and borrowings	(i)	2,783
Current liabilities		
Loans and borrowings	(i)	2,072
Total liabilities		4,855

The incremental borrowing rates applied to lease liabilities recognised in the statements of financial position on 1 April 2019 is ranging from 4.97% to 8.00%.

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 16 Leases (Cont'd)

Impact of the adoption of MFRS 16 (Cont'd)

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments disclosed applying MFRS 117 as of 31 March 2019, as follows:

	Group RM'000	Company RM'000
Assets		
Operating lease commitments as at 31 March 2019	18,137	–
Less: Commitments relating to lease of building and machineries cancelled due to acquisition of the assets from the lessors	(12,770)	–
Adjusted operating lease commitments as at 31 March 2019	5,367	
Incremental borrowing rate as at 1 April 2019	4.97% – 8.00%	–
Discounted operating lease commitments as at 1 April 2019	4,855	–
Add:		
Commitments relating to lease previously classified as finance lease	4,636	94
Lease liabilities as at 1 April 2019	9,491	94

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021#/ 1 January 2022^
MFRS 3	Business Combinations	1 January 2020/ 1 January 2021#/ 1 January 2022
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2021#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2021#/ 1 January 2022^
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 16	Leases	1 June 2020*/ 1 January 2022^
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2021#/ 1 January 2022
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2021#/ 1 January 2022
MFRS 119	Employee Benefits	1 January 2021#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2021#
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2021#/ 1 January 2022
MFRS 138	Intangible Assets	1 January 2021#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2021#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018-2020*
* *Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020*
# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective

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

Amendment to MFRS 16 Leases

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19 related rent concessions that reduce lease payments due on or before 30 June 2021.

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.

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

3.1 Basis of consolidation (Cont'd)

(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.

The accounting policy for goodwill is set out in Note 3.9.

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.

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.

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

3.1 Basis of consolidation (Cont'd)

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

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.

3.2 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 3.12(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

(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.

<u>Debt instruments</u>

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 3.12(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

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

3.4 Financial instruments (Cont'd)

(a) Subsequent measurement (Cont'd)

(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.

(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 shall be 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.

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

3.4 Financial instruments (Cont'd)

(d) Derecognition (Cont'd)

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.

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.

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 3.12(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 separate items of property, plant and equipment.

(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.

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

3.5 Property, plant and equipment (Cont'd)

(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.

3.7 Leases

(a) Definition of lease

Accounting policies applied from 1 April 2019

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

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

3.7 Leases (Cont'd)

(a) Definition of lease (Cont'd)

Accounting policies applied until 31 March 2019

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.

(b) Lessee accounting

Accounting policies applied from 1 April 2019

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in Note 7 and lease liabilities in Note 17.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(b).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use their incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

3.7 Leases (Cont'd)

(b) Lessee accounting (Cont'd)

Accounting policies applied from 1 April 2019 (Cont'd)

Lease liability (Cont'd)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Accounting policies applied until 31 March 2019

If an entity in the Group and the Company 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 asset.

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 and the Company do 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 within intangible assets.

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

3.7 Leases (Cont'd)

(c) Lessor accounting

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.

If an entity in the Group and the Company 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 and the Company is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements 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

The land use rights are reclassified to right-of-use assets as of 1 April 2019.

Accounting policies applied until 31 March 2019

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.

3.9 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initially recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(b).

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 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.

3.12 Impairment of assets

(a) Impairment of financial assets

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 applies 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.

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.

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

3.12 Impairment of assets (Cont'd)

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

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 impairment 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.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) 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 goodwill that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

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"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

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.

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

3.12 Impairment of assets (Cont'd)

(b) Impairment of non-financial assets (Cont'd)

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

Impairment losses in respect of goodwill are not reversed. For other assets, 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. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. 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.

3.13 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.

3.14 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.

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

3.16 Share-based payments

The cost of equity-settled share-based payment is determined by the fair value at the date when the grant is made using an appropriate valuation model. Details regarding the determination of the fair value of equity-settled share-based payments are set out in Note 16(d).

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

3.17 Revenue and other income

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.

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.

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

3.17 Revenue and other income (Cont'd)

(a) Sale of goods – manufacturing

The Group manufactures and sells a range of garments, labels and stickers to local and foreign customers. Revenue from sale of manufactured 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.

Sales are made with a credit term of 15 to 120 days, which is consistent with market practice, therefore, no element of financing is deemed present. 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.

Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts where applicable. The Group uses the expected value method because it is the method that the Group expects to better predict the estimated volume discounts to which it will be provided to the customers.

The estimated volume discounts recognised is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Where consideration is collected from customer in advance for sale of manufactured good, a contract liability is recognised for the customer deposits. Contract liability would be recognised as revenue upon sale of manufactured goods to the customer.

(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.

3.18 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

3.18 Borrowing costs (Cont'd)

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.19 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

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

3.19 Income tax (Cont'd)

(b) Deferred tax (Cont'd)

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.

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.20 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.

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

3.22 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.

3.23 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 uses 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 uses 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 historical observed default rates. The Group 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 information about the impairment losses on the Group's and the Company's financial assets are disclosed in Note 3.12(a).

(b) Write-down of obsolete or slow moving inventories

The Group writes down its 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 inventories are disclosed in Note 10.

5. PROPERTY, PLANT AND EQUIPMENT

Group 2020	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 and fittings and office equipment RM'000	Motor vehicles RM'000	Right-of-use assets RM'000	Total RM'000
Cost								
At 1 April 2019	4,584	30,359	–	83,479	31,478	5,800	–	155,700
Effect of adoption of MFRS 16	–	–	–	(5,651)	–	(759)	13,942	7,532
Adjusted balance as at 1 April 2019	4,584	30,359	–	77,828	31,478	5,041	13,942	163,232
Acquisition of a subsidiary (Note 9)	–	16,820	–	4,552	123	271	7,048	28,814
Additions	–	12,562	4,851	6,594	3,101	659	1,794	29,561
Disposals	–	–	–	(2,091)	(185)	(811)	–	(3,087)
Exchange differences	–	231	–	666	862	65	129	1,953
At 31 March 2020	4,584	59,972	4,851	87,549	35,379	5,225	22,913	220,473
Accumulated depreciation								
At 1 April 2019	–	3,865	–	51,053	23,865	3,167	–	81,950
Effect of adoption of MFRS 16	–	–	–	(891)	–	(161)	1,418	366
Adjusted balance as at 1 April 2019	–	3,865	–	50,162	23,865	3,006	1,418	82,316
Acquisition of a subsidiary (Note 9)	–	3,142	–	2,173	1,092	99	–	6,506
Depreciation charge for the financial year (Note 24)	–	2,341	2,394	4,534	432	550	2,753	13,004
Disposals	–	–	–	(1,530)	(228)	(583)	–	(2,341)
Exchange differences	–	126	40	(560)	1,521	40	77	1,244
At 31 March 2020	–	9,474	2,434	54,779	26,682	3,112	4,248	100,729
Accumulated impairment loss								
At 1 April 2019/31 March 2020	–	–	–	416	–	–	–	416
Net carrying amount								
At 31 March 2020	4,584	50,498	2,417	32,354	8,697	2,113	18,665	119,328

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 and 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 24)	–	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)

Company 2020	Air-conditioners RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Right-of-use assets RM'000	Total RM'000
Cost						
At 1 April 2019	37	–	76	193	–	306
Effect of adoption of MFRS 16	–	–	–	(138)	138	–
Adjusted balance as at 1 April 2019	37	–	76	55	138	306
Additions	–	29	38	–	124	191
Disposal	–	–	–	–*	–	–*
At 31 March 2020	37	29	114	55	262	497
Accumulated depreciation						
At 1 April 2019	22	–	36	30	–	88
Effect of adoption of MFRS 16	–	–	–	(16)	16	–
Adjusted balance as at 1 April 2019	22	–	36	14	16	88
Depreciation charge for the financial year (Note 24)	4	2	14	10	49	79
At 31 March 2020	26	2	50	24	65	167
Net carrying amount						
At 31 March 2020	11	27	64	31	197	330

* represents cost of RM1.00

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company 2019	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 24)	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

(a) During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM29,561,000 (2019: RM20,835,000) and RM191,000 (2019: RM217,000) respectively which are satisfied by the following:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Lease arrangements	1,771	2,353	100	138
Cash payments	27,790	18,482	91	79
	29,561	20,835	191	217

(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 2019 RM'000	Company 2019 RM'000
Plant and machinery	5,429	–
Motor vehicles	736	122
	6,165	122

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) The carrying amount of property, plant and equipment pledged as security for banking facilities as disclosed in Note 17 are as follows:

	Group 2020 RM'000	Group 2019 RM'000
Freehold land and buildings	21,205	21,438
Plant and machinery	7,885	8,786
	29,090	30,224

Certain property, plant and equipment of the Group with net carrying amounts of RM699,000 (2019: RM852,000) were subject to negative pledges in relation to banking facilities granted to the Group as disclosed in Note 17.

(d) The Group and the Company lease several assets including leasehold land, plant and machinery, premises and motor vehicles.

