THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Shareholders should rely on their own evaluation to assess the merits and risks of the Proposed Disposal (as defined herein). Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, valuation certificate and report, if any, 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

PART A

PROPOSED DISPOSAL BY PCCS GROUP BERHAD ("PCCS") TO CHAN CAPITAL SDN. BHD. (FORMERLY KNOWN AS XWING (M) SDN. BHD.) OF ITS ENTIRE EQUITY INTEREST IN MEGA LABEL (MALAYSIA) SDN. BHD. ("MLMSB"), A WHOLLY-OWNED SUBSIDIARY OF PCCS, TOGETHER WITH MEGA LABEL (PENANG) SDN. BHD., A 51%-OWNED SUBSIDIARY OF MLMSB, FOR A CASH CONSIDERATION OF RM8.5 MILLION ("PROPOSED DISPOSAL")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF PCCS IN RELATION TO THE PROPOSED DISPOSAL

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

MALACCA SECURITIES SDN BHD
Registration No: 197301002760 (16121-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser

AER
ASIA EQUITY RESEARCH SDN. BHD. (1103848-M)
Licensed to provide advisory in corporate finance and investment advice

The notice of the Extraordinary General Meeting ("**EGM**") together with the Form of Proxy are enclosed in this Circular. If you decide to appoint a proxy(ies) to attend and vote on your behalf at the EGM, the Form of Proxy should be completed and lodged 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 and date indicated below or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Wednesday, 23 February 2022 at 11:00 a.m.
Date and time of the EGM	:	Friday, 25 February 2022 at 11:00 a.m.
Venue of the EGM	:	PCCS Group Berhad's Corporate Office, Lot 1376, GM127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim

This Circular is dated 10 February 2022

DEFINITIONS

In this Circular, the following terms and abbreviations shall have the following meanings unless otherwise stated:

"Act"	:	Companies Act 2016
"AER" or "Independent Adviser"	:	Asia Equity Research Sdn. Bhd., the Independent Adviser for the Proposed Disposal
"Board"	:	Board of Directors of PCCS
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"CCSB"	:	Chan Capital Sdn. Bhd. (formerly known as Xwing (M) Sdn. Bhd.)
"CCS Capital"	:	CCS Capital Sdn. Bhd., a Major Shareholder as at the LPD
"Circular"	:	This circular dated 10 February 2022 in relation to the Proposed Disposal
"CLPG"	:	CLPG Packaging Industries Sdn. Bhd.
"Director(s)"	:	Director(s) of the Company and has the meaning given in Section 2(1) of the Capital Market and Services Act 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the Proposed Disposal were agreed upon a director or chief executive of PCCS, its subsidiary or holding company
"Disposal Consideration"	:	Cash consideration of RM8.5 million in relation to the Proposed Disposal
"EGM"	:	Extraordinary General Meeting
"EPS"	:	Earnings per share
"ESOS"	:	Employee share option scheme
"FPE"	:	Financial period ending/ended, as the case may be
"FYE"	:	Financial year ending/ended, as the case may be
"Interested Directors"	:	Chan Choo Sing, Chan Wee Kiang, Chan Wee Boon, Chan Chow Tek, Dato' Chan Chor Ngiak and Chan Chor Ang, collectively
"Interested Parties'	:	CCS Capital, Chan Choo Sing, Chan Wee Kiang, Chan Wee Boon, Tan Kwee Kee, Chan Chow Tek, Dato' Chan Chor Ngiak and Chan Chor Ang, collectively
"LAT"	:	Loss after taxation
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LOU"	:	Letter of understanding dated 9 February 2022, signed between PCCS and CCSB to provide further clarity to certain terms of the SSA
"LPD"	:	7 February 2022, being the latest practicable date prior to the printing of this Circular

"Major Shareholder(s)"	:	Any person who has an interest or interests in one or more voting shares in PCCS and the number or aggregate number of those shares, is: (i) 10% or more of the total number of the voting shares in PCCS; or (ii) 5% or more of the total number of the voting shares in PCCS where such person is the largest shareholder of PCCS For the purpose of this definition, "interest in shares" shall have the meaning given in Section 8 of the Act and a major shareholder includes any person who is or was within the preceding six (6) months of the date on which the terms of the Proposed Disposal were agreed upon, a major shareholder of PCCS as defined under Paragraph 1.01 of the Listing Requirements or any other company which is its subsidiary or holding company
"Malacca Securities" or "Principal Adviser"	:	Malacca Securities Sdn. Bhd. (Registration No. 197301002760 (16121-H))
"MLMSB Group"	:	MLMSB and its 51% owned subsidiary, MLPSB
"MLMSB"	:	Mega Label (Malaysia) Sdn. Bhd.
"MLPSB"	:	Mega Label (Penang) Sdn. Bhd.
"NA"	:	Net assets
"PAT"	:	Profit after tax
"PCCS Group" or "Group"	:	PCCS and its subsidiaries, collectively
"PCCS Share(s)" or "Share(s)"	:	Ordinary share(s) in PCCS
"PCCS" or "Company"	:	PCCS Group Berhad (Registration No. 199301026191 (280929-K))
"Proposed Disposal"	:	Proposed disposal of the entire equity interest in MLMSB, a wholly-owned subsidiary of PCCS, together with MLPSB, a 51%-owned subsidiary of MLMSB, to CCSB for the Disposal Consideration
"Record of Depositors"	:	A record of securities holders established and maintained by Bursa Malaysia Depository Sdn. Bhd.
"RM" and "Sen"	:	Ringgit Malaysia and sen, respectively
"Sale Shares"	:	8,000,000 ordinary shares of MLMSB
"SSA"	:	Conditional share sale agreement entered into between PCCS and CCSB on 21 December 2021 in relation to the Proposed Disposal
"Warrants"	:	Warrants 2017/2022 of PCCS constituted by the deed poll dated 27 October 2017 and expiring on 25 December 2022

All references to "our Company" and "the Company" in this Circular are to PCCS. References to "the Group" and "the PCCS Group" are to our Company and subsidiaries, collectively. Reference to "we", "us", "our", and "ourselves" are to our Company and save where the context otherwise requires, shall include our subsidiaries.

All references to "you" or "your" in this Circular are to the shareholders of the Company who are entitled to participate and vote at the EGM and whose names appear in the Record of Depositors of the Company at the time and date to be determined by the Board.

Words denoting the singular number shall include the plural and vice-versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any provision of the statutes, rules, regulations or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations or rules of stock exchange (as the case may be) as modified by any written law and any amendments to the statutes, regulations or rules of stock exchange for the time being in force or their respective re-enactment or amendment.

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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,

10 February 2022

Board of Directors
Chan Choo Sing (Group Executive Chairman)
Chan Wee Kiang (Group Managing Director)
Chan Wee Boon (Executive Director)
Chan Chow Tek (Non-Independent Non-Executive Director)
Dato' Chan Chor Ngiak (Non-Independent Non-Executive Director)
Chan Chor Ang (Non-Independent Non-Executive Director)
Julian Lim Wee Liang (Senior Independent Non-Executive Director)
Piong Yew Peng (Independent Non-Executive Director)
Joyce Wong Ai May (Independent Non-Executive Director)

To: The shareholders of PCCS

Dear Sir/Madam,

PROPOSED DISPOSAL

---

1. INTRODUCTION

On 21 December 2021, Malacca Securities had, on behalf of the Board, announced that PCCS had on 21 December 2021, entered into the SSA with CCSB for the Proposed Disposal subject to the terms as set out in the SSA.

On 9 February 2022, PCCS and CCSB had signed the LOU to provide further clarity to certain terms of the SSA.

The Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements by virtue of the interests of certain individuals as detailed in Section 10 of this Circular.

In this respect, the Board (save for the Interested Directors) had on 29 September 2021, appointed AER as the Independent Adviser to advise the non-interested directors and non-interested shareholders of the Company in relation to the Proposed Disposal.

Details of the Proposed Disposal are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DISPOSAL AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL (AS SET OUT IN PART B OF THIS CIRCULAR) TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM TO BE CONVENED.

2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal entails the disposal of PCCS' entire equity interest in MLMSB, together with its 51% owned subsidiary, MLPSB, to CCSB at the Disposal Consideration.

The salient terms of the SSA and LOU are set out in Appendix I of this Circular.

Please refer to Appendices II and III of this Circular for information on MLMSB and MLPSB respectively.

2.1 Information on CCSB

CCSB was incorporated in Malaysia on 25 November 2016 under the company name Xwing (M) Sdn. Bhd. under the Act as a private limited company, and assumed its current name on 6 July 2021. As at the LPD, CCSB is a dormant company.

As at the LPD:

(i) the issued share capital of CCSB is RM100 comprising 100 ordinary shares; and

(ii) the directors of CCSB are Tan Kwee Kee and Chan Wee Boon.

(iii) the shareholders, as well as their shareholdings in CCSB, are as follows:

Name	Direct interest		Indirect interest	
	No. of CCSB shares	%(1)	No. of CCSB shares	%(1)
Chan Wee Boon	50	50.0	-	-
Tan Kwee Kee	50	50.0	-	-

Note:

(1) Computed based on 100 CCSB shares in issue as at the LPD.

2.2 Basis and justification for the Disposal Consideration

The Disposal Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the following:

(a) the rationale of the Proposed Disposal as set out in Section 3 of Part A of this Circular.

(b) reduction of loan and borrowings as well as gearing of the PCCS Group as a result of the Proposed Disposal due to the deconsolidation of the MLMSB's bank borrowings amounting to RM36.26 million and MLPSB's lease liabilities of RM0.24 million as at 31 March 2021;

(c) the adjusted NA value of MLMSB Group, based on the audited financial statements of MLMSB and MLPSB as at 31 March 2021, as illustrated below:

	(RM)
NA of MLMSB Group as at 31 March 2021[1]	38,655,053
Less: Share capital reduction[2]	(12,500,000)
Less: Dividend payment declared[3]	(18,227,504)
Adjusted NA of MLMSB Group as at 31 March 2021	**7,927,549**
Disposal Consideration	**8,500,000**

Notes:

*(1) The financial statements of MLMSB are not consolidated with the financial statements of its subsidiary company, MLPSB as MLMSB itself is a wholly-owned subsidiary of PCCS. PCCS produces consolidated financial statements at each financial year end that comply with the Malaysian Financial Reporting Standards ("**MFRSs**").*

The estimated NA of MLMSB Group as at 31 March 2021, which has been reviewed by the Company's auditors, was arrived at as follows:

	(RM)
NA of MLMSB as at 31 March 2021	*39,015,844*
51% share of accumulated loss of MLPSB as at 31 March 2021	*(283,893)*
Adjustment for sale of fixed assets between MLMSB and MLPSB	*(76,898)*
Estimated NA of MLMSB Group as at 31 March 2021	***38,655,053***

*(2) MLMSB had undertaken a share capital reduction ("**Share Capital Reduction**") firstly, to partially recoup its original cost of investment or capital invested in MLMSB and secondly, to reduce the NA or value of the company in order that the Disposal Consideration may meet the consideration price offered by the prospective purchaser. The reduction in the share capital of MLMSB of RM12.50 million was completed on 15 November 2021. For information purposes, the effect on the share capital of MLMSB pursuant to the Share Capital Reduction is as follows:*

	(RM)
Share capital of MLMSB as at the 31 March 2021	*20,500,000*
Reduction of share capital pursuant to the Share Capital Reduction	*(12,500,000)*
After the Share Capital Reduction	***8,000,000***

As at the LPD, the proceeds from the Share Capital Reduction amounting to RM12.5 million has not been received by PCCS from MLMSB. The delay in the payment of RM12.5 million is mainly due to the delay for the drawdown of a banking facility which has been procured by MLMSB and is expected to be drawn down and paid in full to PCCS prior to or on the completion date of the SSA.

(3) Dividend of RM18.23 million by MLMSB, which was declared on 30 November 2021. As at the LPD, RM16.0 million had been paid to PCCS while the remaining balance of RM2.23 million of the dividend declared is owing to PCCS and shall be paid to PCCS prior to or on the completion date of the SSA. The delay in payment for the balance of RM2.23 million is mainly due to the delay for the drawdown of a banking facility which has been procured by MLMSB.

The Disposal Consideration represents a premium of RM572,451 or 7.22% of the adjusted NA of MLMSB Group as at 31 March 2021.

2.3 Date and original cost of investment by PCCS in MLMSB

The dates and original cost of investment by PCCS in MLMSB are set out as follows:

Date of investment	Cost of investment (RM)
28 November 2000	2
15 January 2001	99,998
21 January 2014	400,000[(1)]
1 August 2018	14,000,000
30 June 2020	6,000,000
15 November 2021	(12,500,000)[(2)]
Total	**8,000,000**

Notes:

(1) The sum of RM400,000, being part of the retained earnings of MLMSB, was capitalised and applied as bonus in making payment in full at par of 400,000 ordinary shares of RM1.00 each in the capital of MLMSB to PCCS on the basis of 4 fully-paid ordinary shares for every 1 ordinary share in MLMSB of RM1.00 each held by PCCS.

(2) Arising from the reduction in the share capital of MLMSB of RM12.50 million which was completed on 15 November 2021.

2.4 Assumption of liabilities

For information purposes, PCCS Group has provided corporate guarantees for the banking facilities obtained by MLMSB. For avoidance of doubt, CCSB will assist to discharge PCCS Group as corporate guarantor by substituting the securities acceptable by the respective bank after the completion of the Proposed Disposal.

Save for the above, there are no liabilities, contingent liabilities and guarantees to be assumed by or will remain with the Group pursuant to the Proposed Disposal.

2.5 Expected gain from the Proposed Disposal

	(RM)
Disposal Consideration	8,500,000
Add: Estimated consolidation adjustment arising from the Proposed Disposal[(1)]	6,290,639
Less: Adjusted NA of MLMSB Group as at 31 March 2021[(2)]	(7,927,549)
Less: Estimated expenses in relation to the Proposed Disposal	(600,000)
Total net pro forma gain from the Proposed Disposal	**6,263,090**

Notes:

(1) The estimated consolidation adjustment arises mainly from the following:

Description of adjustment	*(RM)*
Realised gain from disposal of Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor by La Prima Medtech Sdn. Bhd. (formerly known as Perusahaan Chan Choo Sing Sdn. Bhd.), a wholly-owned subsidiary of PCCS to MLMSB for a consideration of RM17.5 million which was completed on 1 January 2019	*6,290,639*

(2) Please refer to Section 2.2 (c) of Part A of this Circular.

2.6 Cash Company or PN17 Company

The Proposed Disposal is not expected to result in PCCS becoming a Cash Company or a PN17 Company as defined under the Listing Requirements.

3. RATIONALE FOR THE PROPOSED DISPOSAL

A summary of the revenue and PAT/LAT of MLMSB for the past three (3) audited financial years up to the FYE 31 March 2021 and the unaudited 6-month FPE 30 September 2021 is as follows:

MLMSB	Audited 31 March			Unaudited 6-month FPE 30 September 2021 (RM'000)
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	
Revenue	59,546	53,588	58,076	29,767
PAT/(LAT)	3,529	1,513	(970)	684

A summary of the revenue and LAT of MLPSB for the audited financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021 and the unaudited 6-month FPE 30 September 2021 is as follows:

MLPSB	Audited for the financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021 (RM)	Unaudited 6-month FPE 30 September 2021 (RM)
Revenue	3,501	402,192
LAT	(556,653)	(354,431)

As illustrated above, the PAT of MLMSB had decreased significantly from RM3.53 million in FYE 31 March 2019 to a LAT of RM0.97 million in FYE 31 March 2021 while recording a PAT of RM0.68 million for the 6-month FPE 30 September 2021. In addition, MLPSB had recorded a LAT of RM0.56 million and RM0.35 million in the financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021 and 6-month FPE 30 September 2021 respectively. MLMSB Group has been experiencing fierce price competition among the major players in the market in which it operates. As such, the Board is of the view that, despite MLPSB being relatively new in its incorporation with a new factory, it is in the best interest of the Company to dispose MLMSB Group as a whole, which includes MLPSB.

Please refer to Appendix II and Appendix III of this Circular for further financial information and commentaries of the financial performance on MLMSB and MLPSB respectively.

The Board, after considering, amongst others, the continuing substantial investment required to sustain MLMSB Group, the associated risk and uncertainty of MLMSB Group's ability to generate profits, believes the Proposed Disposal is expected to allow the Group to achieve the following:

(a) unlock the value of its investments in MLMSB Group. In this respect, the Group is expected to record a net pro forma gain on disposal of approximately RM6.3 million as set out in Section 2.5 of Part A of this Circular;

(b) monetise its investments in MLMSB Group. The Group will be able to utilise the Disposal Consideration of RM8.5 million in the manner as set out in Section 4 of Part A of this Circular, which is expected to allow the Group to ease funding requirements for its existing business operations of Group including working capital as well as to repay bank borrowings;

(c) improve its financial position and financial performance. The net pro forma gain from the Proposed Disposal of approximately RM6.3 million (after deducting estimated expenses of RM0.6 million) is expected to increase the NA and earnings of the Group; and

(d) part of the proceeds from the Proposed Disposal is to be utilised to repay bank borrowings which will improve the gearing of the Group. The increase in the NA together with the improved gearing level is expected to improve the credit rating and debt capacity of the Group, which in turn would provide the Group with financial flexibility in the event the Group intends to source for additional funds and/or gear up in the future to fund its business operations.

4. UTILISATION OF PROCEEDS

The gross proceeds arising from the Proposed Disposal of RM8.5 million are proposed to be utilised in the following manner:

Utilisation of proceeds	Notes	Amount (RM'000)	Expected timeframe for utilisation of proceeds after completion of the Proposed Disposal
Working capital	(i)	1,400	Within 12 months
Repayment of borrowings	(ii)	6,500	Within 12 months
Estimated expenses for the Proposed Disposal	(iii)	600	Within 2 months
Total gross proceeds		**8,500**	

Notes:

(i) To be utilised for the PCCS Group's day-to-day operating expenses to support its existing on-going business operations, which shall include, purchase of raw materials, payment of administrative expenses, staff salaries and overheads, factory expenses, including repair and maintenance of machinery.

The breakdown of such proceeds has not been determined at this juncture and will be dependent on the operating and funding requirements of PCCS Group at the relevant point in time of utilisation. On a best estimate basis, the percentage of the allocation of the proceeds to be utilised for each component of the working capital are as follows:

Details	***Estimated allocation of proceeds (%)***
Purchase of raw materials	*60*
Payment of administrative expenses	*10*
Staff salaries	*10*
Overhead costs	*10*
Factory expenses	*10*
Total	***100***

(ii) As at LPD, the Group has outstanding loans and borrowings of approximately RM75.4 million. Pursuant to the Proposed Disposal, the Group intends to earmark RM6.5 million to partly settle its short-term borrowings, which will result in interest savings of approximately RM0.23 million per annum based on the average effective interest rate of the Group's banking facilities of 3.6% per annum. Any difference between the actual and indicative amount of borrowings repayment will be adjusted against the proceeds allocated for working capital; and

(iii) The estimated expenses in relation to the Proposed Disposal consist of professional fees, fees payable to the relevant authorities, expenses for the printing of circulars, the advertisement for the extraordinary general meeting and other ancillary expenses to be incurred in relation to the Proposed Disposal. Any surplus or shortfall for such expenses will be adjusted accordingly against the amount allocated for the working capital for PCCS Group.