	Land use rights RM	Plant and machinery RM	Premises RM	Motor vehicles RM	Total RM
Group					
Carrying amount					
At 1 April 2019	–	–	–	–	–
Effects of adoption of MFRS 16	2,311	4,760	4,855	598	12,524
Adjusted balance at 1 April 2019	2,311	4,760	4,855	598	12,524
Acquisition of a subsidiary	7,048	–	–	–	7,048
Additions	–	1,670	–	124	1,794
Depreciation	(141)	(750)	(1,813)	(49)	(2,753)
Exchange differences	111	–	(59)	–	52
At 31 March 2020	9,329	5,680	2,983	673	18,665

	Motor vehicles RM
Company	
Carrying amount	
At 1 April 2019	–
Effects of adoption of MFRS 16	122
Adjusted balance at 1 April 2019	122
Additions	124
Depreciation	(49)
At 31 March 2020	197

6. LAND USE RIGHTS

	Group	
	2020 **RM'000**	**2019** **RM'000**
Cost		
At beginning of the financial year	2,677	2,549
Effects of adoption of MFRS 16 (Note 2.2)	(2,677)	–
Adjusted balance at beginning of the financial year	–	2,549
Exchange differences	–	128
At end of the financial year	–	2,677
Accumulated amortisation		
At beginning of the financial year	366	299
Effects of adoption of MFRS 16 (Note 2.2)	(366)	–
Adjusted balance at beginning of the financial year	–	299
Amortisation charge for the financial year (Note 24)	–	53
Exchange differences	–	14
At end of the financial year	–	366
Carrying amount	–	2,311

7. INVESTMENT PROPERTIES

	Group	
	2020 **RM'000**	**2019** **RM'000**
At cost		
At beginning of the financial year	11,893	12,070
Exchange differences	–	(177)
At end of the financial year	11,893	11,893
Accumulated depreciation		
At beginning of the financial year	1,887	1,660
Depreciation charge during the financial year (Note 24)	273	249
Exchange differences	(30)	(22)
At end of the financial year	2,130	1,887
Carrying amount	9,763	10,006

7. INVESTMENT PROPERTIES (CONT'D)

(a) In the previous financial year, certain investment properties of the Group with net carrying amounts of RM687,000 were subject to negative pledges in relation to banking facilities granted to the Group as disclosed in Note 17.

(b) The following are recognised in the profit or loss in respect of investment properties:

	Group	
	2020 RM'000	**2019 RM'000**
Rental income	684	579
Direct operating expenses	(249)	(150)

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**
2020				
Freehold buildings	–	1,760	–	1,760
Leasehold office lot	–	13,740	–	13,740
	–	15,500	–	15,500
2019				
Freehold buildings	–	1,760	–	1,760
Leasehold office lot	–	13,520	–	13,520
	–	15,280	–	15,280

The fair value on the investment property is determined based on sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is price per square foot of comparable buildings.

There was no transfer between Level 1 and Level 2 during the financial years ended 31 March 2020 and 31 March 2019.

8. GOODWILL

	Group	
	2020	**2019**
	RM'000	**RM'000**
At cost		
At beginning of the financial year	–	–
Acquisition of subsidiaries (Note 9)	1,250	–
At end of the financial year	1,250	–
Accumulated impairment loss		
At beginning of the financial year	–	–
Impairment loss (Note 24)	1,250	–
At end of the financial year	1,250	–
Carrying amount	–	–

The goodwill which has arisen from the acquisition of a subsidiary during the financial year ended 31 March 2020 is set out in Note 9.

During the financial year, an impairment loss of RM1,250,000 was recognised in profit or loss of the Group as other expenses as the carrying amount was higher than the recoverable amount.

9. INVESTMENT IN SUBSIDIARIES

	Company	
	2020	**2019**
	RM'000	**RM'000**
Unquoted shares, at cost		
At beginning of the financial year	88,492	80,443
Additions during the financial year	–	14,000
Voluntary winding up	–	(5,951)
At end of the financial year	88,492	88,492
Loans that are part of net investments	8,487	12,836
Equity contribution in respect of ESOS	1,035	–
	9,522	12,836
Less: Accumulated impairment losses		
At beginning of the financial year	(30,180)	(36,131)
Impairment loss during the financial year (Note 24)	(10,662)	–
Voluntary winding up	–	5,951
At end of the financial year	(40,842)	(30,180)
	57,172	71,148

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

During the financial year, an impairment loss of RM10,662,000 (2019: NIL) is provided for in the cost of investment in subsidiaries as the carrying amount of the cost of investment in the subsidiaries are higher than their recoverable amount.

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.

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Principal activities	Effective equity interest (%) 2020	2019
Subsidiaries of the Company				
Perusahaan Chan Choo Sing Sdn. Bhd.	Malaysia	Investment holding	100	100
Beauty Electronic Embroidering Centre Sdn. Bhd.	Malaysia	Temporarily ceased operations	100	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

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (Cont'd):

Name of Company	Country of incorporation	Principal activities	Effective equity interest (%) 2020	2019
Subsidiary of Beauty Electronic Embroidering Centre Sdn. Bhd.				
JIT Embroidery Ltd.^	Cambodia	Temporarily ceased operations	100	100
Subsidiary of Thirty Three Trading Sdn. Bhd.				
Beauty Silk Screen (M) Sdn. Bhd.*	Malaysia	Temporarily ceased operations	100	100
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
Subsidiaries of PCCS Garments (Suzhou) Ltd.				
PCCS Garments Wuhan Ltd.#	The People's Republic of China	Investment holding	–	100
PCCS Garments (Shandong) Ltd.*	The People's Republic of China	Manufacturing and sale of apparels	51	–
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
Subsidiaries of Keza Sdn. Bhd.				
Keza (Cambodia) Ltd.^	Cambodia	Temporarily ceased operations	100	100
Wan He Da Manufacturing Company Ltd.**	Cambodia	Manufacturing of apparels	100	100

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

* Audited by auditors other than Baker Tilly Monteiro Heng PLT

** Audited by an independent member firm of Baker Tilly International

\# On 14 November 2019, the subsidiary has been deregistered pursuant to Article 180 of the Company Law of the People's Republic of China (2018 Amendments).

^ Consolidated using management account as no audited financial statements is available. However, it has been reviewed for consolidation purpose.

(a) Acquisition of a subsidiary

On 3 September 2019, a wholly owned subsidiary of the Company, namely PCCS Garments (Suzhou) Ltd., had acquired 2,550,000 ordinary shares in PCCS Garments (Shandong) Limited ("SDL"), representing 51% of the issued and paid up share capital of SDL for a total cash consideration of RM1,555,500.

(i) Fair value of the identifiable assets acquired and liabilities recognised

	2020 RM'000
Assets	
Property, plant and equipment	22,308
Cash and bank balances	311
Other receivables	34
Total assets	22,653
Liabilities	
Other payables	(20,573)
Tax liability	(280)
Total liabilities	(20,853)
Total identifiable net assets acquired	1,800
Goodwill arising on acquisition	1,250
Non-controlling interests	(1,495)
Fair value of consideration transferred	1,555

(ii) Effects of the acquisition on cash flows:

	2020 RM'000
Fair value of consideration transferred	1,555
Less: Cash and cash equivalents of the subsidiary acquired	(311)
Net cash outflow on acquisition	1,244

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of a subsidiary (Cont'd)

(iii) Effects of acquisition in statements of comprehensive income:

From the date of acquisition, the subsidiary's contributed revenue and loss net of tax are as follows:

	2020 RM'000
Revenue	5,031
Loss for the financial year	(3,695)

If the acquisition had occurred on 1 April 2019, the consolidated results for the financial year ended 31 March 2020 would have been as follows:

	2020 RM'000
Revenue	17,838
Loss for the financial year	(3,668)

(b) Voluntary winding up a subsidiary

On 14 November 2019, a subsidiary of the Company, namely PCCS Garments (Suzhou) Limited, wound up a wholly owned subsidiary in China, namely PCCS Garments Wuhan Limited.

<u>Effects of winding up of a subsidiary on the financial position of the Group</u>

	2020 RM'000
Property, plant and equipment	2,095
Cash and bank balances	46
Liabilities	(1,669)
Net assets	472
Cost of investment	(610)
	(138)
Reclassification adjustment of exchange translation reserve	97
Loss on voluntary winding up of a subsidiary	(41)

(c) In the previous financial year, 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 RM8,889,102 divided into 2,200 shares of USD1,000 per share. The principal activity of WHD is manufacturing of garments.

(d) In the previous financial year, 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.

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(e) In the previous financial year, a wholly owned subsidiary of the Company, namely Jusca Garments Sdn. Bhd. ("JGSB") had received the notification published on Companies Commission of Malaysia's website under Section 551 of the Companies Act 2016. Hence, JGSB shall deemed to be dissolved upon publication of the notice pursuant to Section 551(3) of the Companies Act 2016 in the Gazette.

(f) **Non-controlling interests in subsidiaries**

The financial information of the Group's and the Company's subsidiaries that have material non-controlling interests are as follows:

Equity interest held by non-controlling interests:

		Equity interest	
Name of company	**Country of incorporation**	**2020 %**	**2019 %**
PCCS Garments (Shandong) Ltd.	China	49	–
Perfect Seamless Garments (Cambodia) Ltd.	Cambodia	49	49
Ample Apparels Ltd.	Hong Kong	40	40

Carrying amount of material non-controlling interests:

Name of company	**2020 RM'000**	**2019 RM'000**
PCCS Garments (Shandong) Ltd.	5,632	–
Perfect Seamless Garments (Cambodia) Ltd.	1,639	1,788
Ample Apparels Ltd.	3	18
	7,274	1,806

Profit or loss allocated to material non-controlling interests:

Name of company	**2020 RM'000**	**2019 RM'000**
PCCS Garments (Shandong) Ltd.	(1,811)	–
Perfect Seamless Garments (Cambodia) Ltd.	(52)	(428)
Ample Apparels Ltd.	(11)	(2)
	(1,874)	(430)

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(g) Summarised financial information of material non-controlling interests

The summarised financial information (before intra-group elimination) of the Group's and the Company's subsidiaries that have material non-controlling interests are as follows:

	Perfect Seamless Garments (Cambodia) Ltd. RM'000	Ample Apparels Ltd. RM'000	PCCS Garments (Shandong) Ltd. RM'000	Total RM'000
Summarised statements of financial position				
As at 31 March 2020				
Non-current assets	2,464	–	27,506	29,970
Current assets	2,607	975	6,485	10,067
Non-current liabilities	(386)	–	–	(386)
Current liabilities	(2,084)	(969)	(23,748)	(26,801)
Net assets	2,601	6	10,243	12,850
Summarised statements of comprehensive income				
Financial year ended 31 March 2020				
Revenue	5,258	–	5,031	10,289
Loss for the financial year, representing total comprehensive loss	(107)	(28)	(3,695)	(3,830)
Summarised cash flow information Financial year ended 31 March 2020				
Net cash flows from/(used in) operating activities	1,140	–	(1,495)	(355)
Net cash flows used in investing activities	(928)	–	(6,419)	(7,347)
Net cash flows (used in)/from financing activities	(287)	–	12,000	11,713
Net (decrease)/increase in cash and cash equivalents	(75)	–	4,086	4,011
Dividends paid to non-controlling interests	–	–	–	–

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(g) Summarised financial information of material non-controlling interests (Cont'd)

The summarised financial information (before intra-group elimination) of the Group's and the Company's subsidiaries that have material non-controlling interests are as follows: (Cont'd)

	Perfect Seamless Garments (Cambodia) Ltd. RM'000	Ample Apparels Ltd. RM'000	Total RM'000
Summarised statements of financial position			
As at 31 March 2019			
Non-current assets	1,012	–	1,012
Current assets	2,164	2,879	5,043
Non-current liabilities	(38)	–	(38)
Current liabilities	(565)	(2,846)	(3,411)
Net assets	2,573	33	2,606
Summarised statements of comprehensive income			
Financial year ended 31 March 2019			
Revenue	3,569	–	3,569
Loss for the financial year, representing total comprehensive loss	(873)	(7)	(880)
Summarised cash flow information			
Financial year ended 31 March 2019			
Net cash flows used in operating activities	(489)	–	(489)
Net cash flows used in investing activities	(44)	–	(44)
Net cash flows used in financing activities	(82)	–	(82)
Net decrease in cash and cash equivalents	(615)	–	(615)
Dividends paid to non-controlling interests	–	–	–

10. INVENTORIES

	Group 2020 RM'000	Group 2019 RM'000
At lower of cost and net realisable value		
Raw materials	46,684	17,766
Work-in-progress	4,542	20,426
Finished goods	14,552	13,988
	65,778	52,180

Recognised in profit or loss:

	Group 2020 RM'000	Group 2019 RM'000
Inventories recognised as cost of sales	294,793	251,435
Inventories written down	571	5

The inventories written down are in respect of stock obsolescence.

11. TRADE AND OTHER RECEIVABLES

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current:					
Trade					
External parties		53,563	86,306	–	–
Less: Impairment losses		(1,289)	(27)	–	–
	(a)	52,274	86,279	–	–
Non-trade					
Amounts owing by subsidiaries	(b)	–	–	41,553	32,123
Other receivables	(c)	3,301	6,771	3	3
Deposits		793	1,200	–	–
		4,094	7,971	41,556	32,126
Less: Impairment losses	(a)	(599)	(625)	(19,176)	(22,170)
		3,495	7,346	22,380	9,956
Total trade and other receivables		55,769	93,625	22,380	9,956

11. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables

The receivables are non-interest bearing and normal credit terms offered by the Group ranging from 15 to 120 days (2019: 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	
	2020 RM'000	**2019 RM'000**
At beginning of the financial year	27	5
Charge for financial year		
- Individually assessed	1,274	31
Reversal of impairment loss	(12)	–
Written off	–	(9)
At end of the financial year	1,289	27

Other receivables

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At beginning of the financial year	625	625	22,170	23,419
Charge for financial year				
- Individually assessed	–	–	–	1,786
Reversal of impairment loss	(90)	–	(2,994)	(3,035)
Exchange difference	64	–	–	–
At end of the financial year	599	625	19,176	22,170

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 32(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 RM1,049,000 (2019: RM75,000) owing from a company in which certain directors of the subsidiaries have substantial financial interests.

12. OTHER CURRENT ASSETS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current				
Prepayments	3,025	3,674	455	47
Value added tax recoverable	4,696	4,623	–	–
Less: Impairment losses	(3,705)	(3,705)	–	–
	991	918	–	–
Advances to suppliers	6,429	76	–	–
	10,445	4,668	455	47

13. TAX ASSETS

This is in respect of tax recoverable from the Inland Revenue Board.

14. DEPOSITS, CASH AND BANK BALANCES

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash and bank balances	49,398	50,489	1,425	5,721
Deposits placed with licensed banks	15,633	4,396	9,484	2,551
Cash and cash equivalents as reported in the statements of cash flows	65,031	54,885	10,909	8,272

The deposits placed with licensed banks bear interests at rates ranging from 0.30% to 2.95% (2019: 2.15% to 3.55%) and mature within 3 months.

15. SHARE CAPITAL

	Company			
	Number of ordinary shares		Amount	
	2020 Unit	2019 Unit	2020 RM'000	2019 RM'000
Issued and fully paid				
At beginning of the financial year	210,042	210,042	83,638	83,638
Issued pursuant to ESOS	361	–	192	–
At end of the financial year	210,403	210,042	83,830	83,638

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.

During the financial year, the Company issued 361,000 new ordinary shares from the exercise of the Company's Employee Share Option Scheme ("ESOS") at the exercise price as disclosed in Note 16 to the financial statements which amounted to RM192,000.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

16. 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.

16. OTHER RESERVES (CONT'D)

(a) Warrant reserve (Cont'd)

The warrants are quoted on the Main Market of Bursa Securities on 3 January 2018. 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			
	1.4.2019 '000	Issued '000	Exercise '000	31.3.2020 '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.

(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.

(d) Share option reserve

The share option reserve comprises the cumulative value of services received from directors and employees for the issue of share options. The reserve is recorded over the vesting period commencing from the grant date and is reduced by the expiry or exercise of the share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

Share options are granted to eligible directors and employees. The options granted are vesting immediately and settlement is by issuance of fully paid ordinary shares. The exercise price in each grant is set 10% below the weighted average of the market prices of the Company's ordinary shares in the last five trading days before the grant date. The contractual term of each option granted is two years. There are no cash settlement alternatives. The options carry neither rights to dividends nor voting rights. Options may be exercised any time from the date of vesting to the date of expiry.

16. OTHER RESERVES (CONT'D)

(d) Share option reserve (Cont'd)

Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movement in, share options:

	Number 2020	WAEP 2020
At beginning of the financial year	–	–
Granted on 16 December 2019	7,728,400	RM0.37
Exercised during the year	361,000	RM0.37
At end of the financial year	7,367,400	RM0.37

The options outstanding at 31 March 2020 have exercise prices of RM0.37 and the weighted average remaining contractual life for the share options outstanding as at 31 March 2020 was 1.79 years.

	2020
Fair value of share options and assumptions	
Weighted average fair value of share option at grant date (RM)	RM0.1613
Weighted average share price (RM)	0.42
Option life (years)	2
Risk-free rate (%)	3.02
Expected dividends (%)	None
Expected volatility (%)	59.79

The expected volatility reflected the assumption that the historical volatility was an indicative of future trends, which may also not necessarily be the actual outcome.

17. LOANS AND BORROWINGS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current				
Secured:				
Lease liabilities/Finance lease liablities (Note 17(c))	3,939	3,195	60	58
Term loans	20,991	6,169	–	–
Unsecured:				
Lease liabilities (Note 17(c))	264	–	–	–
	25,194	9,364	60	58

17. LOANS AND BORROWINGS (CONT'D)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Secured:				
Revolving credits	–	2,041	–	–
Bill financing	1,394	4,035	–	–
Trust receipts	8,839	3,775	–	–
Lease liabilities/Finance lease liablities (Note 17(c))	1,687	1,441	71	36
Term loans	3,563	1,971	–	–
Unsecured:				
Revolving credits	14,353	14,872	–	–
Bankers' acceptances	4,489	6,050	–	–
Lease liabilities	1,779	–	–	–
Trust receipts	4,228	8,012	–	–
	40,332	42,197	71	36
Total loans and borrowings				
Revolving credits	14,353	16,913	–	–
Bankers' acceptances	4,489	6,050	–	–
Bills financing	1,394	4,035	–	–
Trust receipts	13,067	11,787	–	–
Term loans	24,554	8,140	–	–
Lease liabilities/Finance lease liablities (Note 17(c))	7,669	4,636	131	94
	65,526	51,561	131	94

(a) The secured and unsecured loans and borrowings of certain subsidiaries 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.

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	
	2020	**2019**	**2020**	**2019**
	%	**%**	**%**	**%**
Revolving credits	4.35% - 4.79%	5.03% - 5.66%	–	–
Bankers' acceptances	3.17% - 3.86%	3.73% - 4.33%	–	–
Bills financing	3.40% - 4.85%	4.90%	–	–
Trust receipts	3.15% - 4.60%	4.82% - 8.25%	–	–
Term loans	4.55% - 6.20%	3.10% - 6.95%	–	–
Lease liabilities/Finance lease liabilities	2.32% - 8.00%	2.32% - 6.04%	2.45%	2.45%

17. LOANS AND BORROWINGS (CONT'D)

(c) Lease liabilities/Finance lease liabilities

Future minimum lease payments together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Minimum lease payments				
Not later than 1 year	3,904	1,685	76	40
Later than 1 year and not later than 5 years	4,475	3,482	61	60
	8,379	5,167	137	100
Less: Future finance charges	(710)	(531)	(6)	(6)
Present value of minimum lease payments	7,669	4,636	131	94
Present value of minimum lease payments				
Not later than 1 year	3,466	1,441	71	36
Later than 1 year and not later than 5 years	4,203	3,195	60	58
	7,669	4,636	131	94

18. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2020 RM'000	2019 RM'000
Deferred tax assets/(liabilities)		
At beginning of the financial year	(20)	(109)
Recognised in profit or loss (Note 26)	253	89
Exchange differences	(1)	–
At end of the financial year	232	(20)

(a) Presented after appropriate off-setting as follows:

	Group	
	2020 RM'000	2019 RM'000
Deferred tax assets	258	–
Deferred tax liabilities	(26)	(20)
	232	(20)

18. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

(b) The components of deferred tax assets/(liabilities) prior to offsetting are as follows:

	Group	
	2020 RM'000	2019 RM'000
Deferred tax assets		
Unutilised tax losses	215	269
Unabsorbed reinvestment allowances	916	–
Unabsorbed capital allowances	1,367	1,264
Others	–	158
	2,498	1,691
Deferred tax liabilities		
Differences between the carrying amount of property, plant and equipment and their tax base	(2,139)	(1,482)
Others	(127)	(229)
	(2,266)	(1,711)

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

(c) The estimated amounts of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unutilised tax losses	6,219	5,682	154	154
Unabsorbed capital allowances	724	713	–	–
Others	678	1,807	–	–
	7,621	8,202	154	154
Potential deferred tax assets not recognised at 24%	1,829	1,968	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.

18. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

(c) The estimated amounts of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows: (Cont'd)

The unused tax losses are available for offset against future taxable profits of the Group which will expire in the following financial years:

	Group 2020 RM'000
2026	4,791
2027	4
	4,795

19. TRADE AND OTHER PAYABLES

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current:					
Trade					
Third parties	(a)	53,120	59,582	–	–
Non-trade					
Amounts owing to subsidiaries	(b)	–	–	826	826
Other payables	(c)	34,141	18,673	4,375	4,420
Amounts owing to directors	(d)	1,254	2,008	–	–
Accruals		11,633	14,756	593	462
Deposits		106	–	–	–
		47,134	35,437	5,794	5,708
Total trade and other payables		100,254	95,019	5,794	5,708

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Group ranging from 30 to 90 days (2019: 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) Included in other payables is an amount of RM13,181,000 (2019: Nil) owing to a related party in which certain directors of a subsidiary had substantial financial interest.

(d) 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 RM357,000 (2019: RM671,000) which bears interest at a rate of 5.83% (2019: 5.83%) per annum.

20. REVENUE

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
At a point in time:				
Sales of goods	425,032	438,483	–	–
Dividend income	–	–	11,522	20,726
	425,032	438,483	11,522	20,726

21. COST OF SALES

Cost of sales represents cost of inventories sold.

22. OTHER INCOME

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Compensation received	–	78	–	–
Gain on foreign exchange				
- realised	212	1,050	493	979
- unrealised	4,109	2,283	371	–
Gain on disposal of non-current asset held for sale	–	4,567	–	–
Gain on disposal of property, plant and equipment	–	585	30	4
Government grant	184	305	–	–
Interest income	728	400	207	149
Rental income	857	606	–	–
Sundry income	223	333	–	–
Waiver of debts by a subsidiary	–	–	–	1,187
Others	131	54	–	–
	6,444	10,261	1,101	2,319

23. FINANCE COSTS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Interest expense on:				
- loans and borrowings	3,752	3,253	1	–
- lease liabilities/Finance lease liabilities	484	350	7	2
- others	29	49	–	–
	4,265	3,652	8	2

24. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax:

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration					
- auditors of the Company					
- statutory audit					
- current year		127	92	88	47
- (over)/under provision in prior year		(3)	4	(3)	–
- non-statutory audit		28	94	9	65
- component auditors of the Group					
- statutory audit					
- current year		214	175	–	–
- non-statutory audit		21	–	–	–
Bad debts written off		1,175	37	–	–
Depreciation and amortisation:					
- property, plant and equipment	5	13,004	6,775	79	38
- investment properties	7	273	249	–	–
- land use rights	6	–	53	–	–
Employee benefits expense	25	106,587	97,705	1,094	1,067
Expenses relating to short term lease		109	–	–	–
Impairment loss on goodwill		1,250	–	–	–
Inventories written down		571	5	–	–
Loss on disposal of property, plant and equipment		275	–	–	–
Loss on voluntary winding up a subsidiary		41	–	–	–
Net impairment loss on:					
- trade and other receivables		1,172	31	–	–
- investment in subsidiaries	9	–	–	10,662	–
- other current assets	11	–	3,705	–	–
Property, plant and equipment written off	5	–	113	–	7
Net reversal of impaiment loss on amounts owing by subsidiaries		–	–	(2,994)	(1,249)
Rental expenses:					
- land and buildings		–	4,724	–	–
- machinery		–	13	–	–
Unrealised loss on foreign exchange		–	–	–	200

25. EMPLOYEE BENEFITS EXPENSE

Included in employee benefits expenses are:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries, wages and bonus	97,630	90,113	857	978
Defined contribution plan	3,403	3,571	83	75
Other staff related expenses	4,383	4,021	33	14
Share-based payments	1,171	–	121	–
	106,587	97,705	1,094	1,067

Included in employee benefits expenses are:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive directors:				
- fees	160	159	156	156
- other emoluments	3,016	2,387	35	–
	3,176	2,546	191	156
Non-executive directors:				
- fees	246	246	246	246
- other emoluments	32	–	32	–
	278	246	278	246
Total directors' remuneration	3,454	2,792	469	402

26. TAX EXPENSE

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current income tax:				
Current income tax charge				
- Malaysian income tax	215	1,553	44	36
- Foreign income tax	3,581	4,056	–	–
- Real property gain tax	–	161	–	–
- (Over)/Under provision in prior financial years	(1,200)	400	(2)	–
	2,596	6,170	42	36
Deferred tax (Note 18):				
Origination/(Reversal) of temporary differences	518	(36)	–	–
Over provision in prior financial years	(771)	(53)	–	–
	(253)	(89)	–	–
Tax expense recognised in profit or loss	2,343	6,081	42	36

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial year.

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 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Profit before tax	15,585	26,126	2,393	22,276
Tax at Malaysian statutory income tax rate of 24%	3,740	6,270	574	5,346
Effect of different tax rates in other countries	(1,448)	(1,429)	–	–
Income not subject to tax	(4,009)	(2,498)	(3,720)	(5,795)
Expenses not deductible for tax purposes	6,170	4,164	3,190	485
Utilisation of previously unrecognised deferred tax assets	(139)	(934)	–	–
Real property gain tax	–	161	–	–
Under/(Over) provision in prior financial years				
- income tax	(1,200)	400	(2)	–
- deferred tax	(771)	(53)	–	–
Tax expense	2,343	6,081	42	36

27. 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	
	2020 RM'000	**2019 RM'000**
Profit attributable to the owners of the Company	15,116	20,475
Weighted average number of ordinary shares for basic earnings per share	210,104	210,042
Basic earnings per share (sen)	7.19	9.75

(b) Diluted earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, calculated as follows:

	Group	
	2020 RM'000	**2019 RM'000**
Profit attributable to the owners of the Company	15,116	20,475
Weighted average number of ordinary shares for basic earnings per share	210,104	210,042
Effect of dilution from ESOS	255	–
Weighted average number of ordinary shares for diluted earnings per share	210,359	210,042
Diluted earnings per ordinary share (sen)	7.19	9.75

28. DIVIDENDS

	Company 2020 RM'000	Company 2019 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
Single tier interim dividend of RM0.01 per ordinary share in respect of the financial year ended 31 March 2020, paid on 4 Feb 2020	2,100	–
	2,100	2,100

29. CAPITAL COMMITMENTS

(a) The Group and the Company have made commitments for the following capital expenditures:

	Group 2020 RM'000	Group 2019 RM'000
In respect of capital expenditure approved but not contracted for:		
- Property, plant and equipment	5,117	1,186

(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 are as follows:

	2019 RM'000
Group	
Future minimum rentals payables:	
Not later than 1 year	3,239
Later than 1 year and not later than 5 years	9,693
Later than 5 years	5,205
	18,137

30. 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	
	2020	**2019**
	RM'000	**RM'000**
Transactions with subsidiaries are as follows:		
Dividend received from:		
- Perusahaan Chan Choo Sing Sdn. Bhd.	9,950	6,368
- PCCS (Hong Kong) Ltd.	1,572	–
- Mega Labels & Stickers Sdn. Bhd.	–	14,358

(c) Compensation of key management personnel

Compensation of key management personnel which includes directors' remuneration as disclosed in Note 25 are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term employees benefits	3,497	2,856	402	402
Post-employment benefit	1,725	2,350	–	–
Benefits-in-kind	108	146	–	–
Share-based payments	135	–	67	–
	5,465	5,352	469	402

31. 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	
	2020 RM'000	**2019 RM'000**
At beginning of the financial year	–	3,933
Disposal	–	(3,933)
At end of the financial year	–	–

32. 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:

	Carrying amount RM'000	**Amortised cost RM'000**
At 31 March 2020		
Financial assets		
Group		
Trade and other receivables	55,769	55,769
Deposits, cash and bank balances	65,031	65,031
	120,800	120,800
Company		
Trade and other receivables	22,380	22,380
Deposits, cash and bank balances	10,909	10,909
	33,289	33,289
Financial liabilities		
Group		
Trade and other payables	100,254	100,254
Loans and borrowings	65,526	65,526
	165,780	165,780
Company		
Trade and other payables	5,794	5,794
Loans and borrowings	131	131
	5,925	5,925

32. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of financial instruments (Cont'd)

	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

32. 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 RM44,000 (2019: RM29,000) 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.

32. 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:

	Singapore Dollars RM'000	Cambodian Riel RM'000	United States Dollar RM'000	Total RM'000
Functional Currency of the Group				
At 31 March 2020				
Ringgit Malaysia	103	–	2,160	2,263
Chinese Renminbi	–	–	4,154	4,154
United States Dollars	–	297	–	297
Hong Kong Dollars	–	–	(13,428)	(13,428)
	103	297	(7,114)	(6,714)

	Vietnamese Dong RM'000	Cambodian Riel RM'000	United States Dollar RM'000	Total RM'000
At 31 March 2019				
Ringgit Malaysia	–	–	5,311	5,311
Chinese Renminbi	–	–	3,303	3,303
United States Dollars	1,335	326	–	1,661
Hong Kong Dollars	–	–	2,016	2,016
	1,335	326	10,630	12,291

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(ii) Foreign exchange risk (Cont'd)

	United States Dollars RM'000
Functional Currency of the Company	
At 31 March 2020	
Ringgit Malaysia	14
At 31 March 2019	
Ringgit Malaysia	1,978

Sensitivity analysis

The following table illustrates the hypothetical sensitivity of the Group's profit before tax to a reasonably possible change in the USD, SGD, VND and KHR exchange rate at the reporting date against the functional currency of the Group entities, with all other variables held constant.