Pursuant to the Share Capital Reduction and dividend payment declared by MLMSB on 30 November 2021, PCCS Group will receive approximately RM30.73 million. The proceeds are proposed to be utilised in the following manner:

Utilisation of proceeds	Notes	Amount (RM'000)	Expected timeframe for utilisation of proceeds*
Working capital	(i)	10,728	Within 12 months
To expand the existing hire-purchase business loan size	(ii)	20,000	Within 12 months
Total gross proceeds		**30,728**	

Notes:

* *From the date of receipt of proceeds.*

(i) *To be utilised for the PCCS Group's day-to-day operating expenses to support its existing on-going business operations, which shall include, purchase of raw materials, staff salaries and payment of administrative expenses.*

The breakdown of such proceeds has not been determined at this juncture and will be dependent on the operating and funding requirements of PCCS Group at the relevant point in time of utilisation. On a best estimate basis, the percentage of the allocation of the proceeds to be utilised for each component of the working capital are as follows:

Details	***Estimated allocation of proceeds (%)***
Purchase of raw materials	*60*
Staff salaries	*30*
Payment of administrative expenses	*10*
Total	***100***

(ii) *On 19 April 2021, the Company incorporated an 80% owned subsidiary company in Malaysia, under the name of Southern Auto Capital Sdn. Bhd. ("**Southern Auto**"). The principal activity of Southern Auto is leasing and/or hire purchase for all kinds of motor vehicles and machineries. Southern Auto has commenced operation in June 2021.*

As at the LPD, Southern Auto had already disbursed approximately RM3.4 million in hire purchase financing to its customers (all of which are 3rd party customers and not related parties or companies in the PCCS Group) and expects that the company will require additional working capital funding to further grow its hire purchase financing business. As such, the Company intends to allocate RM20.0 million to expand the business loan size for the hire purchase for all kinds of motor vehicles and machineries through Southern Auto.

5. EFFECTS OF THE PROPOSED DISPOSAL

5.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the issued share capital and the shareholdings of the substantial shareholders of PCCS.

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5.2 NA, NA per Share and gearing

For illustration purposes, based on the audited consolidated statement of financial position of PCCS Group as at 31 March 2021, the pro forma effects of the Proposed Disposal on NA, NA per Share and gearing of PCCS Group assuming that the Proposed Disposal was effected on 31 March 2021, are as follows:

		(I)	
	Audited as at 31 March 2021 **(RM'000)**	**After adjusting for subsequent events up to the LPD[(1)]** **(RM'000)**	**After (I) and the Proposed Disposal** **(RM'000)**
Share capital	84,709	86,271	86,271
Warrants reserve	6,383	6,383	6,383
Foreign exchange reserve	8,743	8,743	8,743
Legal reserve fund	3,006	3,006	3,006
Share option reserve	846	719	719
Retained earnings	56,479	56,135	62,398[(2)]
Shareholders' equity/NA	**160,166**	**161,257**	**167,520**
No. of Shares in issue ('000)	212,056	214,970	214,970
NA per Share (RM)	0.76	0.75	0.78
Total borrowings (RM'000)	71,323	71,323	28,318[(3)]
Gearing (times)	0.45	0.44	0.17

Notes:

(1) After taking into consideration the following subsequent events:

(a) issuance of the following PCCS Shares at RM0.370 per PCCS Share pursuant to the exercise of employee share options in relation to the Company's ESOS:

No.	***Date of announcement***	***Number of PCCS Shares issued***
1.	*8 April 2021*	*773,300*
2.	*21 April 2021*	*428,700*
3.	*25 May 2021*	*304,700*
4.	*3 June 2021*	*190,000*
5.	*25 June 2021*	*20,000*
6.	*7 July 2021*	*186,700*
7.	*15 September 2021*	*100,000*
8.	*17 November 2021*	*70,000*
9.	*30 December 2021*	*431,000*
10.	*24 January 2022*	*270,000*

(b) issuance of 140,000 PCCS Shares at RM0.460 per PCCS Share pursuant to the exercise of employee share options in relation to the Company's ESOS as announced on 30 September 2021;

(c) Offering of 2,060,600 options under the Company's ESOS on 30 June 2021;

(d) reduction in the share capital of MLMSB of RM12.50 million which was completed on 15 November 2021; and

(e) dividend of RM18.23 million by MLMSB, which was declared on 30 November 2021. As at the LPD, the dividend declared is owing to PCCS and shall be paid to PCCS prior to or on the completion date of the SSA.

(2) After taking into account the net pro forma gain from the disposal of MLMSB Group of RM6.263 million (after deducting the estimated expenses of RM0.6 million in relation to the Proposed Disposal).

(3) After taking into account the deconsolidation of MLMSB's bank borrowings amounting to RM36.26 million and MLPSB's lease liabilities of RM0.24 million as at 31 March 2021 and repayment of bank borrowings of RM6.5 million from the proceeds of the Proposed Disposal;

5.3 Earnings and EPS

The Proposed Disposal is expected to be completed by the 2nd quarter of calendar year 2022 and it is expected to contribute to the earnings of PCCS Group as a result of the pro forma gain on disposal of RM6.26 million which will result in an increase in EPS by 2.91 sen to the Group for the FYE 31 March 2023.

Strictly for illustration purposes only, assuming that the Proposed Disposal had been effected at the beginning of FYE 31 March 2021, the proforma effects on the Group's earnings and EPS are as follows:

	Amount (RM'000)	**Basic EPS (sen)**
PAT attributable to owners of the Company for the FYE 31 March 2021	3,176	1.50[(1)]
Add: - Net pro forma gain from the disposal	6,263	2.91[(2)]
Pro forma PAT attributable to owners of the Company for the FYE 31 March 2021	**9,439**	**4.39[(2)]**

Notes:

(1) Computed based on the PAT attributable to owners of the Company for FYE 31 March 2021 divided by the number of PCCS Shares in issue of 212,056,007 as at 31 March 2021.

(2) Computed based on the pro forma PAT attributable to owners of the Company for FYE 31 March 2021 divided by the number of PCCS Shares in issue as at the LPD of 214,970,407.

5.4 Convertible securities

Save for the 90,017,957 outstanding Warrants and the 4,393,500 outstanding ESOS options, the Company does not have any other outstanding convertible securities in issue as at the LPD.

The Proposed Disposal will not give rise to any adjustment to the exercise price and/or number of outstanding Warrants and outstanding ESOS options.

6. RISK FACTORS

(a) Completion risk

The Proposed Disposal is conditional upon all the conditions precedent in the SSA (as set out in Section 2 of Appendix I of this Circular) being fulfilled and/or waived, as the case may be, within the timeframe stipulated therein, including the approval of PCCS' shareholders.

If any or all the conditions precedent of the SSA are not fulfilled or obtained in a timely manner in accordance with the terms and conditions of the SSA, it may lead to the termination of the SSA, which would result in PCCS not being able to realise the benefits of the Proposed Disposal as set out in Section 3 of Part A of this Circular.

There can be no assurance that all the conditions precedent of the SSA can be fulfilled. The management of the Company will take reasonable steps to ensure the conditions precedent are fulfilled and the Proposed Disposal is completed in a timely manner.

(b) Loss of potentially higher capital value

The Disposal Consideration is based on, amongst others, the adjusted NA value of MLMSB Group as at 31 March 2021. Effecting the Proposed Disposal at this juncture could result in the Group not realising a potentially higher value from MLMSB Group if they were disposed later.

Nonetheless, the Proposed Disposal is undertaken based on the rationale of the Proposed Disposal as set out in Section 3 of Part A of this Circular. There can be no assurance or guarantee that the Group can source for ready buyers for MLMSB Group or be able to dispose MLMSB Group at a higher value in the future.

(c) Loss of contribution and future income stream

Upon completion of the Proposed Disposal, MLMSB Group which is a major contributor to the Group in terms of revenue will no longer be a subsidiary of PCCS and PCCS will cease from consolidating the results of MLMSB Group. For the FYE 31 March 2021, MLMSB Group contributed approximately 15.21% to the total revenue of PCCS Group and LAT of RM0.97 million to PCCS Group in the FYE 31 March 2021.

In the immediate term upon completion of the Proposed Disposal, MLMSB will continue to supply labels and stickers for apparels to the PCCS Group. For the FYE 31 March 2021, PCCS Group had purchased approximately RM3.48 million worth of goods and services for labels and stickers from MLMSB Group.

As at the LPD, PCCS Group is sourcing for other potential suppliers for the printing of labels and stickers for its apparel division, where the Company will evaluate whether the potential suppliers are able to meet the Group's quality and price requirements. Nevertheless, PCCS does not anticipate a material change in cost that will affect the margins of its apparel segment due to competitive pricing in the labels and stickers industry.

On 19 April 2021, the Company incorporated an 80% owned subsidiary company in Malaysia, under the name of Southern Auto. The principal activity of Southern Auto is leasing and/or hire purchase for all kinds of motor vehicles and machineries. Southern Auto has commenced operation in June 2021. The Company intends to expand its leasing and/or hire purchase for all kinds of motor vehicles and machineries through Southern Auto to compensate for the loss of contribution arising from the Proposed Disposal. However, there is no assurance that the Company will be successful and able to generate sufficient earnings to compensate for the loss of contribution arising from the Proposed Disposal.

7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF PCCS GROUP

Established in 1973, PCCS Group is a diversified investment group that specialises in the apparels industry. PCCS Group is principally involved in the following:

(i) manufacturing and marketing of apparels;

(ii) printing of labels and stickers for garment and other products;

(iii) investment holding and provision of management services.

During the FYE 31 March 2021, the COVID-19 pandemic had greatly affected the Group's business operations, especially the demand of apparel products, delay in shipment of goods to buyers and the competitive pricing in the label and packaging segment. The Group recorded lower revenue of RM381.66 million in the FYE 31 March 2021 as compared to RM425.03 million achieved in the previous financial year. The Group recorded a lower profit before tax of RM3.33 million for the FYE 31 March 2021 as compared to a profit before tax of RM15.59 million recorded in the previous financial year. The lower revenue and profit before tax were mainly due to the softer demand of apparels attributable to the outbreak of COVID-19 pandemic.

On 19 April 2021, the Company incorporated an 80% owned subsidiary company in Malaysia, under the name of Southern Auto. The principal activity of Southern Auto is leasing and/or hire purchase for all kinds of motor vehicles and machineries. Southern Auto has commenced operation in June 2021. The Company intends to expand its leasing and/or hire purchase for all kinds of motor vehicles and machineries through Southern Auto.

On 13 September 2021, a wholly-owned subsidiary of PCCS, Wan He Da Manufacturing Company Limited, incorporated a 100% owned subsidiary company under the name of Thirty Three Apparels (Cambodia) Co., Ltd. This new subsidiary was established as PCCS had intended to seek out opportunities for business collaborations to expand the Group's core business.

Upon completion of the Proposed Disposal, the Group will be able to focus on its core business of manufacturing and marketing of apparels. The Group will also be able to utilise the proceeds from the Proposed Disposal for the Group's day-to-day operating expenses to support its existing on-going business operations as set out in Section 4 of this Circular.

The Board remains cautiously optimistic for the Group's future prospects while it strives to control costs and capital expenditure, as well as to maintain and improve the utilisation of the Group's existing plants' capacities for all the divisions and segments within the Group.

8. APPROVAL REQUIRED AND INTER-CONDITIONALITY OF THE PROPOSED DISPOSAL

The Proposed Disposal is subject to the following approvals being obtained:

(a) non-interested shareholders of the Company at an EGM to be convened; and

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

Highest applicable percentage ratio

The highest percentage ratio applicable for the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 25.17% based on the latest audited consolidated financial statements of PCCS for the FYE 31 March 2021.

Conditionality

The Proposed Disposal is not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

9. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

As at the LPD, the Group does not have any other corporate exercises which have been announced to Bursa Securities but have yet to be completed prior to the date of this Circular.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save for the following Interested Parties, none of the Directors, Major Shareholders and persons connected with them have any interest, direct or indirect in the Proposed Disposal:

No.	Name	Description of relationship
(i)	Chan Choo Sing	• Group Executive Chairman and Major Shareholder • Director and major shareholder of CCS Capital • Husband of Tan Kwee Kee • Father of Chan Wee Boon and Chan Wee Kiang • Brother of Chan Chow Tek, Dato' Chan Chor Ngiak and Chan Chor Ang
(ii)	Chan Wee Kiang	• Group Managing Director and Major Shareholder • Director and major shareholder of CCS Capital • Son of Chan Choo Sing and Tan Kwee Kee • Brother of Chan Wee Boon
(iii)	Chan Wee Boon	• Executive Director and shareholder of PCCS • Director and major shareholder of CCS Capital • Director and major shareholder of CCSB • Son of Chan Choo Sing and Tan Kwee Kee • Brother of Chan Wee Kiang
(iv)	Tan Kwee Kee	• Major Shareholder • Director and major shareholder of CCS Capital • Director and major shareholder of CCSB • Wife of Chan Choo Sing • Mother of Chan Wee Kiang and Chan Wee Boon
(v)	CCS Capital	• Major Shareholder
(vi)	Chan Chow Tek	• Non-Independent Non-Executive Director and shareholder of PCCS • Brother of Chan Choo Sing, Dato' Chan Chor Ngiak and Chan Chor Ang
(vii)	Dato' Chan Chor Ngiak	• Non-Independent Non-Executive Director and shareholder of PCCS • Brother of Chan Choo Sing, Chan Chow Tek and Chan Chor Ang
(viii)	Chan Chor Ang	• Non-Independent Non-Executive Director and shareholder of PCCS • Brother of Chan Choo Sing, Chan Chow Tek and Dato' Chan Chor Ngiak

The details of the Interested Parties and their respective shareholdings in PCCS as at the LPD are as follows:

	Direct interest		Indirect interest	
	No. of PCCS Shares	**%[1]**	**No. of PCCS Shares**	**%[1]**
CCS Capital	89,566,228	41.66	-	-
Chan Choo Sing	8,376,102	3.90	91,188,328[2]	42.42
Chan Wee Kiang	2,211,964	1.03	89,566,228[3]	41.66
Chan Wee Boon	100,000	0.05	-	-
Tan Kwee Kee	1,622,100	0.75	97,942,330[4]	45.56
Chan Chow Tek	9,596,142	4.46	-	-
Dato' Chan Chor Ngiak	4,847,960	2.26	4,665[5]	*
Chan Chor Ang	4,407,969	2.05	100,000[6]	0.05

Notes:

* *Negligible*

(1) *Computed based on 214,970,407 PCCS Shares as at the LPD.*

(2) *Deemed interested by virtue of his spouse, Tan Kwee Kee's shareholding in the Company and his direct interest of 40% in the equity of CCS Capital, which is a Major Shareholder.*

(3) *Deemed interested by virtue of his direct interest of 30% in the equity of CCS Capital, which is a Major Shareholder.*

(4) *Deemed interested by virtue of her spouse, Chan Choo Sing's shareholding in the Company and her direct interest of 20% in the equity of CCS Capital, which is a Major Shareholder.*

(5) *Deemed interested by virtue of his spouse, Datin Mok Gwa Nang's shareholding in the Company.*

(6) *Deemed interested by virtue of his spouse, Chia Lee Kean's shareholding in the Company.*

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in relation to the Proposed Disposal.

The Interested Parties will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolution approving the Proposed Disposal at an EGM to be convened.

Further, the Interested Parties have undertaken that they will ensure that the persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolution approving the Proposed Disposal at an EGM to be convened.

11. TRANSACTIONS WITH RELATED PARTIES IN THE PAST 12 MONTHS

Save for the Proposed Disposal and recurrent related party transactions for which shareholder mandates have been sought or which are not subject to disclosure pursuant to Paragraph 10.09(1)(a) of the Listing Requirements, there were no other transactions entered into by the Company with the Interested Parties and/or persons connected with them for the twelve (12) months preceding the LPD.

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12. DIRECTORS' STATEMENT

The Board (save for the Interested Directors), having considered all aspects of the Proposed Disposal including but not limited to the salient terms of the SSA, the basis and justification for the Disposal Consideration, the rationale for the Proposed Disposal and evaluation of the Independent Adviser is of the opinion that the Proposed Disposal is:

(a) in the best interest of PCCS;

(b) fair, reasonable and on normal commercial terms; and

(c) not detrimental to the interest of the non-interested shareholders of PCCS.

Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolution in relation to the Proposed Disposal to be tabled at the forthcoming EGM.

13. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company (save for Dato' Chan Chor Ngiak), having considered amongst others, the view of the Independent Adviser and all aspects of the Proposed Disposal, including the salient terms of the SSA, the basis and justification for the Disposal Consideration, the rationale for the Proposed Disposal, as well as the pro forma effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is:

(a) in the best interest of the PCCS;

(b) fair, reasonable and on normal commercial terms; and

(c) not detrimental to the interest of the non-interested shareholders of PCCS.

14. ESTIMATED TIME FRAME FOR COMPLETION

Subject to the fulfilment of all conditions precedent as stipulated in the SSA and subject to all required approvals being obtained from the relevant authorities and/or parties, the Proposed Disposal is expected to be completed at the end of the 2nd quarter of 2022.

The tentative timetable in relation to the Proposed Disposal is as follows:

Tentative date	Events
25 February 2022	EGM held in relation to the Proposed Disposal
End-May 2022	Fulfilment of the conditions precedent of the SSA
End-June 2022	Completion of the Proposed Disposal

15. ADVISERS

Malacca Securities has been appointed by the Company to act as the Principal Adviser for the Proposed Disposal.

As the Proposed Disposal is deemed a related party transaction, AER has been appointed as the Independent Adviser for the Proposed Disposal to:

(a) comment as to:

- (i) whether the Proposed Disposal is fair and reasonable so far as the shareholders are concerned; and

(ii) whether the Proposed Disposal is to the detriment to the non-interested shareholders,

and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(b) advise non-interested shareholders on whether they should vote in favour of the Proposed Disposal; and

(c) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in subparagraphs (i) and (ii) above.

16. EGM

The EGM, the notice of which is enclosed in this Circular together with the Form of Proxy, is scheduled 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 Friday, 25 February 2022 at 11:00 a.m., for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Disposal.

If you are unable to attend, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to 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 stipulated time for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

17. FURTHER INFORMATION

You are advised to refer to the Appendices for further information.

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

JULIAN LIM WEE LIANG
Senior Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM AER TO NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED DISPOSAL

EXECUTIVE SUMMARY

Set out hereunder is an executive summary which serves to highlight some of the salient points arising from AER's independent evaluation of the Proposed Disposal. The non-interested shareholders are advised to read and understand the contents of the IAL and the entire Part A of this Circular, including the appendices thereof, for more comprehensive information, evaluation and recommendation on the Proposed Disposal, before voting on the resolution pertaining to the Proposed Disposal, at the forthcoming EGM.

1. INTRODUCTION

On 21 December 2021, Malacca Securities had, on behalf of your Board, announced that your Company had entered into a conditional SSA with CCSB for the disposal of the 8,000,000 ordinary shares in MLMSB representing the entire equity interest in MLMSB, together with MLPSB, a 51% owned subsidiary of MLMSB, to CCSB for a total cash consideration of RM 8.5 million.

In view of the interests of Chan Choo Sing, Chan Wee Kiang, Chan Wee Boon, Tan Kwee Kee, CCS Capital, Chan Chow Tek, Dato' Chan Chor Ngiak and Chan Chor Ang, in relation to the Proposed Disposal, as set out in Section 10 Part A of this Circular, the Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

We have been appointed by your Company on 29 September 2021, as the Independent Adviser to advise the non-interested shareholders of the Company in relation to the Proposed Disposal.

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2. EVALUATION OF THE PROPOSED DISPOSAL

In evaluating the Proposed Disposal, we have taken into consideration the following:

Section in the IAL	Area of evaluation	AER's comments
Section 6.1	Rationale for the Proposed Disposal	The rationale for the Proposed Disposal by your Board are as follows:- - Weakening historical financial results MLMSB reported a PAT of RM 3.53 million, RM 1.5 million and a LAT of RM 0.97 million for FYE 31 March 2019, FYE 31 March 2020 and FYE 31 March 2021, respectively. The net margin of MLMSB had also declined from 5.9%, 2.8% and a net loss of 1.7% for FYE 31 March 2019, FYE 31 March 2020 and FYE 31 March 2021, respectively. The 51% wholly owned subsidiary of MLMSB, MLPSB reported a LAT of RM 0.56 million since its date incorporation, i.e., 14 October 2020 to 31 March 2021. - Continuing substantial investment is required to sustain MLMSB Group and the associated risk and uncertainty of MLMSB Group's ability to generate profits. - Opportunity to unlock the value of your Company's investment from the Proposed Disposal Based on a proforma computation, the Proposed Disposal is estimated to report a net gain of disposal of approximately RM 6.3 million, and your Board expects that the Proposed Disposal shall increase the net assets and earnings of your Company. - The net cash proceeds received from the Proposed Disposal of RM 7.9 million, shall be used for repayment of existing borrowings and working capital of RM 6.5 million and RM 1.4 million respectively. This shall reduce the gearing level of your Company and also improve the credit rating and debt capacity of your Company, which shall provide more financial flexibility for your Company to raise any future funding if required. We are of the opinion that the rationale for the Proposed Disposal is **reasonable** and **not detrimental** to the non-interested shareholders.

Section in the IAL	Area of evaluation	AER's comments
Section 6.2	Evaluation of the basis of arriving at the Disposal Consideration	The disposal consideration of RM 8.5 million for the entire equity interest shall translate to an equivalent **implied Price to Book ratio ("P/B")** of 1.07 times when compared with the proforma adjusted net assets of MLMSB Group as at 31 March 2021 after taking into consideration the share capital reduction of RM 12.50 million that was completed on 15 November 2021 and dividend declaration by MLMSB on 30 November 2021 of RM 18.23 million. We noted that as the Disposal Consideration represents a **premium of 7.2%** and a **premium of 49.9%** when compared with the proforma NA of MLMSB as at 31 March 2021 after adjusting for the share capital reduction and dividend declaration which translate to an adjusted net asset of RM 7.93 million and an adjusted net asset of RM 5.67 million after adjusting for revaluation deficits from the Batu Pahat factory and Shah Alam factory. As the Disposal Consideration is higher than the fair value of the entire equity interest in MLMSB determined using the adjusted net assets approach we are of the view that the Disposal Consideration is **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders.
Section 6.3	Evaluation of the manner of settlement of the Disposal Consideration.	The Disposal Consideration is settled in the following manner:- 40.0% of the Disposal Consideration equivalent to a sum of RM 3.40 million shall be paid to PCCS's solicitor, acting as a stakeholder for PCCS, by CCSB upon the execution of the SSA. This amount shall be released to PCCS when all the Condition Precedents in the SSA have been fulfilled or waived ("**Unconditional Date**"). The remaining balance of RM 5.10 million or 60.0% of the Disposal Consideration shall be paid by CCSB to PCCS's solicitor acting as stakeholder for PCCS, within 30 days after all the Condition Precedents in the SSA have been fulfilled or waived ("**Completion Date**"). The Vendor's Solicitors shall then release it to PCCS or its nominee within 7 days upon receipt. We conclude that the mode of the settlement by CCSB to your Company is **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders.

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Section 6.4	Salient terms of the SSA and LOU	We are of the view that the salient terms of the SSA and LOU are on normal commercial terms for transactions of such nature and the said terms are **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders.
Section 6.5	Effects of the Proposed Disposal.	The Proposed Disposal has **no effect** on the issued share capital and shareholdings of substantial shareholders' shareholdings.
	Effects of the Proposed Disposal on NA and gearing.	**Effects on NA** The Proposed Disposal **increases** the net assets of your Company by approximately RM 6.26 million after excluding the transaction cost of approximately RM 0.60 million. **Effects on gearing** The Proposed Disposal is estimated to **decrease** PCCS's consolidated borrowings by approximately RM 43.00 million. Workings:- - deconsolidation of MLMSB's bank borrowings of RM 36.26 million - deconsolidation of MLPSB's lease liabilities of RM 0.24 million - repayment of bank borrowings of RM 6.5 million from the proceeds of the Proposed Disposal
	Effects of the Proposed Disposal	**Effects on Earnings** The Proposed Disposal is expected to have a positive effect on the immediate future EPS immediately upon the recognition of the gain from Proposed Disposal **Effects on EPS** The Proposed Disposal is expected to contribute to an increase in EPS immediately upon completion by approximately RM 2.91 sen per share.
	Overall	Taken as a whole, we are of the view that the overall financial effect of the Proposed Disposal, is **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders.

Section in the IAL	Area of evaluation	AER's comments
Section 6.6	Risk factors relating to the Proposed Disposal	- Completion risk The Proposed Disposal may not be proceeded due to events that lead to termination of the SSA such as parties of the SSA are not able to meet the condition precedents and the SSA is terminated by either party. In such events, the risk that your Company suffers is that your Company is unable to realise the positive benefits of the Proposed Disposal, such as receiving the anticipated cash proceeds of RM 8.5 million from the Proposed Disposal. - Loss on opportunity to obtain a higher value The Disposal Consideration is arrived at based on the adjusted NA which is computed as at 31 March 2021 after taking into consideration the share capital reduction of RM 12.50 million that was completed on 15 November 2021 and dividend declaration by MLMSB on 30 November 2021 of RM 18.23 million. As the determination is of the adjusted NA is based on cut-off measurement as at 31 March 2021, there is a possibility of your Company not able to offer at a higher value for the future profits accrued by MLMSB Group earned subsequent to 31 March 2021. However, we have also considered the rationale by your Company that there can be no assurance or guarantee that your Company is able to find a ready buyer for MLMSB and offer a cash settlement. Hence, on balance, it is reasonable. - Loss of contribution of future income stream Upon completion of the Proposed Disposal, MLMSB Group which is a major contributor to the Group in terms of revenue will no longer be a subsidiary of PCCS and PCCS shall have to cease from consolidating the results of MLMSB Group. However, we took note that on 19 April 2021, your Company incorporated an 80% owned subsidiary company in Malaysia, under the name of Southern Auto Capital Sdn. Bhd. ("**Southern Auto**"). The principal activity of Southern Auto is leasing and / or hire purchase for all kinds of motor vehicles and machineries. Southern Auto has commenced operation in June 2021 in the hire purchase for used vehicles market. The Company intends to expand its leasing and / or hire purchase for all kinds of motor vehicles and machineries business through Southern Auto to compensate for the loss of contribution arising from the Proposed Disposal. However, there is no assurance that the Company will be successful and able to generate sufficient earnings to compensate for the loss of contribution arising from the Proposed Disposal We are of the view that the risk factors relating to the Proposed Disposal are risks associated in commercial business transactions and are **reasonable** and **not detrimental** to the interests of the non-interested shareholders.

3. CONCLUSION AND RECOMMENDATION

We have assessed, evaluated the Proposed Disposal and our evaluation is set out in Section 6 of the IAL. The non-interested shareholders should consider all the merits and demerits of the Proposed Disposal and, based on all relevant pertinent factors including those which are set out in Part A of this Circular, the relevant appendices thereof, this IAL and other publicly available information.

After having considered all the various factors included in our evaluation for the Proposed Disposal and based on the information made available to us, we are of the opinion that the Proposed Disposal is **fair and reasonable** insofar as the non-interested shareholders are concerned and it is **not to the detriment** of the non-interested shareholders.

Accordingly, we recommend the non-interested shareholders to **vote in favour** of the ordinary resolution pertaining to the Proposed Disposal that is to be tabled at the Company's forthcoming EGM.

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AER

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10 February 2022

To: The Non-interested shareholders

Dear Sir/Madam,

PCCS Group Berhad ("PCCS" or **"Company")**

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED DISPOSAL

This IAL is prepared for inclusion in Part B of this Circular. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the "Definitions" section of this Circular and the Executive Summary of the IAL, except where the context herein requires otherwise or where otherwise defined herein.

1. INTRODUCTION

On 21 December 2021, Malacca Securities had, on behalf of your Board, announced that your Company had entered into a conditional SSA with CCSB for the disposal of the 8,000,000 ordinary shares in MLMSB representing the entire equity interest in MLMSB, together with MPLSB, a 51% owned subsidiary of MLMSB, to CCSB for a total cash consideration of RM 8.5 million. On 9 February 2022, your Company and CCSB had signed an LOU to provide further clarity on certain terms of the SSA.

In view of the interests of Chan Choo Sing, Chan Wee Kiang, Chan Wee Boon, Tan Kwee Kee, CCS Capital, Chan Chow Tek, Dato' Chan Chor Ngiak and Chan Chor Ang, in relation to the Proposed Disposal, as set out in Section 10, Part A of this Circular, the Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

Accordingly, your Board had appointed AER on 29 September 2021 as the Independent Adviser to provide the non-interested Directors of the Company and the non-interested shareholders with:

(a) comments as to whether the Proposed Disposal:

   (i) is fair and reasonable as far as the non-interested shareholders are concerned; and
   (ii) is to the detriment of the non-interested shareholders,

   and such opinion must set out the reasons for, the key assumptions made, and the factors taken into consideration in forming that opinion.

(b) advise the non-interested shareholders on whether they should vote in favour of the Proposed Disposal; and

(c) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in (a) and (b) above.

The purpose of this IAL is to provide the non-interested shareholders with an independent evaluation of the Proposed Disposal and our opinion and recommendation thereon subject to the scope and limitations specified herein. You should nonetheless rely on your own evaluation of the merits and demerits of the Proposed Disposal, before deciding on the course of action to be taken.

THIS IAL IS PREPARED SOLELY FOR THE USE OF THE NON-INTERESTED SHAREHOLDERS FOR THE PURPOSE OF VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL, AT THE FORTHCOMING EGM OF THE COMPANY AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY FOR ANY OTHER PURPOSES WHATSOEVER.

YOU ARE ADVISED TO READ AND FULLY UNDERSTAND BOTH THIS IAL AND PART A OF THIS CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES THEREIN AND TO CONSIDER CAREFULLY OUR EVALUATION AND RECOMMENDATION BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL, TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. CREDENTIALS, EXPERIENCE AND EXPERTISE OF AER

AER is licensed to provide two regulated activities by the Securities Commission of Malaysia, namely advisory in corporate finance and investment advice.

The past credentials, professional experiences and expertise of AER where AER had been appointed as an independent adviser include, amongst others, the following transactions:

(a) acted as an independent adviser in relation to the proposed acquisition by Straits Energy Resources Berhad ("Straits") for a 90% equity interest in Sinar Maju for a purchase consideration of RM16,380,000 and a proposed call option to acquire the remaining of 10% equity interest in Sinar Maju, for a purchase consideration of RM1,820,000 to be satisfied entirely via cash in a single transaction where the independent advice letter was issued and dated 30 December 2021.

(b) acted as an independent adviser in relation to the proposed disposal by Complete Logistics Services Berhad ("CLSB") of its entire equity interests in Guper Resources Sdn Bhd and Ultra Trinity Sdn Bhd to Dolphin Assets Sdn Bhd for an aggregate cash consideration of RM22,452,000, where the independent advice letter was issued and dated 27 July 2021

(c) acted as an independent adviser in relation to the proposed acquisition by HLT Global Bhd ("HLT") of forty-five percent equity interest in HL Rubber Industries Sdn. Bhd for a purchase consideration of RM90.0 million to be satisfied via the issuance of 90 million new ordinary shares in HLT, where the independent advice letter was issued and dated 24 February 2021.

(d) acted as an independent adviser in relation to a proposed lease arrangement for a tenure of twelve (12) years by HCK Capital Holdings Sdn Bhd as a lessor, i.e., a wholly owned subsidiary of HCK Capital Bhd to SEGI College (Subang Jaya) Sdn Bhd as a lessee, i.e., a wholly owned subsidiary of SEG International Bhd, where the independent advice letter was issued and dated 10 September 2020.

(e) acted as an independent adviser in relation to the proposed disposal by Sinotop Holdings Berhad of the entire equity interest in its wholly owned subsidiary, Be Top Group Limited for a cash consideration of RM70.0 million, where the independent advice letter was issued and dated 30 July 2020.

(f) acted as an independent adviser in relation to the proposed acquisition by Chip Ngai Engineering Works Sdn. Bhd., an owned subsidiary of CN Asia Corporation Bhd of a parcel of vacant land from Twinstar Acres Sdn. Bhd., a company owned by a related party for a cash consideration of RM4,000,000, where the independent advice letter was issued and dated 23 April 2020.

Premised on the above, AER is capable and competent and has the relevant experience in carrying out its role and responsibilities as an independent adviser to advise the non-interested directors of the Company and non-interested shareholders in relation to the Proposed Disposal.

3. DECLARATION OF CONFLICT OF INTEREST

We confirm that there is no existing or potential conflict of interest situation for us to carry out our role as the Independent Adviser in connection with the Proposed Disposal.

4. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSED DISPOSAL

AER was not involved in the formulation and structuring of the Proposed Disposal, and/or any deliberations and negotiations pertaining to the terms and conditions of the Proposed Disposal. In the past 2 years prior from the date of this IAL, there is no professional relationships between PCCS and AER. AER's scope as the Independent Adviser is limited to expressing an opinion on the fairness and reasonableness of the Proposed Disposal and whether the transaction is to the detriment of the non-interested shareholders, based on the following sources of information and documents:

(a) information contained in Part A of this Circular, and the appendices enclosed therein.

(b) other relevant information, documents, confirmations and representations provided to us by the Board and management of PCCS.

(c) discussions and consultations with the management of PCCS.

(d) the SSA between PCCS and the CCSB; and

(e) other publicly available information that we consider relevant for our evaluation.

We have made all reasonable enquiries, performed reasonableness checks and corroborated relevant information with independent sources, where possible. We are also guided by the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities. In addition, the Board and the management of PCCS had undertaken to exercise due care to ensure that all information, data, documents and representations provided to us to facilitate our evaluation are accurate, valid, complete, reasonable and free from any material omission in all material respects. Accordingly, AER shall not assume any responsibility or liability whatsoever to any party for any inaccuracies, misstatements or omission of facts and information provided or represented by the Board and the management of PCCS.

The directors of PCCS have collectively and individually accepted full responsibility for the accuracy, validity and completeness of the information, documents, data and statements provided to us and as contained herein in relation to the Proposed Disposal (save and except for opinion expressed by AER which do not contain factual information provided by the Company and information procured or developed by AER independently of the Company) and confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant facts and information in relation to the Proposed Disposal, that are necessary for our evaluation have been completely and accurately disclosed to us and there is no omission of any material fact, the omission of which would render any such information provided to us false, incomplete, misleading and/or inaccurate.

We are satisfied with the information provided by the Board and the management of PCCS and are not aware of any facts or matters not disclosed which may render any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL. After making all reasonable enquiries and to the best of our knowledge and belief, the information we used is reasonable, accurate, complete and free from material omission.

The non-interested shareholders should note that the views expressed by AER herein are, amongst others, based on the current economic, market, industry, regulatory, monetary, social-political and other conditions prevailing up to the LPD. Accordingly, our evaluation and opinion in this IAL do not consider information, events and conditions arising or may occur after the LPD. Our advice should be considered in the context of the entirety of this IAL.

In rendering our advice, we had taken note of pertinent issues which we believe are necessary and of importance to an assessment of the implications of the Proposed Disposal that are of general concern to the non-interested shareholders.

As such:

(a) our evaluation and recommendation contained herein are based on the assessment of the fairness and reasonableness of the Proposed Disposal. Comments or points of consideration which may be commercially oriented such as the rationale, financial effects, potential benefits and prospects of the Proposed Disposal are included for our overall evaluation as we deem necessary for disclosure purposes to enable the non-interested shareholders to consider and form their views in a more holistic manner thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposed Disposal.

(b) our views and advice as contained in this IAL only cater to the non-interested shareholders at large and not to any non-interested shareholder individually or any specific group of non-interested shareholders. Hence, in carrying out our evaluation, we have not given due consideration to the specific investment objectives, risk profiles, financials and tax situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders; and

(c) we advise that any individual non-interested shareholder or any group of non-interested shareholders who are in doubt as to the action to be taken or require advice in relation to the Proposed Disposal in the context of their individual investment objectives, risk profiles, financials and tax situations or needs, to consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately.

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5. DETAILS OF THE PROPOSED DISPOSAL

The summary of the Proposed Disposal, extracted from Part A of this Circular.

FOR ILLUSTRATIVE PURPOSE ONLY

Proposed disposal of the entire equity interest in MLMSB by PCCS to CCSB for a cash consideration of RM 8.5 million

PCCS Group Bhd		Chan Capital Sdn Bhd
PCCS	CCSB pays RM 8.5 million cash to PCCS ⟵	CCSB
Vendor	⟶ Proposed disposal of the entire equity interest in MLMSB Group, by PCCS to CCSB	Purchaser

MLMSB Group

Mega Label (Malaysia) Sdn Bhd

MLMSB

Incorporated on 28 November 2000 with a paid up capital of RM 20.5 million comprising of 20.5 million ordinary shares. Upon the completion of the capital reduction that was completed on 15 November 2021, the paid up capital is reduced to RM 8.0 million comprising of 8.0 million ordinary shares

51%

Mega Label (Penang) Sdn Bhd

MLPSB

Incorporated on 14 October 2020 with a paid up capital of RM 2,000,000. The remaining 49% is held by CLPG Packaging Industries Sdn Bhd

Basis and justification of the Disposal Consideration

Reference: Section 2.3 of Part A of the Circular

	RM million	
NA of MLMSB Group as at 31 March 2021	38.66	
Less capital reduction	(12.50)	Completed on 15 November 2021
Less dividend declared	(18.23)	Declared on 30 November 2021
Adjusted NA of MLMSB as at 31 March 2021 (A)	**7.93**	

As compared to the proposed disposal consideration of RM 8.5 million (B) in cash, it is a **premium of 7.22%** over the adjusted NA of MLMSB as at 31 March 2021

Note:- [(8,500,000/7,927,549) - 1] x 100 = 7.22%
[(B/A) - 1] x 100

Notes

1. MLMSB owns and operates the following manufacturing and premises

- A 2 storey office cum 1-storey factory, situated at No. 4, Jalan Palam 34/18 A, Seksyen 34, 40470 Shah Alam, Selangor with a land area of 22,593 square feet and built up area of 14,936 square feet of freehold status

- An office factory building and 2 blocks of hostel buildings, situated at Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor with a land area of 185,130 square feet and built up area of 88,000 square feet of freehold status

Summarised by AER for **illustrative purpose** only. Readers are advised to read the entire of the Circular for a complete understanding

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The summary of the interested parties as extracted from Part A of this Circular.