		Effect on profit before tax for the financial year			
		Group		Company	
	Change in rate	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
USD/RM	+ 5%	108	266	1	99
	- 5%	(108)	(266)	(1)	(99)
USD/RMB	+ 5%	208	165	–	–
	- 5%	(208)	(165)	–	–
USD/HKD	+ 5%	(671)	101	–	–
	- 5%	671	(101)	–	–
SGD/RM	+ 5%	5	–	–	–
	- 5%	(5)	–	–	–
KHR/USD	+ 5%	15	16	–	–
	- 5%	(15)	(16)	–	–
VND/USD	+ 5%	–	67	–	–
	- 5%	–	–	–	–

(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.

32. 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	More than 5 years RM'000	Total RM'000
Group					
2020					
Financial liabilities:					
Trade and other payables	100,254	100,254	–	–	100,254
Loans and borrowings	65,526	41,959	15,661	12,595	70,215
	165,780	142,213	15,661	12,595	170,469
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

	Carrying amount RM'000	On demand within 1 year RM'000	Between 1 and 5 years RM'000	Total RM'000
Company				
2020				
Financial liabilities:				
Trade and other payables	5,794	5,794	–	5,794
Loans and borrowings	131	76	60	136
Financial guarantee contracts	–	60,461	–	60,461
	5,925	66,331	60	66,391
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

32. 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 statements of financial position; and
- An amount of RM60,461,000 (2019: RM51,561,000) relating to a corporate guarantee provided by the Company to bank for subsidiaries' loans and borrowings.

Credit risk concentration profile
At the reporting date, the Group has significant concentration of credit risk that may arise from exposure two (2019: three) customers who accounted for 42% (2019: 66%) 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.

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iv) Credit risk (Cont'd)

Trade receivables (Cont'd)

Credit risk concentration profile (Cont'd)

The information about the credit risk exposure on the Group's trade receivables using the provision matrix are as follows:

	Gross carrying amount at default RM'000
Group	
At 31 March 2020	
Current	42,194
1-30 days past due	5,298
31-60 days past due	2,260
61-90 days past due	1,908
91-120 days past due	82
>120 days past due	532
	52,274
Impaired - individually	1,289
	53,563
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

Receivables that are impaired
The Group's trade receivables that are impaired at the reporting date are disclosed in Note 11(a).

32. 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.

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 3.12(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 RM60,461,000 (2019: RM51,561,000) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 32(b)(iii). As at reporting date, there was no loss allowance for expected credit losses as determined by the Company for the financial guarantee.

32. 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 (2019: 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	Fair value of financial instruments not carried at fair value			
		Level 1	Level 2	Level 3	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 March 2019					
Financial liabilities					
Finance lease liabilities	4,636	–	4,694	–	4,694
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 in previous financial year was 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.

33. 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) Label & packaging – 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.

33. SEGMENT INFORMATION (CONT'D)

31 March 2020	Apparel RM'000	Label & packaging RM'000	Others RM'000	Adjustments and elimination RM'000	Note	Total RM'000
Revenue:						
External sales	341,763	61,891	21,378	–		425,032
Inter-segment sales	147,146	2,861	21,254	(171,261)	(a)	–
Total revenue	488,909	64,752	42,632	(171,261)		425,032
Results:						
Bad debts written off	1,127	15	33	–		1,175
Depreciation and amortisation:						
- property, plant and equipment	6,241	4,927	1,861	(25)		13,004
- investment properties	268	–	3	2		273
Expenses relating to short term lease	–	109	–	–		109
Finance costs	3,234	1,493	160	(622)		4,265
Interest income	(417)	(62)	(249)	–		(728)
Inventories written down	–	474	97	–		571
Loss on disposal of property,plant and equipment	448	(18)	(155)	–		275
Loss on voluntary winding up a subsidiary	41	–	–	–		41
Net impairment loss on trade and other receivables	1,184	–	(12)	–		1,172
Rental income from investment properties	(677)	–	(7)	–		(684)
Segment profit/(loss)	16,111	(9,705)	3,423	5,756	(b)	15,585
Tax expense	(3,041)	1,358	(606)	(54)		(2,343)
Profit for the financial year	13,070	(8,347)	2,817	5,702		13,242
Assets:						
Additions to non-current assets	22,295	6,210	1,794	(738)	(c)	29,561
Segment assets	247,963	97,519	133,908	(152,801)	(d)	326,589
Segment liabilities	190,755	64,813	46,510	(136,272)	(e)	165,806

33. SEGMENT INFORMATION (CONT'D)

31 March 2019	Apparel RM'000	Label & packaging 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
Finance costs	3,293	831	2	(474)		3,652
Impairment loss on:						
- trade and other receivables	–	19	12	–		31
- other current assets	3,444	261	–	–		3,705
Interest income	(114)	(88)	(198)	–		(400)
Inventories written down	–	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
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

33. 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.

	2020 RM'000	2019 RM'000
Impairment loss on investment in subsidiaries	10,662	–
Impairment loss on trade and other receivables	–	1,786
Reversal of allowance for impairment of investment in subsidiaries	(2,994)	(3,035)
Profit from inter-segment sales	(1,912)	(20,688)
	5,756	(21,937)

(c) Additions to non-current assets consist of:

	2020 RM'000	2019 RM'000
Property, plant and equipment	29,561	20,835

(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 non-current assets other than deferred tax assets by geographical segment:

	Revenue		Non-current assets	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia	52,916	59,480	42,615	40,778
Cambodia	54,348	76,809	33,613	20,057
The People's Republic of China	150,760	169,676	52,534	24,793
Hong Kong	167,008	132,518	329	23
	425,032	438,483	129,091	85,651

33. SEGMENT INFORMATION (CONT'D)

Geographical Information (Cont'd)

(ii) Non-current assets information presented above consist of the following items as presented in the statements of financial position:

	2020 RM'000	2019 RM'000
Property, plant and equipment	119,328	73,334
Investment properties	9,763	10,006
Land use rights	–	2,311
Total non-current assets	129,091	85,651

Information about major customers

Revenue from four (2019: three) major customers amounted to RM293,361,000 (2019: RM253,082,000), arising from sales by the apparel segment.

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 3 September 2019, the Company's wholly-owned subsidiary, PCCS Garments (Suzhou) Ltd. ("SGL") had completed acquisition of 2,550,000 ordinary shares in PCCS Garments (Shandong) Ltd. ("SDL"), formerly known as Shandong Yisite Garment Ltd., representing the 51% equity interest in SDL.

(b) On 16 December 2019, the Company announced issuance 7,728,400 options under Employees' Share Option Scheme ("ESOS") at RM0.37 to eligible directors and employees of the Group and the Company.

(c) Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

In developing the disclosures, the Group and the Company have performed an assessment of the overall impact of the situation on the Group's and the Company's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial year ended 31 March 2020.

The Group and the Company are unable to reasonably estimate the financial impact of these events on their financial position, results of operations or cash flows in the next financial period due to the uncertainty of the future outcome of the current events. It is however certain that the worldwide measures against the spread of the coronavirus will have direct and indirect effects on its operations. The Group and the Company will continuously monitor the impact of COVID-19 on its operations and financial performance and will be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operations.

35. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(a) On 26 June 2020, the Company incorporated a wholly-owned subsidiary company in Singapore, under the name of La Prima Medicare Pte. Ltd..

(b) On 30 June 2020, the Company had further subscribed for 6,000,000 ordinary shares of Mega Label (Malaysia) Sdn. Bhd. for a cash consideration of RM6,000,000.

36. 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 2020 and 31 March 2019.

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**	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Loans and borrowings	65,526	51,561	131	94
Trade and other payables	100,254	95,019	5,794	5,708
Deposits, cash and bank balances	(65,031)	(54,885)	(10,909)	(8,272)
Net debt	100,749	91,695	(4,984)	(2,470)
Equity attributable to the owners of the Company	153,509	140,340	85,325	83,769
Capital and net debt	254,258	232,035	80,341	81,299
Gearing ratio	40%	40%	*	*

* Not meaningful as the Company is in net cash position.

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 93 to 175 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 2020 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: 21 July 2020

STATUTORY **DECLARATION**
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, **CHAN CHOO SING**, 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 93 to 175 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 CHOO SING

Subscribed and solemnly declared by the abovenamed at Batu Pahat in the State of Johor Darul Ta’zim on 21 July 2020.

Before me,

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PCCS Group Berhad, which comprise the statements of financial position as at 31 March 2020 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 93 to 175.

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 2020, 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 (Notes 4(b) and 10 to the financial statements)

The Group has significant inventories amounting to RM65,778,000 as at 31 March 2020. The accounting policy of the inventories of the Group is to state inventories at lower of cost and net realisable value.

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.

Key Audit Matters (Cont'd)

Group (Cont'd)

Trade receivables (Notes 4(a) and 11 to the financial statements)

The Group has significant trade receivables as at 31 March 2020. 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.

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.
- 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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 9 to the financial statements.