FOR ILLUSTRATIVE PURPOSE ONLY

INTERESTS OF DIRECTORS, MAJOR SHAREHODLERSE AND / OR PERSONS CONNECTED WITH THEM IN THE PROPOSED DISPOSAL

PCCS (Vendor)

Details of interested parties shareholding in PCCS

	Percentage of ownership in PCCS	
	Direct	Indirect
Chan Choo Sing [Note 1, Note 2, Note 3, Note 5]	3.91%	42.56%
Tan Kwee Kee [Note 2, Note 3]	0.76%	45.71%
Chan Wee Boon [Note 2, Note 4]	0.05%	-
Chan Wee Kiang [Note 2, Note 4]	1.03%	41.80%
Chan Chow Tek [Note 1, Note 5]	4.48%	-
Dato' Chan Chor Ngiak [Note 5]	2.26%	0.002%
Chan Chor Ang [Note 5]	2.06%	0.05%
CCS Capital	41.80%	-

CCSB (Purchaser)

Directors and shareholders of CCSB

	Percentage of ownership in CCSB
Tan Kwee Kee	50%
Chan Wee Boon	50%

Note 1 - Chan Choo Sing and Chan Chow Tek are the directors of MLMSB (reference Section 3, Appendix II of Circular)

Note 2 - Chan Wee Boon, Tan Kwee Kee, Chan Choo Sing and Chan Wee Kiang are the directors and major shareholders of CCS Capital (reference Section 10, Part A of Circular)

Note 3 - Chan Choo Sing and Tan Kwee Kee are spouse of one another (reference Section 10, Part A of Circular)

Note 4 - Chan Wee Boon and Chan Wee Kiang are the children of Chan Choo Sing and Tan Kwee Kee (reference Section 10, Part A of Circular)

Note 5 - Chan Choo Sing, Chan Chow Tek, Dato' Chan Chor Ngiak and Chan Chor Ang are siblings (reference Section 10, Part A of Circular)

Source of information: Reference: Section 10, Part A of the Circular

Summarised by AER for illustration purpose only

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6. EVALUATION OF THE PROPOSED DISPOSAL

In evaluating the Proposed Disposal, we have taken into consideration the following factors in forming our opinion:

Factors	Section reference in IAL
Rationale for the Proposed Disposal	6.1
Evaluation of the basis of arriving at the Disposal Consideration	6.2
Evaluation of the manner of settlement of the Disposal Consideration	6.3
Salient terms of the SSA	6.4
Effects of the Proposed Disposal - on the issued share capital and substantial shareholders' shareholdings - on NA and gearing - on earnings and EPS	6.5
Risk factors relating to the Proposed Disposal	6.6

6.1 Rationale for the Proposed Disposal

We take note of the rationale for the Proposed Disposal as set out in Section 3 of Part A of this Circular.

"(a) unlock the value of its investments in MLMSB Group. In this respect, the Group is expected to record a net pro forma gain on disposal of approximately RM6.3 million as set out in Section 2.5 of Part A of this Circular;

(b) monetise its investments in MLMSB Group. The Group will be able to utilise the Disposal Consideration of RM8.5 million in the manner as set out in Section 4 of Part A of this Circular, which is expected to allow the Group to ease funding requirements for its existing business operations of Group including working capital as well as to repay bank borrowings;

(c) improve its financial position and financial performance. The net pro forma gain from the Proposed Disposal of approximately RM6.3 million (after deducting estimated expenses of RM0.6 million) is expected to increase the NA and earnings of the Group; and

(d) part of the proceeds from the Proposed Disposal is to be utilised to repay bank borrowings which will improve the gearing of the Group. The increase in the NA together with the improved gearing level is expected to improve the credit rating and debt capacity of the Group, which in turn would provide the Group with financial flexibility in the event the Group intends to source for additional funds and/or gear up in the future to fund its business operations."

Commentary by AER

The rationale for the Proposed Disposal by your Board are as follows:-

- Weakening historical financial results

MLMSB reported a PAT of RM 3.53 million, RM 1.5 million and a LAT of RM 0.97 million for FYE 31 March 2019, FYE 31 March 2020 and FYE 31 March 2021, respectively. The net margin of MLMSB had also declined from 5.9%, 2.8% and a net loss of 1.7% for FYE 31 March 2019, FYE 31 March 2020 and FYE 31 March 2021, respectively.

The 51% wholly owned subsidiary of MLMSB, MLPSB reported a LAT of RM 0.56 million since its date incorporation, i.e. 14 October 2020 to 31 March 2021.

- Continuing substantial investment is required to sustain MLMSB Group and the associated risk and uncertainty of MLMSB Group's ability to generate profits.

- Opportunity to unlock the value of your Company's investment from the Proposed Disposal
Based on a proforma computation, the Proposed Disposal is estimated to report a net gain of disposal of approximately RM 6.3 million, and as your Board expects that the Proposed Disposal shall increase the net assets and earnings of your Company.

- The net cash proceeds received from the Proposed Disposal of RM 7.9 million, shall be used for repayment of existing borrowings and working capital of RM 6.5 million and RM 1.4 million, respectively. This shall reduce the gearing level of your Company and also improve the credit rating and debt capacity of your Company, which shall provide more financial flexibility for your Company to raise any future funding if required.

In our view upon considering the factors such as the weakening of the past three years audited results, and the opportunity to unlock value for a sum of RM 8.5 million and report a proforma net gain of disposal of MR 6.3 million, we are of the view that the rationale by your Board are **reasonable** and **not detrimental** to the non-interested shareholders.

6.2 Evaluation of the basis of arriving at the Disposal Consideration.

We take note of the basis and justification for the Disposal Consideration as set out in Section 2.2 of Part A of this Circular

"The Disposal Consideration represents a premium of RM572,451 or 7.22% of the adjusted NA of MLMSB Group as at 31 March 2021".

Commentary by AER: -

1. There are three commonly used approaches used to value companies, i.e., income-based approach, asset-based approach and discounted cash flow approach.

2. The income-based approach is not suitable to as MLMSB was in a loss situation for FYE 31 March 2021. MLMSB reported a loss after tax of RM 1.0 million for FYE 31 March 2021. We also noted that Return of Equity percentage ("**ROE**") has been reducing from 32.7% to negative 2.5% from FYE 2018 to FYE 2021. Hence, price earning method is not used. Instead, we have used the EV/EBITDA multiple as explained on last paragraph of page 17 and 18 below. Tabulated below are the past four years audited results of MLMSB. The results as tabulated below does not include the financial results of MLPSB, i.e., a 51% owned subsidiary of MLMSB. The financial statements of MLMSB were not consolidated with the financial statements of its subsidiary company, MLPSB as MLMSB itself is a wholly owned subsidiary of PCCS. MLPSB's results were consolidated at PCCS Group. We noted that the for the individual financial statements of MLPSB from 14 October 2020 to 31 March 2021, MLPSB reported a loss after tax of RM 0.56 million.

Financial analysis	FYE 2018 12 months **RM million**	FYE 2019 12 months **RM million**	FYE 2020 12 months **RM million**	FYE 2021 12 months **RM million**
Revenue, RM million	51.9	59.5	53.6	58.1
Net profit / (loss) after tax, RM million	4.8	3.5	1.5	(1.0)
Net assets, RM million	14.7	32.2	34.0	39.0
Gross margin, %	31.0%	29.0%	22.9%	20.3%
Net margin, %	9.2%	5.9%	2.8%	-1.7%
ROE, %	32.7%	11.0%	4.4%	-2.5%
Working capital management				
Trade receivable, days	99	76	85	81
Trade payable, days	122	32	41	35
Inventory, days	41	31	35	29
Cash conversion cycle, days	17	75	79	75
Total borrowings / Equity, times	8.7	18.7	33.8	36.3

2. A **more appropriate** approach to determine the fair value of MLMSB is based on the asset-based approach. As at FYE 31 March 2021, the net assets of MLMSB was RM 39 million. Subsequent to 31 March 2021, MLMSB had executed two corporate transactions that has the effect of lowering the net assets of MLMSB to RM 7.93 million (Reference: Section 2.2(c) Part A of this Circular)
a) Share capital reduction – The share capital reduction of RM 12.5 million was completed on 15 November 2021. The effect of the share capital reduction is a form or return of capital to PCCS Group.
b) Dividend declaration of RM 18.23 million by MLMSB which was declared on 30 November 2021.
The effects of share capital reduction and dividend declaration has a net effect of decreasing the net asset of MLMSB from RM 39.0 million to RM 7.93 million.

Workings: -

Item no.		RM million, nearest two decimal points	Notes
1	NA of MLMSB as at 31 March 2021 (audited)	38.66	
2	Share capital reduction completed on 15 November 2021	(12.50)	
3	Dividend declared on 30 November 2021	(18.23)	
4	Adjusted net assets of MLMSB after adjusting for both the share capital reduction and dividend declaration	**7.93**	
5	Disposal consideration	**8.50**	
6	The excess of disposal consideration compared to the adjusted net assets of MLMSB as at 31 March 2021, after adjusting for both the share capital reduction and dividend declaration	**0.57**	0.57 = 8.50 – 7.93
7	The excess of disposal consideration compared to the adjusted net assets of MLMSB after adjusting for both the share capital reduction and dividend declaration	**7.19%**	7.19% = 0.57 / 7.93 x 100

We noted that included within the NA of MLMSB as at 31 March 2021 (audited) are two properties as listed below (Reference: Section 1, Appendix II of this Circular)

Location	**Description**	**Area**	**Use of the land/building**	**Tenure**	**Net Book Value, RM million**
No. 4, Jalan Palam 34/18A, Seksyen 34, 40470 Shah Alam, Selangor ("**Shah Alam factory**")	2-storey office cum 1-storey factory	Land area: 22,593 square feet Build-up area: 14,936 square feet	Industrial	Freehold	4.91

Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor ("**Batu Pahat factory**")	Office, factory building and 2 blocks of hostel buildings	Land area: 185,130 square feet Build-up area: 88,000 square feet	Industrial	Freehold	21.35

A comparison is made between the audited net book value as at 31 March 2021 and the fair value of the properties as ascribed by property valuers, appointed by PCCS is as tabulated below:-

Location	**Net Book Value (NBV), RM million**	**Fair value (FV), RM million**	**Tenure**	**FV – NBV = Surplus / (deficit)**
Shah Alam factory	4.91 Note 1	5.00 Note 3	Freehold	0.09
Batu Pahat factory	21.35 Note 2	19.00 Note 4	Freehold	(2.35)
	Total			(2.26)

Note 1 – The NBV of Shah Alam factory includes land and building with an aggregate sum of RM 3.85 million and electrical installation and renovation with an aggregate sum of RM 1.06 million recorded under the captioned tools and equipment, electrical installation, signboard and renovation of MLMSB's statement of financial position as at 31 March 2021.

Note 2 – The NBV of Batu Pahat factory includes land and building with an aggregate sum of RM 17.12 million and electrical installation and renovation with an aggregate sum of RM 4.23 million recorded under the captioned tools and equipment, electrical installation, signboard and renovation of MLMSB's statement of financial position as at 31 March 2021.

Note 3 – Extracted from a property valuation report prepared by a property valuer dated 2 November 2021.

Note 4 – Extracted from a property valuation report prepared by a property valuer dated 2 December 2021

Based on the adjusted NA as at 31 March 2021 of RM 7.93 million and after adjusting for the revaluation deficit of RM 2.26 million, this shall translate to an adjusted NA as at 31 March 2021 of RM 5.67 million. The disposal consideration of RM 8.50 million represents a premium of 49.9%.

We noted that the Disposal Consideration represents a **premium of 7.2%** and a **premium of 49.9%** when compared with the proforma NA of MLMSB as at 31 March 2021 after adjusting for the share capital reduction and dividend declaration which translate to an adjusted NA of RM 7.93 million and an adjusted NA of RM 5.67 million after adjusting for net revaluation deficit from the Batu Pahat factory and Shah Alam factory. As the Disposal Consideration is a premium over the adjusted NA, we are of the view that the Disposal Consideration is **fair and reasonable**.

As MLMSB reported a loss after tax for FYE 31 March 2021, P/E comparison is not meaningful. We have computed the implied EV/EBITDA of MLMSB and compared with the average EV/EBITDA of the comparable companies to evaluate the fairness of the disposal consideration. We noted that the implied EV/EBITDA of MLMSB based on a disposal consideration of RM 8.5 million shall translate to 5.6 times, based on the total borrowings of MLMSB of RM 36.3 million as at 31 March 2021. However, we noted that to facilitate the repayment of share capital reduction of RM 12.5 million and the dividend declaration of RM 18.2 million, MLMSB also took up a loan for the sum of RM 25.0 million subsequent to the year ended 31 March 2021. This shall increase the total borrowings of MLMSB from RM 36.3 million to RM 61.3 million and shall translate to an implied adjusted EV/EBITDA of MLMSB of 9.1

times. As the implied adjusted EV/EBITDA of MLMSB of 9.1 times is higher than the average EV/EBITDA of the comparable companies of 7.2 times, we are of the opinion that the disposal consideration of RM 8.5 million is **reasonable**.

Workings:-

Item number	Description	Amount, RM million	Amount, RM million	Notes
1	Implied disposal consideration	8.5	8.5	E
2	Total borrowings of MLMSB as at 31 March 2021	36.3	36.3	D_1
3	Additional borrowing undertaken by MLMSB subsequent to FYE 31 March 2021 to facilitate the share capital reduction and dividend declaration		25.0	D_2
4	Cash as 31 March 2021	(5.8)	(5.8)	C
5	Enterprise value	38.9	63.9	$EV = E + D_1 + D_2 - C$
6	EBITDA for FYE 31 March 2021	7.0	7.0	EBITDA
7	Implied EV/EBITDA / Adjusted implied EV/EBITDA	**5.6**	**9.1**	EV/EBITDA

EV/EBITDA of market comparable company is 7.2 times.(kindly refer to table in the next page).

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Valuation and financial metrics of comparable companies in the printing sticker labels self-adhesive labels that are listed on Bursa Malaysia Securities Berhad ("Bursa Securities")

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Item number	Comparable Companies	Share price on 17 December, RM	Market capitalisation as on 17 December 2021, RM million	Financial year end	Revenue, RM million	PAT/(LAT), RM million	Net assets, RM million	Net margin, %	ROE, %	Cost of equity, %	P/E trailing	P/B trailing	EV/EBITDA trailing
1	Komarkcorp Berhad	0.10	57.7	30 April 2021	38	(15.8)	98	-42%	-16%	10.7%	NM	0.6	NM
2	MTA Group Berhad	0.53	357.8	30 June 2021	194	33.6	193	17%	17%	15.8%	10.6	1.9	7.2
	Average							-12.4%	1%	13.3%	10.6	1.2	7.2
	Median							-12.4%	1%	13.3%	10.6	1.2	7.2
	Minimum							-42%	-16%	10.7%	10.6	0.6	7.2
	Maximum							17%	17%	15.8%	10.6	1.9	7.2
	By **AER**												

Source: S&P Global and annual reports

Note:-

1. MLMSB is involved in the printing of labels and stickers. There are two companies that are listed on Bursa Securities that are identified as closely similar to the nature of business of MLMSB, namely Komarkcorp Berhad ("**Komarkcorp**") and MTA Group Berhad ("**MTA**").

2. Komarkcorp is involved in two business segments, i.e., label and sticker manufacturing and face mask manufacturing. For FYE 30 April 2021, it is noted that label and sticker manufacturing made up 94.3% of the total revenue. It is also noted that from FYE 30 April 2015 to FYE 30 April 2021, Komarkcorp had been reporting annual losses in all financial years except for FYE 31 March 2016. In FYE 30 April 2021, Komarkcorp reported a loss after tax of RM 15.8 million and a negative EBITDA of RM 10.6 million. Hence, the P/E and EV/EBITDA are not meaningful.

3. MTA is involved in two business segments, i.e., label and sticker manufacturing, customised converting services and distribution of industrial tapes, adhesives and other products. For FYE30 June 2021, it is noted that label and sticker manufacturing made up 81.3% of the total revenue. It is also noted that from FYE 30 June 2016 to FYE 30 June 2021, MTA had been profitable in all financial years. In FYE 30 June 2021, MTA reported a profit after tax of RM 33.6 million and an EBITDA of RM 41.9 million. The P/E and EV/EBITDA of MTA is 10.6 times and 7.2 times, respectively.

6.3 Evaluation of the manner of settlement of the Disposal Consideration

The manner of settlement of the Disposal Consideration is by cash, as set out in Section 1, Appendix 1 – Salient Terms of the SSA, of this Circular

Manner of settlement of Disposal Consideration	Amount, RM million		Due date	Notes
Deposit	3.40	40.0%	Upon the execution of SSA	Upon the execution of the SSA, CCSB shall pay a deposit of RM 3.4 million to the Vendor's Solicitors, as a stakeholder in an interest -bearing account which shall be payable to PCCS (together with interest earned thereon) on the date of all Condition Precedent have been fulfilled or waived ("**Unconditional Date**")
Balance Purchase Consideration	5.10	60%	Within 30 days after the Unconditional Date	The Balance Purchase Consideration shall be paid by CCSB to Vendor's Solicitors within 30 days after the Unconditional Date or such other period as the parties may mutually agree ("**Completion Date**")
	8.50	**100%**		

Source: Summarised from Section 1, Appendix 1 of Circular
Summarised by Asia Equity Research

<u>Commentary by AER:-</u>

1. **RM 3.4 million** or 40% of the Disposal Consideration shall be paid by CCSB to Vendor's Solicitors, upon execution of the SSA. This amount is referred to as Deposit. The Deposit shall be released by the Vendor's Solicitors to PCCS on the date when all Conditions Precedent have been fulfilled or waived ("**Unconditional Date**").

This term is **reasonable** as it is a normal commercial term.

2. The remaining balance of **RM 5.1 million** or 60% of the Disposal Consideration, shall be paid by CCSB to Vendor's Solicitors, within 30 days after the Unconditional Date or such other period as the parties may mutually agree("**Completion Date**"). The Vendor's Solicitors shall then release it to PCCS or its nominee within 7 days upon receipt.

This term is **reasonable** as it is a normal commercial term.