OTHER MATTERS

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
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Ng Boon Hiang
No. 02916/03/2022 J
Chartered Accountant

Kuala Lumpur

Date: 21 July 2020

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)	27	675	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)	21	105	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)	9	3,917	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)	22	7,647	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)	17	3,351	31/03/2004
	# Including 74,104 sq ft for Hostel - Item 5						
	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)	18	8,676	28/08/2008
		1 Block of Dormitory	Leasehold expiring 27/7/2058	23,509 (28,710)	12	1,589	21/08/2008

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*
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)	7	6,916	30/04/2013
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)	16	2,067	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)	8	5,276	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)	5	2,534	12/09/2012
11	***PCCS Garments (Shandong) Limited***						
	ShanDong Province, Shan County YuanYi Street, Lao DingDang Road Off TianYuan Primary School 274300 China.	3 Blocks of 1 Storey Production Floor; 1 Block of 2 Storey Multimedia Room; 1 Block of 1 Storey Staff Canteen 2 Blocks of 1 Storey Warehouses 1 Block of 3 Storey Administrative Office 2 Blocks of 2 Storey Warehouses and 2 Blocks of 3 Storey Hostel	Leasehold Expiring 16/12/2068	496,076 (252,629)	9	20,700	03/09/2019
12	***Wan He Da Manufacturing Company Limited***						
	National Road No. 4, Phum Ang, Sangkat Chaom Chau, Khan Pou Senchey, Phnom Penh City, Kingdom of Cambodia.	1 Block of 2 Storey Factory Building; 2 Blocks of 4 Storey Factory and Office Building	Leasehold Expiring 31/12/2075	222,425 (225,217)	12	10,721	10/09/2019

Total Issued Share Capital	:	210,403,007 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	283	7.40	13,525	0.01
100 – 1,000	303	7.92	202,847	0.10
1,001 – 10,000	1,940	50.73	9,678,549	4.60
10,001 – 100,000	1,131	29.58	36,441,828	17.32
100,001 – 10,520,149 (*)	166	4.34	86,118,230	40.93
10,520,150 and above (**)	1	0.03	77,948,028	37.05
TOTAL	3,824	100.00	210,403,007	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	8,256,102	3.92	91,582,092 (1)	43.53
Tan Kwee Kee	1,422,100	0.68	96,304,130 (2)	45.77
CCS Capital Sdn. Bhd.	88,048,028	41.85	–	–
Chan Wee Kiang	2,111,964	1.00	88,048,028 (3)	41.85

Notes:

(1) Deemed interested by virtue of his spouse, Madam Tan Kwee Kee's and his son, Mr. Chan Wee Kiang's shareholding in the Company and his direct interest of 40% in the equity of CCS Capital Sdn. Bhd.
(2) Deemed interested by virtue of her spouse, Mr. Chan Choo Sing's shareholding in the Company and her direct interest of 20% in the equity of CCS Capital Sdn. Bhd.
(3) 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:

Directors	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
Chan Choo Sing	8,256,102	3.92	91,582,092 [(1)]	43.53
Chan Chow Tek	7,456,142	3.54	–	–
Dato' Chan Chor Ngiak	4,847,960	2.30	4,665 [(2)]	negligible
Chan Chor Ang	4,757,969	2.26	100,000 [(3)]	0.05
Julian Lim Wee Liang	–	–	–	–
Piong Yew Peng	–	–	–	–

Notes:

(1) Deemed interested by virtue of his spouse, Madam Tan Kwee Kee's and his son, Mr. Chan Wee Kiang's shareholding in the Company and 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 shareholding in the Company.
(3) Deemed interested by virtue of his spouse, Madam Chia Lee Kean's shareholding in the Company.

THIRTY (30) LARGEST SHAREHOLDERS

No.	Shareholders	Number of Shares	%
1.	CCS Capital Sdn. Bhd.	77,948,028	37.05
2.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for CCS Capital Sdn. Bhd.	10,100,000	4.80
3.	Chan Choo Sing	8,256,102	3.92
4.	Chan Chow Tek	7,456,142	3.54
5.	Chan Chor Ngiak	4,777,026	2.27
6.	Chan Chor Ang	4,757,969	2.26
7.	Chan Wee Kiang	2,111,964	1.00
8.	Ching Gek Lee	1,900,000	0.90
9.	Siow Kok Chian	1,850,000	0.88
10.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt an for DBS Bank Ltd	1,623,600	0.77
11.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kwee Kee	1,422,100	0.68
12.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for See Kok Wah1	1,281,100	0.6
13.	Low Hing Noi	1,225,000	0.58
14.	Tan Yue Teck	1,200,000	0.57
15.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ooi Chin Hock	1,063,350	0.51
16.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng You Choon	1,000,000	0.48
17.	Lim Poh Teot	886,866	0.42
18.	Gek Lee Enterprise Sdn. Bhd.	875,000	0.42
19.	Ban Hock Seng Sdn. Bhd.	780,000	0.37
20.	Ooi Chin Hock	718,500	0.34
21.	Syarikat Rimba Timur (RT) Sdn. Bhd.	700,000	0.33
22.	Law Wee Shen	652,300	0.31
23.	Goh Ching Mun	600,000	0.29
24.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Law Goo @ Law Yeow Ching	560,000	0.27
25.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ser Toh Chon Chien	560,000	0.27
26.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chua Yeow Huat	501,000	0.24
27.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore for Asia Plus Securities Company Limited	500,000	0.24
28.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Peng Seng	500,000	0.24
29.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Ching Mun	500,000	0.24
30.	Lee Kai Tong	500,000	0.24
		136,806,047	65.02

ANALYSIS OF **WARRANTHOLDINGS**

AS AT 30 JUNE 2020

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	51	4.43	2,473	0.00
100 – 1,000	43	3.74	21,445	0.02
1,001 – 10,000	370	32.15	2,204,205	2.45
10,001 – 100,000	549	47.70	22,084,812	24.53
100,001 – 4,500,896 (*)	137	11.90	48,997,120	54.43
4,500,897 and above (**)	1	0.09	16,707,902	18.56
TOTAL	1,151	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:

Directors	Direct Interest		Indirect Interest	
	No. of Warrants	%	No. of Warrants	%
Chan Choo Sing	–	–	16,707,902 [(1)]	18.56
Chan Chow Tek	–	–	–	–
Dato' Chan Chor Ngiak	30,400	0.03	1,999 [(2)]	negligible
Chan Chor Ang	–	–	–	–
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.

THIRTY (30) LARGEST WARRANTHOLDERS

No.	Warrantholders	Number of Warrants	%
1.	CCS Capital Sdn. Bhd.	16,707,902	18.56
2.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ong Yew Beng	3,000,000	3.33
3.	Low Foi	2,808,000	3.12
4.	Tang Boon Heng	1,882,000	2.09
5.	Wong Chen Peng	1,500,000	1.67
6.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Vincent Phua Chee Ee	1,451,400	1.61
7.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Chin Hooi	1,250,000	1.39
8.	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tee Jen Tong	1,067,800	1.19
9.	Gan Tee @ Gan Bon Hor	1,000,000	1.11
10.	Ngo Yoke San	1,000,000	1.11
11.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tay Ley Chee	851,220	0.95
12.	Maybank Nominees (Tempatan) Sdn. Bhd. Ko Yong Liang	844,300	0.94
13.	Ching Gek Lee	750,000	0.83
14.	Ng Faai @ Ng Yoke Pei	700,000	0.78
15.	Teoh See Cheng	700,000	0.78
16.	Chua Chin Lee	600,000	0.67
17.	Kenanga Nominees (Tempatan) Sdn. Bhd. Rakuten Trade Sdn. Bhd. for Chiam Chee Chye	600,000	0.67
18.	Mustamarul bin Mohamad	598,900	0.67
19.	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ang Ka Chin	560,000	0.62
20.	Yip Sze Thean	548,200	0.61
21.	Hoh Oong Lek	540,000	0.60
22.	Low Hing Noi	525,000	0.58
23.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kevin Tan Chee Ming	500,000	0.56
24.	Foong Sau Choo @ Foong Sow Choo	500,000	0.56
25.	Kenanga Nominees (Tempatan) Sdn. Bhd. Rakuten Trade Sdn. Bhd. for M.Ganesh A/L Marimuthu	500,000	0.56
26.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ponnusamy A/L Rajoo	500,000	0.56
27.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Michael Hii Lu Pang	500,000	0.56
28.	Tan Teng Huat	500,000	0.56
29.	Ng Siaw Hwa	461,000	0.51
30.	Ong Yew Beng	450,000	0.50
		43,395,722	48.21

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PCCS GROUP BERHAD
[Registration No. 199301026191 (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-Sixth ("**26th**") Annual General Meeting of the Company to 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, 24 August 2020 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 casted. 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 Dato' Chan Chor Ngiak as Director *(Clause 117)*	*(Resolution 1)*		
2.	To re-elect Mr. Chan Chor Ang as Director *(Clause 117)*	*(Resolution 2)*		
3.	To approve the payment of Directors' fees for the financial year ended 31 March 2020	*(Resolution 3)*		
4.	To approve the benefits payable to the Independent Non-Executive Directors pursuant to Section 230(1)(b) of the Companies Act 2016	*(Resolution 4)*		
5.	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 5)*		
	As Special Business			
6.	Ordinary Resolution - Retention of Mr. Julian Lim Wee Liang as Independent Director	*(Resolution 6)*		
7.	Ordinary Resolution - Authority to Issue Shares pursuant to the Companies Act 2016	*(Resolution 7)*		
8.	Ordinary Resolution - Proposed new Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	*(Resolution 8)*		

* Strike out whichever not applicable

Signed this........................... day of 2020

....
Signature of Member/Common Seal

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 17 August 2020 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Meeting, shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote instead of the member at the Meeting. A proxy need not be a Member of the Company. 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 attend, participate, speak and vote at the Meeting and upon appointment a proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. Where a member appoints more than one (1) proxy in relation to the Meeting, he shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.
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 it holds.
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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Affix
Stamp

PCCS Group Berhad [199301026191 (280929-K)]
C/O Securities Services (Holdings) Sdn. Bhd.

Level 7, Menara Milenium,
Jalan Damanlela.
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur,
Wilayah Persekutuan

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PCCS GROUP BERHAD
[Reg. No. 199301026191 (280929-K)]
(Incorporated in Malaysia)

Lot 1376, GM 127,
Mukim Simpang Kanan, Jalan Kluang,
83000 Batu Pahat, Johor Darul Takzim.

Tel No: +607-456 8866
Fax No: +607-456 8860

www.pccsgroup.net

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad ("**Bursa Malaysia Securities**") has perused the contents of this Circular prior to its issuance as the said contents fall under the category of Limited Review Circulars pursuant to Practice Note 18 of Bursa Malaysia Securities Main Market Listing Requirements ("**Main LR**").