6.4 Salient terms of the SSA

The salient terms of the SSA are set out Appendix 1 of this Circular. Our comments on the salient terms are as follows:

Salient terms of the SSA	AER's comments
Conditions Precedent *The SSA shall be conditional upon the following being obtained, procured and/or fulfilled within the 6 months from the date of the SSA (with an automatic extension of an additional 30 days and such other period as the parties may mutually agree):*	<u>AER's comments on the condition precedents of the SSA</u>. The SSA provides 6 months for both PCCS and CCSB to comply with the Condition Precedents as listed on the left side of this column, with an automatic extension of another 30 days. We are of the view that the conditions precedents are normal commercial

(a) By PCCS *(i) approval from the shareholders of PCCS for the proposed disposal of MLMSB in accordance with the Listing Requirements and any applicable laws and regulations having been obtained at the EGM of PCCS;* *(ii) consent and/or approval from the existing financiers of MLMSB on the change in control of the shareholdings (if applicable); and* *(iii) the necessary waiver, consent, approval, licence, authorization, permission, order and exemption (if required) having been obtained from the any national, federal, state, provincial, county, municipal or local government, foreign or domestic, or the government of any political division of any of the foregoing, or any entity, authority, agency, ministry or other similar body exercising executive, legislative, judicial, regulatory or administrative authority or functions of or pertaining to government, including any authority or other quasi-governmental entity established to perform any of such functions ("Government Entity") or regulatory authorities or other third parties which are necessary in connection with the execution and performance of the SSA and any of the transactions contemplated under the SSA.* *(b) By CCSB* *(i) approval from the shareholders of CCSB for the acquisition of the Sale Shares having been obtained; and* *(ii) the necessary waiver, consent, approval, licence, authorization, permission, order and exemption (if required) having been obtained from the relevant Governmental Entity or regulatory authorities or other third parties which are necessary in connection with the execution and performance of this Agreement and any of the transactions contemplated under the SSA.* *(Collectively, the "Conditions Precedent")* *The SSA shall be deemed unconditional upon fulfilment and/or waiver of all the Conditions Precedent.*	terms to facilitate the disposal. Example:- PCCS as vendor is required to obtain approval from shareholders and also its financiers. Hence, we are of the opinion that the terms of the Condition Precedents are normal commercial terms and are **reasonable**

Conditions for Completion *The completion of the SSA is subject to the following:* *(a) no event of default has occurred or would occur on or prior to the Completion Date that has not been duly rectified;* *(b) the Conditions Precedent have been procured, obtained and fulfilled by the relevant Parties;* *(c) each of the guarantee, representations, warranties, covenants and undertakings set out in the SSA remains true and accurate at the Completion Date as if given on that date by reference to the facts and circumstances then existing; and* *(d) no Governmental Entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction con other order, whether temporary, preliminary or permanent, which is in effect and which has or would have the effect of making the transactions contemplated by the SSA illegal or restraining or prohibiting consummation of such transactions;* *The completion of SSA shall take place upon all the Conditions Precedent and the Condition for Completion been fulfilled or waived and CCSB making payment for the Purchase Consideration to PCCS.*	AER's comments on events of conditions of completion of the SSA We are of the view that terms of the condition of completions are normal commercial terms and hence are **reasonable**

Salient terms of the SSA	AER's comments
Termination *(a) On the occurrence of any of the following defaulting events ("Event of Default") stated hereunder and provided that the Event of Default occurs before completion of this SSA, the non-defaulting Party ("Non-Defaulting Party") may (but is not obliged to) give notice in writing to the defaulting Party ("Defaulting Party") requiring the Defaulting Party to remedy the said default or breach within 30 days or such extended period as may be allowed by the Non-Defaulting Party, of the receipt of such notice: -* *(i) breach of any material or fundamental terms or conditions of the SSA or a failure to perform or observe any material or fundamental undertaking, obligation or agreement expressed or implied in this Agreement including the breach of any material warranties; or*	If PCCS, fails to complete the SSA, and that if PCCS is the "Defaulting Party" then CCSB can either terminate the agreement and that the SSA shall be considered null and void or claim for specific performance. As it is in the interest of PCCS to dispose of MLMSB, logically, PCCS is not exposed to any material risk in normal circumstances if CCSB claims for specific performance despite an occurrence of event of default. We are of the view that the terms of the SSA on termination is normal commercial terms and is **reasonable**. If CCSB, fails to complete the SSA, and that if CCSB is the "Defaulting Party" then PCCS can either terminate the agreement and that the SSA shall be considered null and void

(ii) a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the Defaulting Party; or *(iii) the Defaulting Party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them; or* *(iv) an application, petition or order is made for the winding-up or dissolution of the Defaulting Party, or a resolution is passed or any steps taken to pass a resolution for the winding-up or dissolution of the Defaulting Party, otherwise than for the purpose of an amalgamation or reconstruction which has prior written consent of the Non-Defaulting Party; or* *(v) the Defaulting Party ceases or threatens to cease carrying on a substantial portion of their business other than in compliance with their obligations under the SSA; or* *(vi) the Defaulting Party commits any act or omits to do an act which results in the breach or non-fulfilment of any term or condition of any banking, finance or credit facility which has the effect of causing the events specified in sub-clauses (ii), (iii), (iv) and (v) to occur; or* *(vii) any representation, warranty or statement which is made (or acknowledged to have been made) by a Defaulting Party or which is contained in any certificate, written statement, legal opinion, written notice, written replies made in the course of the due diligence review or information furnished in the due diligence review or provided under or in connection herewith or therewith proves to be untrue, incorrect or inaccurate in any material respect or misleading in any respect; or* *(viii) any agency of any state seizes, compulsorily acquires, expropriates or nationalises all or a material part of the assets or shares of the Defaulting Party; or* *(ix) any Governmental Entity acting or purporting to act under any Governmental Entity shall have taken any action in order to condemn, seize, appropriate or assume custody or control of the Defaulting Party; or all or any substantial part of the assets of the Defaulting Party or to curtail its authority in the overall conduct of their business or operations.* *(b) If the Defaulting Party fails to remedy the relevant default or breach within the said 30 days or such extended period as may be allowed by the*	or claim for specific performance. Hence, in such a scenario, as an example, if CCSB fails to pay the Balance Payment Consideration, then PCCS can elect to terminate the SSA. and refund the Deposit. With that the SSA shall be considered null and void and PCCS do not suffer any direct financial loss except that PCCS is unable to proceed with the Proposed Disposal and may have to look for other purchasers. We are of the view that the terms of the SSA on termination is normal commercial terms and is **reasonable**.

Non-Defaulting Party after being given notice by the Non-Defaulting Party, to rectify such breach; and *(i) if the Non-Defaulting Party is CCSB, CCSB shall be entitled to terminate this SSA by giving notice to PCCS and thereafter, the SSA shall become null and void and cease to have any effect and claim damages or pursue its action under the SSA; or* *(ii) If the Non-Defaulting Party is PCCS, PCCS shall be entitled to terminate this SSA by giving notice to CCSB and thereafter, the SSA shall become null and void and cease to have any effect and claim damages or pursue its action under the SSA.* *(c) Either Party shall be entitled to claim specific performance of the SSA against the other Party and for this purpose PCCS and CCSB hereby agree that an alternative remedy of monetary compensation shall not be regarded as sufficient compensation for such other Party's default in the performance of the terms and conditions of the SSA.*	

Salient term of the LOU	AER's comments
On 9 February 2022, PCCS and CCSB had signed the LOU to provide further clarity to certain terms of the SSA. Pursuant to the LOU, the Deposit shall be treated as part of the Purchase Consideration and the Deposit shall be refunded to the Purchaser in the event the Conditions Precedent under the SSA are not fulfilled. Additionally, it is not the Parties' intention to treat the Deposit as liquidated ascertained damages for this transaction.	This means that the Deposit equivalent to RM 3.4 million paid by CCSB to your Company's solicitor as a stakeholder, shall be treated as part of the Purchase Consideration if the Conditions Precedents are fulfilled. In the event the Conditions Precedent are not fulfilled, it shall be refunded to CCSB. This term is **reasonable.**

Based on our evaluation of the salient terms of the SSA and the LOU, we are of the view that the salient terms of the SSA are generally on normal commercial terms for transactions of such nature and the said terms are **fair and reasonable** and **not detrimental** to the interests of the non-interested shareholders.

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6.5 Effects of the Proposed Disposal

The financial effects of the Proposed Disposal are as summarised below.

Section 6.5	Effects of the Proposed Disposal.	The Proposed Disposal has **no effect** on the issued share capital and shareholdings of substantial shareholders' shareholdings.
	Effects of the Proposed Disposal on NA and gearing.	**Effects on NA** The Proposed Disposal **increases** the net assets of your Company by approximately RM 6.26 million after excluding the transaction cost of approximately RM 0.60 million. **Effects on gearing** The Proposed Disposal is estimated to **decrease** PCCS's consolidated borrowings by approximately RM 43.00 million. Workings:- - deconsolidation of MLMSB's bank borrowings of RM 36.26 million - deconsolidation of MLPSB's lease liabilities of RM 0.24 million - repayment of bank borrowings of RM 6.5 million from the proceeds of the Proposed Disposal
	Effects of the Proposed Disposal	**Effects on Earnings** The Proposed Disposal is expected to have a positive effect on the immediate future EPS immediately upon the recognition of the gain from Proposed Disposal **Effects on EPS** The Proposed Disposal is expected to contribute to an increase in EPS immediately upon completion by approximately RM 2.91 sen per share.
	Overall	Taken as a whole, we are of the view that the overall financial effect of the Proposed Disposal, is **fair** and **reasonable** and **not detrimental** to the interests of the non-interested shareholders.

Based on the above, taken as a whole, we are of the view that the overall financial effect of the Proposed Disposal is **not detrimental** to the interests of the non-interested shareholders.

6.6 Risk factors relating to the Proposed Disposal

In considering the Proposed Disposal, the non-interested shareholders are advised to consider the risk factors as set out in Section 6 of Part A of this Circular. The Proposed Disposal may not be proceeded due to events that lead to termination of the SSA such as parties of the SSA are not able to meet the condition precedents and the SSA are terminated by either party. In such events, the risk that PCCS suffers is that PCCS is unable to realise the positive benefits of the Proposed Disposal.

Tabulated below are some of the possible risks associated with the Proposed Disposal and our comments.

Section in the IAL	Area of evaluation	AER's comments
Section 6.6	Risk factors relating to the Proposed Disposal	- Completion risk The Proposed Disposal may not be proceeded due to events that lead to termination of the SSA such as parties of the SSA are not able to meet the condition precedents and the SSA is terminated by either party. In such events, the risk that your Company suffers is that your Company is unable to realise the positive benefits of the Proposed Disposal, such as receiving the anticipated cash proceeds of RM 8.5 million from the Proposed Disposal. - Loss on opportunity to obtain a higher value The Disposal Consideration is arrived at based on the adjusted NA which is computed as at 31 March 2021 after taking into consideration the share capital reduction of RM 12.50 million that was completed on 15 November 2021 and dividend declaration by MLMSB on 30 November 2021 of RM 18.23 million. As the determination is of the adjusted NA is based on cut-off measurement as at 31 March 2021, there is a possibility of your Company not able to offer at a higher value for the future profits accrued by MLMSB Group earned subsequent to 31 March 2021. However, we have also considered the rationale by your Company that there can be no assurance or guarantee that your Company is able to find a ready buyer for MLMSB and offer a cash settlement. Hence, on balance, it is reasonable. - Loss of contribution of future income stream Upon completion of the Proposed Disposal, MLMSB Group which is a major contributor to the Group in terms of revenue will no longer be a subsidiary of PCCS and PCCS shall have to cease from consolidating the results of MLMSB Group. However, we took note that on 19 April 2021, your Company incorporated an 80% owned subsidiary company in Malaysia, under the name of Southern Auto Capital Sdn. Bhd. ("**Southern Auto**"). The principal activity of Southern Auto is leasing and / or hire purchase for all kinds of motor vehicles and machineries. Southern Auto has commenced operation in June 2021 in the hire purchase for used vehicles market. The Company intends to expand its leasing and / or hire purchase for all kinds of motor vehicles and machineries business through Southern Auto to compensate for the loss of contribution arising from the Proposed Disposal. However, there is no assurance that the Company will be successful and able to generate sufficient earnings to compensate for the loss of contribution arising from the Proposed Disposal We are of the view that the risk factors relating to the Proposed Disposal are risks associated in commercial business transactions and are **reasonable** and **not detrimental** to the interests of the non-interested shareholders.

We are of the view that the risk factors relating to the Proposed Disposal are normal commercial risk that affects other companies as well. Hence, we are of the view that such risk are **not detrimental** to the interests of the non-interested shareholders.

7 CONCLUSION AND RECOMMENDATION

The non-interested shareholders and non-interested Directors, should consider all the merits and demerits of the Proposed Disposal , based on all relevant pertinent factors including those which are set out in Part A of this Circular, the relevant appendices thereof, this IAL and other publicly available information.

In our evaluation of the Proposed Disposal, and in arriving at our opinion, we have taken into consideration various factors as follows:

(a) the rationale for the Proposed Disposal, are reasonable and not detrimental to the non-interested shareholders.

(b) the basis of arriving at the Proposed Disposal are reasonable and not detrimental to the non-interested shareholders.

(c) The terms of settlement and payment.

(d) the salient terms of the SSA and the LOU are fair, reasonable and not detrimental to the non-interested shareholders

(e) the effects of the Proposed Disposal, taken as a whole, are not detrimental to the interests of the non-interested shareholders.

(f) the risk factors associated with the Disposal.

After having considered all the various factors included in our evaluation for the Proposed Disposal based on the information made available to us, we are of the opinion that the Proposed Disposal are **fair and reasonable** insofar as the non-interested shareholders are concerned and it is **not to the detriment** of the non-interested shareholders.

Accordingly, we recommend the non-interested shareholders to **vote in favour** of the ordinary resolution pertaining to the Proposed Disposal, that is to be tabled at the Company's forthcoming EGM.

Yours faithfully,
For and on behalf of
ASIA EQUITY RESEARCH SDN. BHD.

ONG TEE CHIN, CFA, FRM, CAIA
Director

FARIS AZMI, CPA(Aust)
Director

SALIENT TERMS OF THE SSA

The salient terms of the SSA are as follows:

1. PURCHASE CONSIDERATION

PCCS agrees to sell and CCSB agrees to purchase, on a willing seller willing buyer basis, the Sale Shares free from any claim, charge, mortgage, lien, option, equity, power of sale, hypothecation, retention of title, right of pre-emption, right of first refusal, right to restrict dealings or other right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing ("**Encumbrances**") and together with all rights attaching to them on and after the Completion Date (as defined below) subject to the term and conditions of the SSA for the total consideration of RM8,500,000.00 only.

PCCS and CCSB shall hereinafter collectively be referred to as "**Parties**" and individually as the "**Party**".

The Disposal Consideration of the SSA shall be fully satisfied by CCSB in the following manner ("**Purchase Consideration**"):

(a) upon the execution of the SSA, CCSB shall pay a deposit in cash amounting RM3,400,000.00[(1)] ("**Deposit**") to Messrs Teh & Lee ("**Vendor's Solicitors**") as a stakeholder in an interest-bearing account which shall be payable to the PCCS (together with interest earned thereon) on the date of all Conditions Precedent been fulfilled or waived ("**Unconditional Date**");

(b) the balance purchase consideration of RM5,100,000.00 only ("**Balance Purchase Consideration**") shall be paid by CCSB to the Vendor's Solicitors as a stakeholder within 30 days after the Unconditional Date or such other period as the parties may mutually agree ("**Completion Date**");

(c) the Balance Purchase Consideration received by the Vendor's Solicitors as a stakeholder shall, together with interest earned thereon, if any, be released to the PCCS or its nominees within 7 days from the Completion Date; and

(d) if any payment is made by PCCS to CCSB in respect of any claim against PCCS for any breach of the SSA or pursuant to any indemnity hereunder, the payment shall be made by way of set-off against such part of the Purchase Consideration and the Purchase Consideration shall be deemed to have been reduced by such amount[(2)].

Notes:

(1) For information purposes, the Deposit had been paid by CCSB upon the execution of the SSA, on 21 December 2021.

(2) For illustrative purposes, in the event MLMSB Group is in breach of the representations and warranties provided in the SSA including but not limited to involving in any disputes, investigations and litigations with any third party and/or authorities prior to the Completion Date, CCSB shall be entitled to adjust the Purchase Consideration in accordance with the terms of the SSA.

2. CONDITIONS PRECEDENT

The SSA shall be conditional upon the following being obtained, procured and/or fulfilled within the 6 months from the date of the SSA (with an automatic extension of an additional 30 days and such other period as the parties may mutually agree):

(a) By PCCS

(i) approval from the shareholders of PCCS for the proposed disposal of MLMSB in accordance with the Listing Requirements and any applicable laws and regulations having been obtained at the EGM of PCCS;

(ii) consent and/or approval from the existing financiers of MLMSB on the change in control of the shareholdings (if applicable); and

(iii) the necessary waiver, consent, approval, licence, authorization, permission, order and exemption (if required) having been obtained from the any national, federal, state, provincial, county, municipal or local government, foreign or domestic, or the government of any political division of any of the foregoing, or any entity, authority, agency, ministry or other similar body exercising executive, legislative, judicial, regulatory or administrative authority or functions of or pertaining to government, including any authority or other quasi-governmental entity established to perform any of such functions ("**Government Entity**") or regulatory authorities or other third parties which are necessary in connection with the execution and performance of the SSA and any of the transactions contemplated under the SSA.

(b) By CCSB

(i) approval from the shareholders of CCSB for the acquisition of the Sale Shares having been obtained; and

(ii) the necessary waiver, consent, approval, licence, authorization, permission, order and exemption (if required) having been obtained from the relevant Governmental Entity or regulatory authorities or other third parties which are necessary in connection with the execution and performance of this Agreement and any of the transactions contemplated under the SSA.

(collectively, the "**Conditions Precedent**")

The SSA shall be deemed unconditional upon fulfilment and/or waiver of all the Conditions Precedent.

3. CONDITION FOR COMPLETION

The completion of the SSA is subject to the following:

(e) no event of default has occurred or would occur on or prior to the Completion Date that has not been duly rectified;

(f) the Conditions Precedent have been procured, obtained and fulfilled by the relevant Parties;

(g) each of the guarantee, representations, warranties, covenants and undertakings set out in the SSA remains true and accurate at the Completion Date as if given on that date by reference to the facts and circumstances then existing; and

(h) no Governmental Entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order, whether temporary, preliminary or permanent, which is in effect and which has or would have the effect of making the transactions contemplated by the SSA illegal or restraining or prohibiting consummation of such transactions;

The completion of SSA shall take place upon all the Conditions Precedent and the Condition for Completion been fulfilled or waived and CCSB making payment for the Purchase Consideration to PCCS.

4. TERMINATION

(a) On the occurrence of any of the following defaulting events ("**Event of Default**") stated hereunder and provided that the Event of Default occurs before completion of this SSA, the non-defaulting Party ("**Non-Defaulting Party**") may (but is not obliged to) give notice in writing to the defaulting Party ("**Defaulting Party**") requiring the Defaulting Party to remedy the said default or breach within 30 days or such extended period as may be allowed by the Non-Defaulting Party, of the receipt of such notice:

(i) breach of any material or fundamental terms or conditions of the SSA or a failure to perform or observe any material or fundamental undertaking, obligation or agreement expressed or implied in this Agreement including the breach of any material warranties; or

(ii) a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the Defaulting Party; or

(iii) the Defaulting Party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them; or

(iv) an application, petition or order is made for the winding-up or dissolution of the Defaulting Party, or a resolution is passed or any steps taken to pass a resolution for the winding-up or dissolution of the Defaulting Party, otherwise than for the purpose of an amalgamation or reconstruction which has prior written consent of the Non-Defaulting Party; or

(v) the Defaulting Party ceases or threatens to cease carrying on a substantial portion of their business other than in compliance with their obligations under the SSA; or

(vi) the Defaulting Party commits any act or omits to do an act which results in the breach or non-fulfilment of any term or condition of any banking, finance or credit facility which has the effect of causing the events specified in sub-clauses (ii), (iii), (iv) and (v) to occur; or

(vii) any representation, warranty or statement which is made (or acknowledged to have been made) by a Defaulting Party or which is contained in any certificate, written statement, legal opinion, written notice, written replies made in the course of the due diligence review or information furnished in the due diligence review or provided under or in connection herewith or therewith proves to be untrue, incorrect or inaccurate in any material respect or misleading in any respect; or

(viii) any agency of any state seizes, compulsorily acquires, expropriates or nationalises all or a material part of the assets or shares of the Defaulting Party; or

(ix) any Governmental Entity acting or purporting to act under any Governmental Entity shall have taken any action in order to condemn, seize, appropriate or assume custody or control of the Defaulting Party; or all or any substantial part of the assets of the Defaulting Party or to curtail its authority in the overall conduct of their business or operations.

(b) If the Defaulting Party fails to remedy the relevant default or breach within the said 30 days or such extended period as may be allowed by the Non-Defaulting Party after being given notice by the Non-Defaulting Party, to rectify such breach; and

(i) if the Non-Defaulting Party is CCSB, CCSB shall be entitled to terminate this SSA by giving notice to PCCS and thereafter, the SSA shall become null and void and cease to have any effect and claim damages or pursue its action under the SSA; or

(ii) If the Non-Defaulting Party is PCCS, PCCS shall be entitled to terminate this SSA by giving notice to CCSB and thereafter, the SSA shall become null and void and cease to have any effect and claim damages or pursue its action under the SSA.