Bursa Malaysia Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

PCCS GROUP BERHAD

[Registration No. 199301026191 (280929-K)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RRPT")

The Proposed RRPT will be tabled as Special Business at PCCS Group Berhad's Twenty-Sixth Annual General Meeting ("**26th AGM**") to 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, 24 August 2020 at 10:30 a.m. The Notice of the 26th AGM together with the Form of Proxy are set out in the Annual Report of PCCS Group Berhad for the financial year ended 31 March 2020.

If you are unable to attend and vote at the meeting, you may complete the Form of Proxy and deposit it at Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not later than forty-eight (48) hours before the time appointed for holding the 26th AGM. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the 26th AGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Saturday, 22 August 2020 at 10:30 a.m.
Date and time of the AGM	:	Monday, 24 August 2020 at 10:30 a.m.

This Circular is dated 24 July 2020

In this Circular and the accompanying appendices, the following abbreviations shall have the following meanings unless otherwise stated:-

"Act"	:	Companies Act 2016, as amended from time to time and any re-enactment thereof
"PCCS" or "Company"	:	PCCS Group Berhad [Registration No. 199301026191 (280929-K)]
"PCCS Group" or "Group"	:	PCCS and its subsidiaries
"PCCS Share(s)" or "Share(s)"	:	Ordinary share(s) in PCCS
"AGM"	:	Annual General Meeting
"Board"	:	Board of Directors of PCCS
"Bursa Malaysia Securities"	:	Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)]
"Director(s)"	:	Director(s) of PCCS and shall have the meaning given in Section 2(1) of the Capital Markets and Securities Act 2007
"Code"	:	Malaysian Code on Take-Overs and Mergers, 2016, as amended from time to time and any re-enactment thereof
"EPS"	:	Earnings per Share
"FYE"	:	Financial year ended / ending 31 March, as the case may be
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Malaysia Securities, as amended from time to time
"LPD"	:	Latest Practicable Date, being the latest practicable date prior to printing of this Circular, i.e. 30 June 2020

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"Major Shareholder(s)"	:	Means a person who has an interest or interests in one or more voting shares in the Company and the number or aggregate number of those shares, is:- (a) 10% or more of the total number of voting shares in the Company; or (b) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company. For the purpose of this definition, "interest" shall have the meaning of "interest in shares" given in Section 8 of the Act and for the purpose of the Proposed New Shareholders' Mandate for RRPT includes any person who is or was within the preceding six (6) months from the date on which the terms of the RRPT were agreed upon, a Major Shareholder of the Company, its subsidiary or holding company.
"NA"	:	Net assets
"Person Connected"	:	in relation to any person (referred to as "said Person") means such person who falls under any one of the following categories: - (a) a family member of the said Person; (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary; (c) a partner of the said Person; (d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person; (e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act; (f) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or (g) control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or (h) a body corporate which is a related corporation of the said Person.
"Proposed New Shareholders' Mandate for RRPT"		Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature

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"Recurrent Related Party Transaction(s)" or "RRPT"	:	Related party transaction which is recurrent, of a revenue or trading nature which is necessary for the Group's day-to-day operations and is entered into by the Group in the ordinary course of business which involves the interest, direct or indirect, of a Related Party
"Related Party(ies)"	:	A Director, a Major Shareholder or a Person Connected with such Director or Major Shareholder
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"2020 Annual Report"	:	Annual Report of PCCS issued for the FYE 31 March 2020

All references to "you" in this Circular are to the shareholders of the Company.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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CONTENTS

SECTION **PAGE**

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RRPT

APPENDICES

PCCS GROUP BERHAD
[Registration No. 199301026191 (280929-K)]
(Incorporated in Malaysia)

Registered Office:-

Lot 1376, GM 127,
Mukim Simpang Kanan,
Jalan Kluang,
83000 Batu Pahat,
Johor Darul Takzim

24 July 2020

Directors

Julian Lim Wee Liang *(Senior Independent Non-Executive Chairman)*
Chan Choo Sing *(Group Managing Director)*
Chan Chow Tek *(Executive Director)*
Dato' Chan Chor Ngiak *(Non-Independent Non-Executive Director)*
Chan Chor Ang *(Non-Independent Non-Executive Director)*
Piong Yew Peng *(Independent Non-Executive Director)*

To: The shareholders of PCCS

Dear Sir/ Madam,

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RRPT

1.0 INTRODUCTION

On 3 July 2020, the Board had announced to Bursa Malaysia Securities the Company's intention to seek the shareholders' approval for the Proposed New Shareholders' Mandate for RRPT at the forthcoming Twenty-Sixth ("**26th**") AGM.

The purpose of this Circular is to provide you with relevant information on the Proposed New Shareholders' Mandate for RRPT and to seek your approval on the ordinary resolution in relation to the Proposed New Shareholders' Mandate for RRPT to be tabled at the forthcoming 26th AGM. The notice of the 26th AGM and the Form of Proxy are set out in the 2020 Annual Report.

The Company advise you to read and carefully consider the contents of this Circular before voting on the ordinary resolution in relation to the Proposed New Shareholders' Mandate for RRPT to be tabled at the forthcoming 26th AGM.

2.0 DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE FOR RRPT

2.1 Introduction

Pursuant to Paragraph 10.09(2) of the Listing Requirements, the Company may seek a mandate from its shareholders for RRPT subject to the following: -

(i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;

(ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements;

(iii) the Company's circular to shareholders for the shareholders' mandate includes the information as may be prescribed by Bursa Malaysia Securities. The draft circular must be submitted to Bursa Malaysia Securities together with a checklist showing compliance with such information;

(iv) in a meeting to obtain shareholders' mandate, the relevant Related Party must comply with the requirements set out in Paragraph 10.08(7) of the Listing Requirements; and

(v) the Company immediately announces to Bursa Malaysia Securities when the actual value of a RRPT entered into by the Company, exceeds the estimated value of the RRPT disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Malaysia Securities in its announcement.

The authority to be conferred pursuant to the Proposed New Shareholders' Mandate for RRPT, if approved by the shareholders, shall take effect from the passing of the ordinary resolution proposed at the forthcoming 26th AGM and shall continue to be in force until: -

(a) the conclusion of the next AGM of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at a general meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is earlier.

PCCS is seeking approval from the shareholders for the Proposed New Shareholders' Mandate for RRPT which will allow the Group, in their normal course of business, to enter into the categories of RRPTs referred to in the ensuing sections provided that such transactions, are made at arms' length basis and based on the Group's normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders.

2.2 Principal Activities of PCCS Group

The principal activities of PCCS are investment holding whilst the subsidiaries of PCCS are as follows:

	Name	Effective equity interest (%)	Principal activities
Subsidiaries of the Company			
1.	Beauty Apparels (Cambodia) Ltd	100%	Temporarily ceased operations
2.	Beauty Electronic Embroidering Centre Sdn. Bhd.	100%	Temporarily ceased operations
3.	JIT Textiles Limited	100%	Manufacturing of apparels and providing sub-contracting services
4.	Keza Sdn. Bhd.	100%	Investment holding

	Name	Effective equity interest (%)	Principal activities
5.	La Prima Medicare Pte. Ltd.	100%	wholesale of medical, professional, scientific and precision equipment
6.	La Prima Medtech Sdn. Bhd. (formerly known as Perusahaan Chan Choo Sing Sdn. Bhd.)	100%	Investment holding
7.	Mega Label (Malaysia) Sdn. Bhd.	100%	Printing and sale of labels and stickers
8.	Mega Labels & Stickers Sdn. Bhd.	100%	Temporarily ceased operations
9.	PCCS Garments Limited	100%	Temporarily ceased operations
10.	PCCS Garments (Suzhou) Ltd	100%	Manufacturing and sale of apparels
11.	PCCS (Hong Kong) Limited	100%	Trading of apparels
12.	Perfect Seamless Garments (Cambodia) Limited	51%	Manufacturing of seamless bonding
13.	Thirty Three (Hong Kong) Limited	100%	Investment holding
14.	Thirty Three Trading Sdn. Bhd.	100%	Temporarily ceased operations
Subsidiary of Beauty Electronic Embroidering Centre Sdn. Bhd.			
15.	JIT Embroidery Limited	100%	Temporarily ceased operations
Subsidiaries of Keza Sdn. Bhd.			
16.	Keza (Cambodia) Limited	100%	Temporarily ceased operations
17.	Wan He Da Manufacturing Company Limited	100%	Manufacturing of apparels and providing sub-contracting services
Subsidiary of Mega Labels & Stickers Sdn. Bhd.			
18.	Mega Labels & Stickers (Cambodia) Co., Ltd	100%	Printing and sale of labels and stickers and manufacturing of elastic bands and related products
Subsidiary of PCCS Garments (Suzhou) Ltd			
19.	PCCS Garments (Shandong) Ltd	51%	Manufacturing and sale of apparels
Subsidiary of PCCS (Hong Kong) Limited			
20.	Ample Apparels Limited	60%	Temporarily ceased operations
Subsidiary of Thirty Three (Hong Kong) Limited			
21.	Thirty Three (Shanghai) Limited	100%	Trading of brand apparels and provide design service
Subsidiary of Thirty Three Trading Sdn. Bhd.			
22.	Beauty Silk Screen (M) Sdn. Bhd.	100%	Temporarily ceased operations
Subsidiary of Beauty Silk Screen (M) Sdn. Bhd.			
23.	Beauty Silk Screen Limited	100%	Embroidering of logos, emblems and printing of silk screen products

2.3 Classes of Related Parties

The Related Parties in which the Proposed New Shareholders' Mandate for RRPT is applicable are as follows:-