(c) Either Party shall be entitled to claim specific performance of the SSA against the other Party and for this purpose PCCS and CCSB hereby agree that an alternative remedy of monetary compensation shall not be regarded as sufficient compensation for such other Party's default in the performance of the terms and conditions of the SSA.

On 9 February 2022, PCCS and CCSB had signed the LOU to provide further clarity to certain terms of the SSA. Pursuant to the LOU, the Deposit shall be treated as part of the Purchase Consideration and the Deposit shall be refunded to the Purchaser in the event the Conditions Precedent under the SSA are not fulfilled. Additionally, it is not the Parties' intention to treat the Deposit as liquidated ascertained damages for this transaction.

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1. HISTORY AND PRINCIPAL ACTIVITIES

MLMSB is a private limited company incorporated in Malaysia on 28 November 2000 under the Act and commenced operations on 28 November 2000. MLMSB is a wholly-owned subsidiary of PCCS. The principal activities of MLMSB are printing and sale of labels and stickers.

MLMSB has a 51%-owned subsidiary company that was incorporated in Malaysia, namely MLPSB. The principal activities of MLPSB are printing and sale of labels and stickers.

The percentage of sales broken down between domestic and foreign sales of MLMSB for the past three (3) financial years up to FYE 31 March 2021 and the unaudited financial results for the 6-month FPE 30 September 2021 are as follows:

	Audited FYE 31 March						**Unaudited 6-month FPE 30 September 2021**	
	2019		**2020**		**2021**			
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	44,573	74.9	41,471	77.4	48,383	83.3	24,181	81.2
Overseas	14,973	25.1	12,117	22.6	9,693	16.7	5,586	18.8
Total	**59,546**	**100.0**	**53,588**	**100.0**	**58,076**	**100.0**	**29,767**	**100.0**

MLMSB's customers are mainly from the fast moving consumer goods, electrical and electronics, personal care, food and beverage, garment and textile, and packaging industries.

As at the LPD, MLMSB owns and operates at the following manufacturing/operating premises:

Location	**Description**	**Area**	**Use of the land/building**	**Tenure**	**Net book value (RM'mil)**	**Encumbrances**
No. 4, Jalan Palam 34/18A, Seksyen 34, 40470 Shah Alam, Selangor ("**Shah Alam factory**")	2-storey office cum 1-storey factory	<u>Land area:</u> 22,593 square feet <u>Build-up area:</u> 14,936 square feet	Industrial	Freehold	4.91	N/A
Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor ("**Batu Pahat factory**")	Office, factory building and 2 blocks of hostel buildings	<u>Land area:</u> 185,130 square feet <u>Build-up area:</u> 88,000 square feet	Industrial	Freehold	21.35	Pledged to CIMB Bank Berhad

The annual production capacity and output of the Shah Alam factory and Batu Pahat factory for the past three (3) financial years up to the audited FYE 31 March 2021 are as follows:

	Audited FYE 31 March					
	2019		2020		2021	
	Capacity[(1)] (hours)	Actual output[(2)] (hours)	Capacity[(1)] (hours)	Actual output[(2)] (hours)	Capacity[(1)] (hours)	Actual output[(2)] (hours)
Shah Alam factory	13,800	7,786	18,360	10,366	13,272	7,845
Batu Pahat factory	149,160	56,046	153,000	42,678	161,976	62,315
Total	**162,960**	**63,832**	**171,360**	**53,044**	**175,248**	**70,160**

Notes:

(1) Computed based on all machines operating 24 hours per day multiplied by the total number of working days in a year.

(2) Computed based on actual number of hours of machines operating during the financial year.

2. SHARE CAPITAL

As at LPD, MLMSB has a total issued share capital of RM8,000,000 comprising 8,000,000 ordinary shares.

3. DIRECTORS AND SHAREHOLDER

The particulars of the directors and shareholder of MLMSB, and their direct and indirect shareholdings in MLMSB as at the LPD are as follows:

Name	Designation	Nationality/ country of incorporation	Direct		Indirect	
			No of shares	%	No of shares	%
Chan Choo Sing	Director	Malaysian	-	-	8,000,000	100.0[(1)]
Chan Chow Tek	Director	Malaysian	-	-	8,000,000	100.0[(2)]
PCCS	Shareholder	Malaysia	8,000,000	100.0	-	-

Notes:

(1) Deemed interested by virtue of his shareholding in the Company, the shareholding of his spouse, Tan Kwee Kee, in the Company and his direct interest of 40% in the equity of CCS Capital, which is a Major Shareholder.

(2) Deemed interested by virtue of his shareholding in the Company.

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4. SUBSIDIARY AND ASSOCIATE

As at the LPD, the subsidiary of MLMSB is as follows:

Name	Country of incorporation	Effective equity interest (%)	Principal activity
MLPSB	Malaysia	51.0	Printing and sale of labels and stickers.

MLMSB has no associate company.

5. FINANCIAL INFORMATION

A summary of the results based on the financial statements of MLMSB for the past three (3) audited financial years up to the FYE 31 March 2021 and the unaudited 6-month FPE 30 September 2021 are set out below:

	Audited FYE 31 March			Unaudited 6-month FPE 30 September 2021
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	(RM'000)
Revenue	59,546	53,588	58,076	29,767
Profit/(loss) before tax	5,346	45	(1,021)	900
PAT/(LAT)	3,529	1,513	(970)	684
Number of MLMSB shares in issue	14,500	14,500	20,500	20,500
EPS/loss per share(1) (sen)	24.34	10.43	(4.73)	3.34
Total NA	32,185	34,007	39,016	39,555
Total borrowings	18,732	33,753	36,263	29,983
NA per MLMSB share(2)	2.22	2.35	1.90	1.93
Current ratio(3) (times)	0.87	1.46	1.54	1.51
Gearing ratio (times)	0.58	0.99	0.93	0.76

(Source: Audited financial statements of MLMSB for the past three (3) financial years from FYE 31 March 2019 to FYE 31 March 2021 and latest quarterly report)

Notes:

(1) Computed by dividing the PAT/LAT by the number of MLMSB shares in issue as at the end of the financial year/period.

(2) Computed by dividing the NA by the number of MLMSB shares in issue as at the end of the financial year/period.

(3) Computed based on total current assets divided by total current liabilities.

There were no non-controlling interests, dividends, items, transactions or events of material and unusual nature that have arisen in the periods under review in the audited financial statements of MLMSB during the past 3 financial years up to FYE 31 March 2021

The financial statements of MLMSB are not consolidated with the financial statements of its subsidiary company, MLPSB as MLMSB is a wholly-owned subsidiary of PCCS. PCCS produces consolidated financial statements at each financial year end that comply with the MFRSs

The financial performance of MLMSB in respect of the three (3) financial years from FYE 31 March 2019 to FYE 31 March 2021 under review and the 6-month FPE 30 September 2021 are summarised as follows:

FYE 31 March 2019

MLMSB recorded a revenue of RM59.55 million in FYE 31 March 2019, which is approximately a 14.70% increase as compared to the previous financial year. This is mainly due to MLMSB securing new customers in the financial year.

Despite the increase in the revenue, MLMSB recorded a PAT of RM3.53 million, which is a 26.30% decrease in PAT from the previous financial year. This is mainly due to the increase in administration expenses during the financial year.

FYE 31 March 2020

MLMSB recorded a revenue of RM53.59 million in FYE 31 March 2020, which is approximately a 10.01% decrease as compared to the previous financial year. This is due to the loss of one of MLMSB's major customers.

The Group recorded a PAT of RM1.51 million, which is a 57.22% decrease in PAT from the previous financial year, which is mainly due to the decline in the revenue recorded by MLMSB.

FYE 31 March 2021

MLMSB recorded a revenue of RM58.08 million in FYE 31 March 2021, which is approximately an 8.38% increase as compared to the previous financial year. This is due to the increase in sales from MLMSB's heat transfer label business.

Despite the increase in the revenue, the Group recorded a LAT of RM0.97 million, which is a 164.11% decrease in PAT from the previous financial year. This is mainly due to the rising cost of raw materials and price competition among competitors of MLMSB coupled with the impairment loss on trade and other receivables of approximately RM1.03 million.

6-month FPE 30 September 2021

MLMSB recorded a revenue of RM29.77 million for the 6-month FPE 30 September 2021, which is approximately a 12.1% increase as compared to the corresponding 6-month FPE 30 September 2020 in the previous financial year. This is due to an increase in sales from MLMSB's sticker manufacturing and heat transfer label businesses.

The Group recorded a PAT of RM0.68 million, which is a 1,092.36% increase as compared to the corresponding 6-month FPE in the previous financial year which is mainly due to the increase in revenue recorded by MLMSB.

6. ACCOUNTING POLICIES AND AUDIT QUALIFICATION

For the past three (3) FYEs 31 March 2019, 31 March 2020 and 31 March 2021 under review:

(a) there were no exceptional or extraordinary items reported in MLMSB's audited financial statements;

(b) there are no accounting policies adopted by MLMSB which are peculiar to MLMSB due to the nature of its business or the industry in which it is involved in; and

(c) MLMSB's external auditors had not issued any audit qualification on its financial statements.

7. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being entered into in the ordinary course of business) which have been entered into by MLMSB during the past two (2) years immediately preceding the date of this Circular.

(a) Shareholders agreement entered between MLMSB and CLPG

MLMSB had on 29 September 2020 entered into the shareholders agreement with CLPG to incorporate MLPSB for the purpose of conducting business in relation to printing and sales of labels and stickers and/or such other purposes as may be mutually determined by the parties herein, as well as to set out their respective rights as the shareholders of MLPSB in this agreement. The parties shall invest by way of cash as capital contribution into MLPSB as follows:

Party	Investment Sum (RM)
MLMSB	510,000
CLPG	490,000
Total	**1,000,000**

The parties agreed that each party shall acquire the following shareholding in MLPSB:

Party	Shareholding in MLPSB (%)
MLMSB	51.0
CLPG	49.0
Total	**100.0**

8. MATERIAL LITIGATIONS

As at the LPD, MLMSB is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Directors have no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of MLMSB.

9. MATERIAL COMMITMENTS

As at the LPD, the Directors are not aware of any material commitments incurred or to be incurred which upon becoming enforceable may have a material impact on the financial position of the business of MLMSB.

10. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Directors are not aware of any contingent liabilities incurred or known to be incurred, which upon becoming enforceable, may have a material impact on MLMSB's financial position:

	RM
Bank guarantee facility	201,971
Corporate guarantee	183,826
	385,797

1. HISTORY AND PRINCIPAL ACTIVITIES

MLPSB is a private limited company incorporated in Malaysia on 14 October 2020 under the Act and commenced operations on 1 March 2021. The principal activities of MLPSB are printing and sale of labels and stickers. MLPSB's customers are in Malaysia and are mainly from the agricultural and fast moving consumer goods industries.

As at the LPD, MLPSB leases and operates at the following manufacturing/operating premise:

Location	Description	Area	Use of the land/building	Tenure of the lease	Carrying value of right-of-use asset as at 31 March 2021 (RM)
1040, Jalan Perindustrian Bukit Minyak 4, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang, Malaysia ("**MLPSB Factory**")	1-storey factory	Build-up area: 7,630 square feet	Industrial	2 years	240,827

The total cost of investment for the MLPSB Factory is RM1.02 million, where MLPSB had incurred approximately RM0.97 million for the purchase of plant and machinery. The annual production capacity and output of the MLPSB Factory for the financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021 are as follows:

	Audited for the financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021	
	Capacity[(1)] (hours)	Actual output[(2)] (hours)
MLPSB Factory	6,048	115
Total	**6,048**	**115**

Notes:

(1) Computed based on all machines operating 24 hours per day multiplied by the total number of working days in a year.

(2) Computed based on actual number of hours of machines operating during the financial period.

2. SHARE CAPITAL

As at LPD, MLPSB has a total issued share capital of RM2,000,000 comprising 2,000,000 ordinary shares.

3. DIRECTORS AND SHAREHOLDERS

The particulars of the directors and shareholders of MLPSB, and their direct and indirect shareholdings in MLPSB as at the LPD are as follows:

Name	Designation	Nationality/ country of incorporation	Direct		Indirect	
			No of shares	%	No of shares	%
Chan Wee Boon	Director	Malaysian	-	-	1,020,000	51.0[(1)]
Ng Hee Choon	Director	Malaysian	-	-	-	-
Kam Lian Hooi	Director	Malaysian	-	-	-	-
MLMSB	Shareholder	Malaysia	1,020,000	51.0	-	-
CLPG[(2)]	Shareholder	Malaysia	980,000	49.0	-	-

Notes:

(1) Deemed interested by virtue of his shareholding in the Company.

(2) The shareholders of CLPG and their respective shareholdings in CLPG are as follows:

Name	*Direct*		*Indirect*	
	No of shares	*%*	*No of shares*	*%*
Ng Hee Choon	*640,000*	*64.0*	*-*	*-*
Eng Ean Ling	*360,000*	*36.0*	*-*	*-*

4. SUBSIDIARY AND ASSOCIATE

As at the LPD, MLPSB has no subsidiaries or associate companies.

5. FINANCIAL INFORMATION

A summary of the results based on the financial statements of MLPSB for the financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021 and the unaudited 6-month FPE 30 September 2021 are set out below:

	Audited for the financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021 (RM)	Unaudited 6-month FPE 30 September 2021 (RM)
Revenue	3,501	402,192
Loss before tax	(556,653)	(354,431)
LAT	(556,653)	(354,431)
Number of MLPSB shares in issue	2,000,000	2,000,000
LAT per MLPSB share[(1)] (sen)	(27.83)	(17.72)
Total NA	1,443,347	1,088,916
Total borrowings	-	-
NA per MLPSB share[(2)]	0.72	0.54
Current ratio[(3)] (times)	2.07	1.46
Gearing ratio (times)	-	-

(Source: Audited financial statement of MLPSB for the financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021 and the unaudited managements accounts for the 6-month FPE 30 September 2021)

Notes:

(1) Computed by dividing the LAT by the number of MLPSB shares in issue as at the end of the financial period.

(2) Computed by dividing the NA by the number of MLPSB shares in issue at the end of the financial period.

(3) Computed based on total current assets divided by total current liabilities.

There were no non-controlling interests, dividends, items, transactions or events of material and unusual nature that have arisen in the periods under review in the audited financial statements of MLPSB during the financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021 and the unaudited 6-month FPE 30 September 2021.

The financial statements of MLPSB are not consolidated with the financial statements of its immediate holding company, MLMSB, as MLMSB is a wholly-owned subsidiary of PCCS. PCCS produces its consolidated financial statements at each financial year end that comply with the MFRSs

The financial performance of MLPSB in respect of the financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021 and the unaudited 6-month FPE 30 September 2021 are summarised as follows:

Financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021

MLPSB was incorporated in Malaysia on 14 October 2020 and commenced operations on 1 March 2021. MLPSB recorded a revenue of RM3,501 during the financial period due to the sales revenue earned from MLPSB's labels and stickers business.

MLPSB recorded a LAT of approximately RM0.557 million. This is mainly due to the cost of sales being higher than the revenue earned, and the administrative expenses and finance costs incurred during the financial period.

6-month FPE 30 September 2021

MLPSB recorded a revenue of approximately RM0.402 million for the 6-month FPE 30 September 2021 due to the sales revenue earned from MLPSB's labels and stickers business.

MLPSB recorded a LAT of approximately RM0.354 million. This is mainly due to the cost of sales being higher than the revenue earned, and the administrative expenses and selling expenses incurred during the financial period.

6. ACCOUNTING POLICIES AND AUDIT QUALIFICATION

For the past financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021 and the unaudited 6-month FPE 30 September 2021 under review:

(a) there were no exceptional or extraordinary items reported in MLPSB's audited financial statements;

(b) there are no accounting policies adopted by MLPSB which are peculiar to MLPSB due to the nature of its business or the industry in which it is involved in; and

(c) MLPSB's external auditors had not issued any audit qualification on its financial statements.

7. MATERIAL CONTRACTS

As at the LPD, there were no material contracts (not being entered into in the ordinary course of business) which have been entered into by MLPSB during the past two (2) years immediately preceding the date of this Circular.

8. MATERIAL LITIGATIONS

As at the LPD, MLPSB is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Directors have no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of MLPSB.

9. MATERIAL COMMITMENTS

As at the LPD, the Directors are not aware of any material commitments incurred or to be incurred which upon becoming enforceable may have a material impact on the financial position of the business of MLPSB.

10. CONTINGENT LIABILITIES

As at the LPD, the Directors are not aware of any contingent liabilities incurred or known to be incurred, which upon becoming enforceable, may have a material impact on the MLPSB's financial position.

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MEGA LABEL (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2021

Registration No. 200001030590 (533197-U)

MEGA LABEL (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

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Registration No. 200001030590 (533197-U)

MEGA LABEL (MALAYSIA) SDN. BHD.
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DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are printing and sales of labels and stickers.

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

RESULTS

	RM
Loss for the financial year	(970,016)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 March 2021.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements 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 there were no known bad debts 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 it necessary to write off any bad debts or render the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

Registration No. 200001030590 (533197-U)

DIRECTORS' REPORT (continued)

CURRENT ASSETS

Before the financial statements 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 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 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 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 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 Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability 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 Company to meet its 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 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 Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual; 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 Company for the financial year in which this report is made.

Registration No. 200001030590 (533197-U)

DIRECTORS' REPORT (continued)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 6,000,000 new ordinary shares at a price of RM1 per ordinary share by way of capitalising the amount owing to the holding company.

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.

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

DIRECTORS' INTERESTS

As the Company is a wholly owned subsidiary of PCCS Group Berhad, the interests of the directors (who are also the directors of the holding company) in the holding company and its related corporations is disclosed in the directors' report of the holding company.

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 21 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

INDEMNITY TO DIRECTORS AND OFFICERS

Every directors, managing director, agent, secretary and other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Companies Act 2016, in which relief is granted to him by the court in respect of any negligence default breach of duty or breach of trust.

During the financial year, no indemnity was given to or insurance effected for, any director or officer of the Company.

Registration No. 200001030590 (533197-U)

DIRECTORS' REPORT (continued)

INTERESTS IN HOLDING COMPANY AND OTHER RELATED CORPORATIONS

The Company does not have any interests in shares in the holding company and its other related corporations during the financial year.

HOLDING COMPANY

The directors regard PCCS Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company of the Company.

SIGNIFICANT EVENT DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event during and subsequent of the end of the financial year are disclosed in Note 27 to the financial statements.

AUDITORS'

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 20 to the financial statements.

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

Registration No. 200001030590 (533197-U)

DIRECTORS' REPORT (continued)

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

....
CHAN CHOO SING
Director

....
CHAN CHOW TEK
Director

Date: 13 August 2021

Registration No. 200001030590 (533197-U)

MEGA LABEL (MALAYSIA) SDN. BHD.
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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note	2021 RM	2020 RM
ASSETS			
Non-current asset			
Property, plant and equipment	5	53,324,284	47,892,907
Investment in a subsidiary	6	1,020,000	-
Deferred tax assets	7	438,908	258,191
Total non-current assets		54,783,192	48,151,098
Current assets			
Inventories	8	3,710,224	3,988,377
Trade and other receivables	9	13,086,230	14,730,327
Other current assets	10	1,673,453	6,324,288
Tax asset		2,386,446	1,992,900
Cash and bank balances	11	5,837,529	4,320,464
Total current assets		26,693,882	31,356,356
TOTAL ASSETS		81,477,074	79,507,454
EQUITY AND LIABILITIES			
Equity attributable to owner of the Company			
Share capital	12	20,500,000	14,500,000
Equity contribution from holding company	13	288,340	309,309
Retained earnings		18,227,504	19,197,520
TOTAL EQUITY		39,015,844	34,006,829
Non-current liabilities			
Loans and borrowings	14	25,147,982	24,084,480
Current liabilities			
Trade and other payables	15	6,198,030	11,747,865
Loans and borrowings	14	11,115,218	9,668,280
Total current liabilities		17,313,248	21,416,145
TOTAL LIABILITIES		42,461,230	45,500,625
TOTAL EQUITY AND LIABILITIES		81,477,074	79,507,454

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

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MEGA LABEL (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	Note	2021 RM	2020 RM
Revenue	16	58,075,709	53,587,727
Cost of sales	17	(46,287,158)	(41,324,049)
Gross profit		11,788,551	12,263,678
Other income	18	734,156	722,286
Selling and marketing expenses		(1,724,790)	(1,796,130)
Net impairment losses of financial assets		(1,030,388)	-
Administrative expenses		(9,189,034)	(9,681,479)
		(11,944,212)	(11,477,609)
Profit from operations		578,495	1,508,355
Finance costs	19	(1,599,110)	(1,463,651)
(Loss)/Profit before tax	20	(1,020,615)	44,704
Tax credit	22	50,599	1,468,125
(Loss)/Profit for the financial year, representing total comprehensive (loss)/income for the financial year		(970,016)	1,512,829

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

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MEGA LABEL (MALAYSIA) SDN. BHD.
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	Note	Share capital RM	Equity contribution from holding company RM	Retained earnings RM	Total equity RM
At 1 April 2019		14,500,000	-	17,684,691	32,184,691
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income		-	-	1,512,829	1,512,829
Transaction with owner					
Share option granted under ESOS of holding company, representing total transaction with owner	13	-	309,309	-	309,309
At 31 March 2020		14,500,000	309,309	19,197,520	34,006,829
Total comprehensive loss for the financial year					
Loss for the financial year, representing total comprehensive loss		-	-	(970,016)	(970,016)
Transactions with owner					
Issue of ordinary shares	12	6,000,000	-	-	6,000,000
Share option exercised	13	-	(20,969)	-	(20,969)
Total transactions with owner		6,000,000	(20,969)	-	5,979,031
At 31 March 2021		20,500,000	288,340	18,227,504	39,015,844

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

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MEGA LABEL (MALAYSIA) SDN. BHD.
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	Note	2021 RM	2020 RM
Cash flows from operating activities			
(Loss)/Profit before tax		(1,020,615)	44,704
Adjustments for:			
Bad debts written off		-	14,470
Depreciation of property, plant and equipment	5	4,880,582	3,947,598
Gain on disposal of property, plant and equipment		(123,004)	(10,974)
Impairment loss on trade and other receivables		1,030,388	-
Inventories written down	8	350,340	-
Inventories written off	8	259,324	-
Interest expense		1,599,110	1,463,651
Interest income		(36,970)	(61,722)
Share-based payment		-	309,309
Unrealised loss/(gain) on foreign exchange		62,167	(459,553)
Operating profit before working capital changes		7,001,322	5,247,483
Changes in working capital:			
Inventories		(331,511)	(341,446)
Receivables		(679,490)	(751,769)
Other current assets		4,650,835	(4,096,700)
Payables		459,731	1,231,302
Net cash generated from operations		11,100,887	1,288,870
Interest paid		(1,599,110)	(1,463,651)
Tax paid		(523,664)	(1,059,000)
Net cash from/(used in) operating activities		8,978,113	(1,233,781)
Cash flows from investing activities			
Interest received		36,970	61,722
Investment in a subsidiary		(1,020,000)	-
Proceeds from disposal of property, plant and equipment		129,219	156,000
Purchase of property, plant and equipment	5	(8,371,287)	(4,130,247)
Repayment from/(Advances to) a related company		1,250,166	(113,017)
Net cash used in investing activities		(7,974,932)	(4,025,542)
Cash flows from financing activities	(a)		
Share options exercised		(20,969)	-
(Repayment to)/Advances from holding company		(4,346)	24,515
Repayment to related companies		-	(14,882,080)
Drawdown of/(Repayment to) bankers' acceptances		1,510,000	(1,561,000)
Repayments of lease liabilities		(1,766,979)	(1,483,916)
Net drawdown of term loans		820,532	16,395,819
Net cash from/(used in) financing activities		538,238	(1,506,662)
Net increase/(decrease) in cash and cash equivalents, carried forward		1,541,419	(6,765,985)

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MEGA LABEL (MALAYSIA) SDN. BHD.
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021 (continued)

	Note	2021 RM	2020 RM
Net increase/(decrease) in cash and cash equivalents, brought forward		1,541,419	(6,765,985)
Cash and cash equivalents at the beginning of the financial year		4,320,464	11,055,380
Effect of foreign exchange rate changes		(24,354)	31,069
Cash and cash equivalents at the end of the financial year	11	5,837,529	4,320,464

(a) Changes in liabilities arising from financing activities:

	Note	1.4.2020 RM	Acquisition RM	Cash flows RM	Non-cash Allotment of shares RM	31.3.2021 RM
Amount owing to holding company	15	6,025,315	-	(4,346)	(6,000,000)	20,969
Bankers' acceptances	14	4,489,000	-	1,510,000	-	5,999,000
Lease liabilities	14	4,727,774	1,946,887	(1,766,979)	-	4,907,682
Term loans	14	24,535,986	-	820,532	-	25,356,518
		39,778,075	1,946,887	559,207	(6,000,000)	36,284,169

	Note	1.4.2019 RM	Acquisition RM	Cash flows RM	31.3.2020 RM
Amount owing to holding company	15	6,000,800	-	24,515	6,025,315
Amounts owing to related companies	15	14,882,080	-	(14,882,080)	-
Bankers' acceptances	14	6,050,000	-	(1,561,000)	4,489,000
Lease liabilities	14	4,541,390	1,670,300	(1,483,916)	4,727,774
Term loans	14	8,140,167	-	16,395,819	24,535,986
		39,614,437	1,670,300	(1,506,662)	39,778,075

(b) Total cash outflows for leases

During the financial year, the Company had total cash outflows for leases of RM1,768,479 (2020:RM1,753,435).

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

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MEGA LABEL (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Mega Label (Malaysia) Sdn. Bhd. ("the Company") is a private limited company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at 6A, Jalan Merah, Taman Bukit Pasir, 83000 Batu Pahat, Johor.

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

The principal activities of the Company are printing and sales of labels and stickers. There has been no significant change in the nature of the principal activity during the financial year.

The holding company of the Company is PCCS Group Berhad, a company incorporated in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 13 August 2021.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of amendments/improvements to MFRSs

The Company has adopted the following amendments/improvements to MFRSs for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
MFRS 139	Financial Instruments: Recognition and Measurement

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Company and did not result in significant changes to the Company's existing accounting policies.

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2. BASIS OF PREPARATION (continued)

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

(a) The Company has 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 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 4	Insurance Contracts	1 January 2021/
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2021/ 1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2021/ 1 April 2021 1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ The Annual Improvements to MFRS Standards 2018-2020
 # Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

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2. BASIS OF PREPARATION (continued)

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

(b) The Company plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. The initial application of the applicable new MFRS and amendments/improvements to MFRSs is not expected to have material impact to the current and prior periods financial statements.

2.4 Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements of the Company are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

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

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 Company.

3.1 Foreign currency transactions

Foreign currency transactions are translated to the functional currency of the Company 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 diffrences arising on settlement or retranslation at monetary items are recognised in 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).

3.2 Subsidiary

Subsidiary is an entity over which the Company is exposed, or has rights, to variable returns from its involvement with the acquiree and has the ability to affect those returns through its power over the acquiree.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Subsidiary (continued)

In the Company's statement of financial position, investment in a subsidiary 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 3.8(b).

The financial statements of the subsidiary are not consolidated with the financial statements of the Company as the Company itself is a wholly owned subsidiary of PCCS Group Berhad, a company incorporated in Malaysia. PCCS Group Berhad produces consolidated financial statements for public use that comply with MFRS, where copies can be obtained at its registered office as disclosed in Note 1.

3.3 Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Company becomes 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 Company has 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 Company has applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

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 Company categorises the financial instruments as follows:

(i) Financial assets

The Company classifies its 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Company categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

The Company reclassifies financial assets when and only when its business models for managing those assets change.

Debt instruments
Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Company classifies its 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 3.8(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

(ii) Financial liabilities

The Company classifies its 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 liabilities are derecognised and through the amortisation process.

(b) Regular way purchase or sale of financial assets

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Company commits itself to 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

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

The Company evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has 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 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.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 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 3.8(b).

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

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

(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 Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

(c) Depreciation

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

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

	Useful lives (years)
Buildings	50
Plant and machinery	10
Tools and equipment, electrical installation, signboard and renovation	10
Air-conditioners, furniture and fittings and office equipment	10
Computers	5
Motor vehicles	5
Solar system	10

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. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

3.5 **Leases**

(a) Definition of lease

At inception of a contract, the Company assesses 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 Company assesses whether:

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

(b) Lessee accounting

At the lease commencement date, the Company recognises 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 Company presents right-of-use assets that do not meet the definition of investment property in Note 5 and of lease liabilities in Note 14.

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 3.8(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 Company uses its incremental borrowing rate.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Leases (continued)

(b) Lessee accounting (continued)

Lease liability (continued)

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.

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 Company remeasures 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 Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Company 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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Leases (continued)

(c) Lessor accounting (continued)

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

3.6 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 a weighted average cost basis.

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

3.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances, that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value.

3.8 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost 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 Company measures 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 Company applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers 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 Company's historical experience and informed credit assessment and including forward-looking information.

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

The Company considers a financial asset to be in default when:
- the borrower is unable to pay its credit obligations to the Company in full, without taking into account any credit enhancements held by the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Company has 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 Company is exposed to credit risk.

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

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

At each reporting date, the Company assesses 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 debtor;
- a breach of contract, such as a default of past due event;
- the lender(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

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 Company determines 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 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 Company makes an estimate of the asset's recoverable amount.

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

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. 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.

3.9 Share capital

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Provisions

Provisions are recognised when the Company has 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.

3.11 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 Company.

(b) Defined contribution plan

As required by law, the Company contributes 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.

3.12 Share-based payments

The holding company, PCCS Group Berhad ("PGB") operates an equity-settled share-based compensation plan, allowing the employees of the Company to acquire ordinary shares of PGB at pre-determined price. The total fair value of share option granted to employees is recognised as an expense with a corresponding increase in the equity contribution from holding company within equity.

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.

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 equity.

3.13 Revenue and other income

The Company recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Revenue and other income (continued)

Revenue recognition of the Company is 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 Company applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics in the property development business if 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 Company measures revenue from sale of good or service at its transaction price, being the amount of consideration to which the Company expects 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 Company uses 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 Company expects 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 Company estimates 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.

(a) Sale of goods – manufacturing

The Company manufactures and sells a range of 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 30 to 90 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 Company uses the expected value method because it is the method that the Company expects to better predict the estimated volume discounts to which it will be provided to the customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Revenue and other income (continued)

(a) Sale of goods – manufacturing (continued)

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) Rental income

Rental income is recognised over the lease term in accordance with the substance of the relevant agreements.

3.14 Borrowing costs

Borrowing costs are interests and other costs that the Company incurs 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.

The Company begins capitalising borrowing costs when the Company has 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.

3.15 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Income Tax (continued)

(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 statement 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(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 statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 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 Company uses 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 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 Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.17 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 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 statement of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 disclosure 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 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 that have the most significant effect on the Company's financial statements, or area where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Company's financial statements within the next financial year are disclosed as follows:

(a) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rate. The Company uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Company 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 provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the trade receivables. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Company's financial assets are disclosed in Note 3.8(a).

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

The Company 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. The economic uncertainties resulting from COVID-19 pandemic may continue to impact the saleability of inventories. Where expectations differ from the original estimates, the differences will impact the carrying amounts of inventories.

The carrying amounts of the Company's inventories are disclosed in Note 8.

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5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment, electrical installation, signboard and renovation RM	Air-conditioners, furniture and fittings and office equipment RM	Computers RM	Motor vehicles RM	Solar system RM	Right-of-use assets RM	Capital work in progress RM	Total RM
Cost											
At 1 April 2020	10,290,000	11,658,950	21,702,170	8,019,509	2,229,391	1,279,425	686,166	1,411,906	7,941,694	-	65,219,211
Additions	-	-	5,752,051	1,587,293	97,414	212,136	68,857	-	1,946,887	653,536	10,318,174
Reclassification	-	-	435,356	-	-	-	182,305	-	(617,661)	-	-
Disposals	-	-	(34,226)	(15,010)	-	(21,290)	(113,950)	-	-	-	(184,476)
At 31 March 2021	10,290,000	11,658,950	27,855,351	9,591,792	2,326,805	1,470,271	823,378	1,411,906	9,270,920	653,536	75,352,909
Accumulated depreciation											
At 1 April 2020	-	744,257	9,997,776	2,617,602	796,701	834,642	514,816	35,298	1,785,212	-	17,326,304
Depreciation charge for the financial year	-	233,179	2,354,972	793,295	201,160	142,073	85,094	141,191	929,618	-	4,880,582
Reclassification	-	-	168,312	-	-	-	101,246	-	(269,558)	-	-
Disposals	-	-	(32,230)	(15,010)	-	(17,071)	(113,950)	-	-	-	(178,261)
At 31 March 2021	-	977,436	12,488,830	3,395,887	997,861	959,644	587,206	176,489	2,445,272	-	22,028,625
Net carrying amount											
At 31 March 2021	10,290,000	10,681,514	15,366,521	6,195,905	1,328,944	510,627	236,172	1,235,417	6,825,648	653,536	53,324,284

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment, electrical installation, signboard and renovation RM	Air-conditioners, furniture and fittings and office equipment RM	Computers RM	Motor vehicles RM	Solar system RM	Right-of-use assets RM	Total RM
Cost										
At 1 April 2019	10,290,000	11,658,950	21,922,688	6,187,537	1,971,340	954,634	588,667	-	6,271,394	59,845,210
Additions	-	-	206,027	1,831,972	258,051	324,791	97,500	1,411,906	1,670,300	5,800,547
Disposals	-	-	(426,545)	-	-	-	(1)	-	-	(426,546)
At 31 March 2020	10,290,000	11,658,950	21,702,170	8,019,509	2,229,391	1,279,425	686,166	1,411,906	7,941,694	65,219,211
Accumulated depreciation										
At 1 April 2019	-	511,078	8,443,798	1,966,947	599,739	679,402	423,413	-	1,035,849	13,660,226
Depreciation charge for the financial year	-	233,179	1,835,498	650,655	196,962	155,240	91,403	35,298	749,363	3,947,598
Disposals	-	-	(281,520)	-	-	-	-	-	-	(281,520)
At 31 March 2020	-	744,257	9,997,776	2,617,602	796,701	834,642	514,816	35,298	1,785,212	17,326,304
Net carrying amount										
At 31 March 2020	10,290,000	10,914,693	11,704,394	5,401,907	1,432,690	444,783	171,350	1,376,608	6,156,482	47,892,907

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM10,318,174 (2020: RM5,800,547) which are satisfied by the following:

	2021 RM	2020 RM
Finance lease arrangements	1,946,887	1,670,300
Cash payments	8,371,287	4,130,247
	10,318,174	5,800,547

(b) The carrying amount of property, plant and equipment pledged as security for banking facilities granted to the Company as disclosed in Note 14 are as follows:

	2021 RM	2020 RM
Plant and machinery	12,071,258	7,885,028
Freehold land and buildings	20,971,514	21,204,693
	33,042,772	29,089,721

Certain plant and machinery of the Company with net carrying amounts of RM546,173 (2020: RM698,898) were subject to negative pledges in relation to banking facilities granted to the Company as disclosed in Note 14.

(c) The Company leases several assets including plant and machinery, tool and equipment and motor vehicles.

	Plant and machinery RM	Tools and equipment RM	Motor vehicles RM	Total RM
Carrying amount				
At 1 April 2019	4,759,752	-	475,793	5,235,545
Additions	1,598,300	72,000	-	1,670,300
Depreciation	(618,031)	(7,200)	(124,132)	(749,363)
At 31 March 2020	5,740,021	64,800	351,661	6,156,482
Additions	1,721,280	-	225,607	1,946,887
Depreciation	(776,794)	(7,200)	(145,624)	(929,618)
Reclassification	(267,044)	-	(81,059)	(348,103)
At 31 March 2021	6,417,463	57,600	350,585	6,825,648

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6. INVESTMENT IN A SUBSIDIARY

	2021 RM
Unquoted shares, at cost	
At the beginning of the financial year	-
Additions	1,020,000
At the end of the financial year	1,020,000

The details of the subsidiary is as follows:

Name of Subsidiary	Country of incorporation	Principal Activities	Effective equity interest 2021
Mega Label (Penang) Sdn. Bhd.	Malaysia	Printing and sale of labels and stickers	51%

On 14 October 2020, the Company incorporated a 51% owned subsidiary, namely Mega Label (Penang) Sdn. Bhd. ("MEGAP"), with an issued and paid-up capital of 1,000,000 ordinary shares of RM1 each. The intended principal activity of MEGAP is printing and sale of labels and stickers.

On 15 December 2020, the Company further subscribed for additional 510,000 ordinary shares of MEGAP, for a total consideration of RM510,000.

No consolidated financial statements have been prepared as the Company is a wholly-owned subsidiary of PCCS Group Berhad, and its financial statements together with that of its subsidiary are incorporated in the financial statements of its holding company, a public listed company incorporated in Malaysia. The consolidated financial statemetns of the holding company are available at its registered office as disclosed in Note 1.

7. DEFERRED TAX ASSETS

	2021 RM	2020 RM
Deferred tax assets/(liability)		
At beginning of the financial year	258,191	(60,000)
Recognised in profit or loss (Note 22)	180,717	318,191
At end of the financial year	438,908	258,191

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

	2021 RM	2020 RM
Deferred tax assets	2,346,775	1,114,672
Deferred tax liabilities	(1,907,867)	(856,481)
	438,908	258,191

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7. DEFERRED TAX ASSETS (continued)

(b) The components of deferred tax assets/(liabilities) relates to the followings:

	2021 RM	2020 RM
Deferred tax assets		
Unabsorbed reinvestment allowances	1,697,142	916,162
Unabsorbed capital allowances	411,407	103,057
Provision	238,226	95,453
	2,346,775	1,114,672
Deferred tax liability		
Difference between the carrying amount of property, plant and equipment and its tax base	(1,907,867)	(856,481)

8. INVENTORIES

	2021 RM	2020 RM
At cost:		
Raw materials	2,160,131	2,726,546
Work-in-progress	326,160	424,882
Finished goods	1,223,933	836,949
	3,710,224	3,988,377

Recognised in profit or loss:

	2021 RM	2020 RM
Inventories recognised as cost of sales	45,677,494	41,324,049
Inventories written down	350,340	-
Inventories written off	259,324	-

9. TRADE AND OTHER RECEIVABLES

	Note	2021 RM	2020 RM
Current:			
Trade			
Third parties		11,610,449	11,395,908
Related company		1,398,858	1,124,960
		13,009,307	12,520,868
Less: Impairment losses		(156,944)	(15,000)
	(a)	12,852,363	12,505,868

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9. TRADE AND OTHER RECEIVABLES (continued)

	Note	2021 RM	2020 RM
Current:			
Non-trade			
Other receivables		68,782	-
Amount owing by a related company	(b)	888,444	2,146,095
Deposits		165,085	78,364
		1,122,311	2,224,459
Less: Impairment losses		(888,444)	-
		233,867	2,224,459
Total trade and other receivables		13,086,230	14,730,327

(a) Trade receivables

The Company's normal credit terms granted to customers ranging from 30 to 90 days (2020: 30 to 90 days) from date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

Receivables that are impaired

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:

	2021 RM	2020 RM
Trade receivables		
At the beginning of the financial year	15,000	15,000
Charge for financial year		
- Individually assessed	141,944	-
At the end of the financial year	156,944	15,000
Other receivables		
At the beginning of the financial year	-	-
Charge for financial year		
- Individually assessed	888,444	-
At the end of the financial year	888,444	-

The information about the credit exposures is disclosed in Note 25(b)(iii).