Name	Principal activities	Relationship
Wang WenJun Nationality: People's Republic of China	-	• Director of PCCS Garments (Shandong) Ltd, a sub-subsidiary of the Company • Shareholder of PCCS Garments (Shandong) Ltd by virtue of his 24.5% equity interest in PCCS Garments (Shandong) Ltd • Legal Representative and Managing Director cum General Manager of Shandong C&C Garment Co., Ltd • Shareholder of Shandong C&C Garment Co., Ltd by virtue of his 80% equity interest in Shandong C&C Garment Co., Ltd
Shi XiaoQun Nationality: People's Republic of China	-	• Deputy Managing Director and General Manager (executive role) of PCCS Garments (Shandong) Ltd, a sub-subsidiary of the Company • Shareholder of PCCS Garments (Shandong) Ltd by virtue of his 24.5% equity interest in PCCS Garments (Shandong) Ltd • Deputy General Manager of Shandong C&C Garment Co., Ltd • Shareholder of Shandong C&C Garment Co., Ltd by virtue of his 20% equity interest in Shandong C&C Garment Co., Ltd
Shandong C&C Garment Co., Ltd	Manufacturing and sale of apparels	• Wang WenJun is the Legal Representative, Managing Director cum General Manager and Shareholder of Shandong C&C Garment Co., Ltd by virtue of his 80% equity interest in Shandong C&C Garment Co., Ltd • Shi XiaoQun is the Deputy General Manager and Shareholder of Shandong C&C Garment Co., Ltd by virtue of his 20% equity interest in Shandong C&C Garment Co., Ltd

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2.4 Nature of RRPTs

The details of the RRPTs and their estimated values as set out below, are transactions to be entered into by PCCS Group with Related Parties in the ordinary course of business under the Proposed Shareholders' Mandate for RRPT: -

No.	Nature of transactions	Name of Company	Related Parties	Interested Directors and/or interested Major Shareholders	Estimated aggregate value of transactions from the date of the 26th AGM up to the date of next AGM (1)
1.	Manufacturing of apparels for Related Parties	PCCS Garments (Shandong) Ltd	Shandong C&C Garment Co., Ltd	• Wang WenJun • Shi XiaoQun	RM5,856,000.00
2.	Sub-contracting services from Related Parties in relation to manufacturing of apparels	PCCS Garments (Shandong) Ltd	Shandong C&C Garment Co., Ltd	• Wang WenJun • Shi XiaoQun	RM4,392,000.00

Note: -

(1) The estimated values as set out above are based on management estimates of the value of transactions to be undertaken for the period from the forthcoming 26th AGM to the next AGM. However, the value of transactions may be subject to changes.

Save as disclosed above, there were no other persons deemed connected to the interested Directors and Major Shareholders.

2.5 Outstanding Recurrent Transaction Receivables

There was no amount due and owing to the Group by its Related Parties which exceeded the credit term pursuant to the RRPT. As such, the disclosure as required under Paragraphs 16A and 16B in the Annexure PN12-A of the Listing Requirements, are not applicable.

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2.6 Review and Disclosure Procedures on the RRPTs and Thresholds of Authority

The PCCS Group has established various procedures to ensure that RRPTs are undertaken at arm's length basis and on normal commercial terms which are consistent with the PCCS Group's normal business practices and policies, on transaction prices and terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

The review and disclosure procedures with regard to the RRPTs are as follows:-

(a) The PCCS Group will be notified of the Related Parties and will be required prior to entering into such transactions to ensure that all the RRPTs are consistent with the PCCS Group's normal business practices and policies which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders;

(b) The Board and/or the Audit Committee shall review the internal audit reports which are normally conducted at least once a year to ascertain that the guidelines and procedures established to monitor RRPTs have been complied with;

(c) Records will be maintained by the PCCS Group to capture all RRPTs which are entered into pursuant to the shareholders' mandate;

(d) The Board and the Audit Committee shall have overall responsibility for the determination of the review procedures including addition of new review procedures where applicable. The Board and the Audit Comittee may also appoint individuals and committees within the PCCS Group to examine the RRPTs as they deem appropriate. If a member of the Board or the Audit Committee has an interest, he will abstain from any deliberation and decision-making by the Board and/or the Audit Committee in respect of the said transaction; and

(e) Disclosure will be made in the Annual Report of the aggregate value of RRPTs conducted pursuant to the shareholders' mandate during the financial year.

As for the thresholds authority, the PCCS Group has in placed internal charts of authority governing all business transactions. Since the RRPTs are conducted in the ordinary course of business, these are also covered under the charts of authority as there is no specific formal document in respect of thresholds authority for RRPTs.

Where practical and/or feasible, at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison for determining the price and terms offered to/by the Related Parties are fair and reasonable as compared with those offered to/by unrelated third parties. In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be determined based on those offered to/by other unrelated parties for substantially similar types of transactions to ensure that the RRPTs are not detrimental to the PCCS Group.

2.7 Statement by Audit Committee

The Audit Committee of the Company has seen and reviewed the procedures set out in Section 2.6 above and is of the view that the review procedures for RRPTs are sufficient to ensure that the RRPTs will be entered into at arm’s length and in accordance with the Group’s normal commercial terms, and on terms which are not more favourable to the Related Parties than those generally available to the public, and hence, will not be detrimental to the minority shareholders. Any member of the Audit Committee who is interested in any RRPT shall not be involved in the review of the RRPT.

The Audit Committee is satisfied that the Group has in placed adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and the review of these procedures and processes are conducted on an annual basis or whenever the need arises.

3.0 RATIONALE AND BENEFITS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE FOR RRPT

The rationale for and benefits of the Proposed New Shareholders' Mandate for RRPT to the PCCS Group are as follows: -

(a) The Proposed New Shareholders' Mandate for RRPT will facilitate transactions with the Related Parties which are carried out in the ordinary course of business of the PCCS Group and are mainly for the support of the Group in its day-to-day operations. They are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and which may arise at any time and from time to time;

(b) The Proposed New Shareholders' Mandate for RRPT are made on an arm's length basis and on transaction prices and terms not more favourable to the Related Parties than those generally available to the public and not in the Company's opinion detrimental to the minority shareholders;

(c) The Proposed New Shareholders' Mandate for RRPT will enhance the PCCS Group's ability to pursue business opportunities which may be time sensitive, frequent nature and confidentiality of such transactions, and it may be impractical to seek shareholders' approval on a case-by-case basis before entering into such transactions;

(d) The sale to the Related Parties benefits PCCS Group as they contribute to the PCCS Group's revenue and profitability;

(e) The purchase from Related Parties benefits PCCS Group as it allows the Group to be more competitive in terms of product pricing and response time in the manufacturing of apparels and creates an extensive network of manufacturing operations for the Group. These will help to increase availability and fulfil customer demands, reduce inventory lead time and better utilisation of resources; and

(f) The Proposed New Shareholders' Mandate RRPT will eliminate the need to make regular announcements or convene separate general meetings from time to time to seek shareholders' mandate approval, thereby reducing the administrative time and cost in convening such meetings without compromising the corporate objectives and adversely affecting the business opportunities available to the PCCS Group.

4.0 INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER AND/OR PERSONS CONNECTED WITH DIRECTOR/MAJOR SHAREHOLDER

The interested Directors in the Proposed New Shareholders' Mandate for RRPT are Wang WenJun and Shi XiaoQun.

Wang WenJun and Shi XiaoQun being the interested Directors in the RRPTs has abstained and will continue to abstain from Board deliberations and voting on the resolution pertaining to the Proposed New Shareholders' Mandate for RRPT. Wang WenJun and Shi XiaoQun will abstain from voting on the Proposed New Shareholders' Mandate for RRPT at the forthcoming 26th AGM.

The interested Directors has undertaken to ensure that persons connected to them will abstain from voting in respect of their shareholdings on the resolution pertaining to the Proposed New Shareholders' Mandate for RRPT at the forthcoming 26th AGM.

Wang WenJun and Shi XiaoQun do not hold any shares in PCCS as at the LPD prior to the printing of this Circular.

Save as disclosed above, none of the other Directors, Major Shareholders and/or persons connected to them has any direct and/or indirect interest in the Proposed New Shareholders' Mandate for RRPT.

5.0 EFFECTS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE FOR RRPT

The Proposed New Shareholders' Mandate for RRPT does not have any effect on the Issued Share Capital, NA, EPS, gearing and substantial shareholders' shareholdings of the Company and/or the Group.

6.0 APPROVAL REQUIRED

The Proposed New Shareholders' Mandate for RRPT is subject to the approval of the shareholders of PCCS at the forthcoming 26th AGM.

7.0 DIRECTORS' RECOMMENDATION

The Board having considered all aspects of the Proposed New Shareholders' Mandate for RRPT, is of the opinion that the above is in the best interests of the Company and therefore recommends that you vote in favour of the resolution pertaining to Proposed New Shareholders' Mandate for RRPT to be tabled at the forthcoming 26th AGM.

8.0 THE 26TH AGM

The ordinary resolution pertaining to the to Proposed New Shareholders' Mandate for RRPT is set out as special business in the notice of 26th AGM contained in the 2020 Annual Report of the Company, which was sent to you together with this Circular. The 26th AGM of PCCS 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, 24 August 2020 at 10:30 a.m.

If you are unable to attend and vote at the meeting, you may complete the Form of Proxy and deposit it at Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not later than forty-eight (48) hours before the time appointed for holding the 26th AGM. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the 26th AGM should you subsequently wish to do so.

9.0 FURTHER INFORMATION

Shareholders are advised to refer to the attached Appendix I for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
PCCS GROUP BERHAD

JULIAN LIM WEE LIANG
Senior Independent Non-Executive Chairman

APPENDIX I – FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors of PCCS and that they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries to the best of their knowledge and belief there are no other facts, the omission of which would make any statement in this Circular misleading.

2. MATERIAL CONTRACTS

PCCS Group has not entered into any material contracts (not being contracts entered into the ordinary course of business) within two (2) years immediately preceding the date of this Circular.

3. MATERIAL LITIGATION

PCCS Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Directors do not have any knowledge of any proceedings, pending or threatened, against the PCCS Group or of any facts likely to give rise to any proceedings which might materially affect the business and financial position of the PCCS Group as at the date of this Circular.

4. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of PCCS at Lot 1376, GM127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim during normal business hours on Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the forthcoming 26th AGM:-

(a) Constitution of PCCS; and

(b) Audited Financial Statements of PCCS for the FYE 2019 and FYE 2020.

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