(b) Amount owing by a related company

Amount owing by a related company is unsecured, interest-free and repayable upon demand and is expected to be settled in cash.

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10. OTHER CURRENT ASSETS

	Note	2021 RM	2020 RM
Advances to suppliers	(a)	447,725	5,026,647
Prepayments		1,225,728	1,297,641
		1,673,453	6,324,288

(a) Included in advances to suppliers of the Company are downpayments to suppliers for the purchase of new machineries.

11. CASH AND BANK BALANCES

	2021 RM	2020 RM
Cash on hand	7,000	7,000
Cash at banks	5,830,529	4,313,464
	5,837,529	4,320,464

12. SHARE CAPITAL

	Number of ordinary shares		Amounts	
	2021 Unit	2020 Unit	2021 RM	2020 RM
Issued and fully paid (no par value):				
At beginning of the financial year	14,500,000	14,500,000	14,500,000	14,500,000
Issued during the financial year	6,000,000	-	6,000,000	-
At end of the financial year	20,500,000	14,500,000	20,500,000	14,500,000

Effective from 31 January 2017, the Companies Act 2016 abolished the concept of authorised share capital and par value of share capital.

The holder of ordinary shares is 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 6,000,000 new ordinary shares at a price of RM1 per ordinary share by way of capitalising the amount owing to the holding company.

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

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13. EQUITY CONTRIBUTION FROM HOLDING COMPANY

The Company's holding company, namely PCCS Group Berhad ("PGB"), operates on equity-settled share-based compensation plan (namely Employees' Share Option Scheme ("ESOS") in relation to PGB's shares), allowing the eligible employees to acquire PGB's ordinary shares at pre-determined price. The vesting conditions, main features and number of options granted under the ESOS are disclosed in PGB's financial statements.

14. LOANS AND BORROWINGS

	2021 RM	2020 RM
Non-current:		
Secured		
Term loans	21,864,219	20,972,938
Lease liabilities (Note 14(c))	3,283,763	3,111,542
	25,147,982	24,084,480
Current:		
Secured		
Term loans	3,492,299	3,563,048
Lease liabilities (Note 14(c))	1,623,919	1,616,232
Unsecured		
Bankers' acceptances	5,999,000	4,489,000
	11,115,218	9,668,280
	36,263,200	33,752,760
Total loans and borrowings:		
Term loans	25,356,518	24,535,986
Lease liabilities (Note 14(c))	4,907,682	4,727,774
Bankers' acceptances	5,999,000	4,489,000
	36,263,200	33,752,760

(a) The secured and unsecured loans and borrowings of the Company are guaranteed by the holding company and with negative pledges over certain assets of the Company as disclosed in Note 5.

Lease liabilities are secured by charges over certain plant and machinery, tools and equipment and motor vehicles as disclosed in Note 5(c).

(b) The interest rates of the loans and borrowings at the reporting date are as follows:

	2021 %	2020 %
Banker acceptance	1.99% - 2.79%	2.88% - 3.86%
Term loans	4.70% - 6.00%	4.55% - 6.20%
Lease liabilities/Finance lease liabilities	2.32% - 3.62%	2.32% - 3.62%

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14. LOANS AND BORROWINGS (continued)

(c) Future minimum lease payments with the present value of the net minimum lease payments are as follows:

	2021 RM	2020 RM
Minimum lease payments:		
Not later than 1 year	1,886,174	1,868,678
Later than 1 year and not later than 5 years	3,586,198	3,403,000
	5,472,372	5,271,678
Less: Future finance charges	(564,690)	(543,904)
Present value of minimum lease payments	4,907,682	4,727,774
Present value of minimum lease payments		
Not later than 1 year	1,623,919	1,616,232
Later than 1 year and not later than 5 years	3,283,763	3,111,542
	4,907,682	4,727,774
Less: Amount due within 12 months	(1,623,919)	(1,616,232)
Amount due after 12 months	3,283,763	3,111,542

15. TRADE AND OTHER PAYABLES

	Note	2021 RM	2020 RM
Current:			
Trade			
Third parties	(a)	4,475,722	4,667,401
Non-trade			
Other payables		317,494	74,619
Accruals		1,383,845	980,530
Amount owing to holding company	(b)	20,969	6,025,315
		1,722,308	7,080,464
Total trade and other payables		6,198,030	11,747,865

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Company ranging from 30 to 90 days (2020: 30 to 90 days).

(b) Amounts owing to holding company are non-trade in nature, unsecured, non-interest bearing, repayable upon demand and are expected to be settled in cash.

16. REVENUE

	2021 RM	2020 RM
At a point in time:		
Sales of goods	58,075,709	53,587,727

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17. COST OF SALES

Cost of sales represents cost of inventories sold.

18. OTHER INCOME

	2021 RM	2020 RM
Gain on disposal of property, plant and equipment	123,004	10,974
Interest income	36,970	61,722
Gain on foreign exchange		
- realised	69,792	17,837
- unrealised	-	459,553
Rental income	504,390	172,200
	734,156	722,286

19. FINANCE COSTS

	2021 RM	2020 RM
Interest expense on:		
- Lease liabilities	298,269	269,519
- Loans and borrowings	1,300,841	1,194,132
	1,599,110	1,463,651

20. (LOSS)/PROFIT BEFORE TAX

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

	Note	2021 RM	2020 RM
Auditors' remuneration:		31,000	29,000
Bad debts written off		-	14,470
Depreciation of property, plant and equipment	5	4,880,582	3,947,598
Employees benefits expense	21	11,858,487	11,858,625
Expenses relating to short-term lease		1,500	109,291
Impairment loss on trade and other receivables		1,030,388	-
Inventories written down	8	350,340	-
Inventories written off	8	259,324	-
Unrealised loss on foreign exchange		62,167	-

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21. EMPLOYEE BENEFITS EXPENSE

	2021 RM	2020 RM
Salaries, wages and bonus	10,111,042	10,132,693
Defined contribution plan	950,878	935,389
Other staff related expenses	796,567	481,234
Share-based payments	-	309,309
	11,858,487	11,858,625

Included in employee benefits expenses are:

	2021 RM	2020 RM
Directors' emoluments	366,536	1,546,786

22. TAX CREDIT

The major components of tax credit for the financial years ended 31 March 2021 and 31 March 2020 is as follows:

	2021 RM	2020 RM
Statement of comprehensive income:		
Current income tax:		
Current income tax charge	129,926	56,141
Under/(Over) provision in prior financial year	192	(1,206,075)
	130,118	(1,149,934)
Deferred tax (Note 7):		
Origination of temporary differences	173,958	452,866
Over provision in prior financial years	(354,675)	(771,057)
	(180,717)	(318,191)
	(50,599)	(1,468,125)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

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22. TAX CREDIT (continued)

The reconciliation from the tax amount at statutory income tax rate to the Company's tax credit are as follows:

	2021 RM	2020 RM
(Loss)/Profit before tax	(1,020,615)	44,704
Tax at the Malaysian statutory income tax rate of 24%	(244,948)	10,729
Expenses not deductible for tax purposes	568,875	498,278
Income not subject to tax	(20,043)	-
Under/(Over) provision in prior financial years:		
- current tax	192	(1,206,075)
- deferred tax	(354,675)	(771,057)
Tax credit	(50,599)	(1,468,125)

23. CAPITAL COMMITMENTS

The Company has made commitments for the following capital expenditures:

	2021 RM	2020 RM
Approved and contracted for:		
- Property, plant and equipment	810,712	3,522,075

24. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Company if the Company 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 Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Company include:

(i) Holding company;
(ii) Subsidiary;
(iii) Related companies (subsidiaries of the holding company); and
(iv) Key management personnel of the Company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

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24. RELATED PARTIES (continued)

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	2021 RM	2020 RM
Holding company		
PCCS Group Berhad		
- Purchases of property, plant and equipment	26,913	-
Subsidiary		
Mega Label (Penang) Sdn. Bhd.		
- Sales of goods	(80,000)	-
Related company		
Mega Labels & Stickers (Cambodia) Limited		
- Sales of goods	(3,476,876)	(672,175)
- Purchases of goods and services	621,927	647,003
- Sales of property, plant and equipment	-	(145,000)
- Purchases of property, plant and equipment	261,974	30,160

(c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Company.

The remuneration of the directors during the financial year is disclosed in Note 21.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statement of financial position by the classes of financial instruments to which they are assigned:

	Carrying amount RM	Amortised cost RM
At 31 March 2021		
Financial assets		
Trade and other receivables	13,086,230	13,086,230
Cash and bank balances	5,837,529	5,837,529
	18,923,759	18,923,759
Financial liabilities		
Trade and other payables	6,198,030	6,198,030
Loans and borrowings	36,263,200	36,263,200
	42,461,230	42,461,230

25. FINANCIAL INSTRUMENTS (continued)

(a) Categories of financial instruments (continued)

The following table analyses the financial instruments in the statement of financial position by the classes of financial instruments to which they are assigned: (continued)

	Carrying amount RM	Amortised cost RM
At 31 March 2020		
Financial assets		
Trade and other receivables	14,730,327	14,730,327
Cash and bank balances	4,320,464	4,320,464
	19,050,791	19,050,791
Financial liabilities		
Trade and other payables	11,747,865	11,747,865
Loans and borrowings	33,752,760	33,752,760
	45,500,625	45,500,625

(b) Financial risk management

The Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its 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) Foreign exchange risk

Foreign exchange risk is the risk to the Company's results from operations that arises from fluctuations in foreign currency exchange rates. The Company is mainly exposed to United States Dollar ("USD"), Singapore Dollar ("SGD"), Euro ("EUR"), Swiss Franc ("CHF") and British Pound ("GBP"). Foreign currency denominated assets and liabilities together with expected cash flows from high probable purchases and sales give rise to foreign exchange exposures. The Company has not entered into foreign exchange contracts to hedge against gains and losses from foreign currency fluctuations.

The Company relies on natural hedging as a risk management tool and does not engage in any formal hedging activities.

	USD RM	EUR RM	GBP RM	CHF RM	SGD RM	Total RM
Functional currency						
2021						
Ringgit Malaysia	3,047,905	(12,958)	-	(17,713)	183,118	3,200,352
2020						
Ringgit Malaysia	3,286,776	(59,473)	(7,832)	(25,944)	102,245	3,295,772

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25. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(i) Foreign exchange risk (continued)

Sensitivity analysis

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in the USD, EUR, GBP, CHF and SGD, with all other variables held constant on the Company's total equity and profit for the financial year.

		Effect of profit before tax for the financial year	
	Change in rate	2021 RM	2020 RM
- USD	+ 5%	115,820	124,897
	- 5%	(115,820)	(124,897)
- EUR	+ 5%	(492)	(2,260)
	- 5%	492	2,260
- GBP	+ 5%	-	298
	- 5%	-	(298)
- CHF	+ 5%	(673)	(986)
	- 5%	673	986
- SGD	+ 5%	6,958	3,885
	- 5%	(6,958)	(3,885)

(ii) Liquidity risk

The Company manages its 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 Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Company strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Company raises committed funding from financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

25. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis

The maturity analysis of the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		<——Contractual undiscounted cash flows——>			
	Carrying amount RM	On demand or within 1 year RM	Between 1 to 5 years RM	More than 5 years RM	Total RM
2021					
Financial liabilities:					
Trade and other payables	6,198,030	6,198,030	-	-	6,198,030
Loan and borrowings	36,263,200	12,611,801	18,421,319	10,826,303	41,859,423
	42,461,230	18,809,831	18,421,319	10,826,303	48,057,453
2020					
Financial liabilities:					
Trade and other payables	11,747,865	11,747,865	-	-	11,747,865
Loan and borrowings	33,752,760	11,084,265	16,747,113	12,595,148	40,426,526
	45,500,625	22,832,130	16,747,113	12,595,148	52,174,391

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25. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(iii) Credit risk

The Company's credit risk is primarily attributable to trade and other receivables. The Company trades only with recognised and creditworthy third parties. It is 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 Company's exposure to bad debts is not significant.

The credit risk of the Company's other financial assets, which comprise cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Company does 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 Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Credit risk concentration profile

The Company does not have any significant exposure concentration of credit risk arising from exposure to a single or group of debtors as at the reporting date.

The Company applies 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.

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

	Gross carrying amount at default RM
At 31 March 2021	
Current	8,819,382
1-30 days past due	3,244,578
31-60 days past due	727,352
61-90 days past due	61,051
	12,852,363
Impaired - individually	156,944
	13,009,307

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25. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(iii) Credit risk (continued)

The information about the credit risk exposure on the Company's trade receivables using the provision matrix are as follows: (continued)

	Gross carrying amount at default RM
At 31 March 2020	
Current	6,217,386
1-30 days past due	3,262,766
31-60 days past due	1,498,290
61-90 days past due	388,630
91-120 days past due	79,526
>121 days past due	1,059,270
	12,505,868
Impaired - individually	15,000
	12,520,868

Receivables that are impaired

The Company's trade receivables that are impaired at the reporting date are disclosed in Note 9(a).

Other receivables and other financial assets

For other receivables and other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, 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 statement of financial position.

The Company considers 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 Company compares 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 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 Company will consider the expected manner of recovery and recovery period of the intercompany loan.

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25. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(iii) Credit risk (continued)

Other receivables and other financial assets (continued)

Refer to Note 3.8(a) for the Company's other accounting policies for impairment of financial assets

(c) Fair value measurement

The carrying amounts of cash and bank balances, short-term receivables and payables and short-term borrowings reasonably approximate to 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 (2020: no transfer in either directions).

26. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payments to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2021 and 31 March 2020.

The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt comprises finance lease liabilities and trade and other payables, less cash and bank balances whereas total equity comprises the equity attributable to owner of the Company.

	2021 RM	2020 RM
Loans and borrowings	36,263,200	33,752,760
Trade and other payables	6,198,030	11,747,865
Less: Cash and bank balances	(5,837,529)	(4,320,464)
Net debt	36,623,701	41,180,161
Equity attributable to the owner of the Company	39,015,844	34,006,829
Capital and net debt	75,639,545	75,186,990
Gearing ratio	48%	55%

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27. SIGNIFICANT EVENT DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

COVID-19 pandemic

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 18 March 2020, the Malaysian Government imposed the Movement Control Order ("MCO") to curb the spread of COVID-19 pandemic in Malaysia. When the number of daily new infections began to fall, the MCO was lifted on 12 May 2020 and was replaced with less restrictive forms of MCO. On 13 January 2021, following the start of a third wave of infections in Malaysia, the Government re-imposed the MCO in certain states until 5 March 2021, followed by Conditional MCO thereafter. On 1 June 2021, the Full MCO was imposed in Malaysia as a result of the significant increases on the number of daily new infections. The COVID-19 pandemic also resulted in travel restriction, lockdown, social distancing and other precautionary measures imposed in various countries.

The Company has performed assessments on the overall impact of the situation on the Company's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there was no material adverse effect on the financial statements for the financial year ended 31 March 2021.

Given the fluidity of the situation, the Company is unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 March 2022 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing process. The Company will continuously monitor any material changes to future economic conditions that will affect the Company.

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MEGA LABEL (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

We, **CHAN CHOO SING** and **CHAN CHOW TEK**, being the two directors of Mega Label (Malaysia) Sdn. Bhd., do hereby state that in our opinion, the accompanying financial statements set out on pages 6 to 48 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 Company as at 31 March 2021 and of its financial performance and cash flows for the financial year then ended.

Signed by the Board of Directors in accordance with a resolution of directors:

....
CHAN CHOO SING
Director

....
CHAN CHOW TEK
Director

Date: 13 August 2021

Registration No. 200001030590 (533197-U)

MEGA LABEL (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

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 Mega Label (Malaysia) Sdn. Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 6 to 48 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 13 August 2021.

Before me,

PESURUHJAYA SUMPAH
J247
CHIANG EE CHIN
01/01/2021-30/04/2023
MALAYSIA
13, jalan Penjaja, 83000
Batu Pahat, Johor.

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Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MEGA LABEL (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

Report on the Audit of the Financial statements

Opinion

We have audited the financial statements of Mega Label (Malaysia) Sdn. Bhd., which comprise the statement of financial position as at 31 March 2021 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statement, including a summary of significant accounting policies as set out on pages 6 to 48.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
MEGA LABEL (MALAYSIA) SDN. BHD. (continued)
(Incorporated in Malaysia)

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 Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements 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 Directors' Report, 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 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 are necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MEGA LABEL (MALAYSIA) SDN. BHD. (continued)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 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 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 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 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Registration No. 200001030590 (533197-U)

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MEGA LABEL (MALAYSIA) SDN. BHD. (continued)
(Incorporated in Malaysia)

Other Matters

This report is made solely to the member 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	Ng Zu Wei
201906000600 (LLP0019411-LCA) & AF 0117	No. 03545/12/2022 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

Date: 13 August 2021

Registration No.: 202001032741 (1389062-K)

MEGA LABEL (PENANG) SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 14 OCTOBER 2020 (DATE OF INCORPORATION) TO 31 MARCH 2021

Registration No.: 202001032741 (1389062-K)

MEGA LABEL (PENANG) SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

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Registration No.: 202001032741 (1389062-K)

MEGA LABEL (PENANG) SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Company for the financial period from 14 October 2020 (date of incorporation) to 31 March 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are printing and sales of labels and stickers.

There have been no significant changes in the nature of these activities since the date of incorporation.

RESULTS

	RM
Loss for the financial period	(556,653)

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period.

BAD AND DOUBTFUL DEBTS

Before the financial statements 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 there were no known bad debts and that no allowance for doubtful debts was required.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements of the Company.

CURRENT ASSETS

Before the financial statements 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 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 Company misleading.

Registration No.: 202001032741 (1389062-K)

DIRECTORS' REPORT (continued)

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 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 Company which has arisen since the end of the financial period which secures the liabilities of any other person; and

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

In the opinion of the directors, no contingent or other liability of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial period which will or may affect the ability of the Company to meet its 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 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 Company for the financial period 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 period and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial period in which this report is made.

ISSUE OF SHARES AND DEBENTURES

On 31 March 2021, the Company issued 1,000,000 new ordinary shares at a price of RM1 per ordinary share for working capital purposes.

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

No new issue of debentures was made by the Company.

DIRECTORS' REPORT (continued)

DIRECTORS

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

Chan Wee Boon	(First Director)
Ng Hee Choon	(First Director)
Kam Lian Hooi	(First Director)

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, none of the directors in office at the end of the financial period had any interest in shares in the Company and its related corporations during the financial period.

DIRECTORS' BENEFITS

Since the date of incorporation, no director of the Company has received or become entitled to receive any benefit 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 period, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

Every director, managing director, agent, secretary and other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Companies Act 2016, in which relief is granted to him by the court in respect of any negligence default breach of duty or breach of trust.

During the financial period, there was no insurance effected for any directors or officers of the Company.

INTERESTS IN HOLDING COMPANIES AND OTHER RELATED CORPORATIONS

The Company does not have any interests in shares in the holding companies and its other related corporations during the financial period.

DIRECTORS' REPORT (continued)

HOLDING COMPANIES

The directors regard Mega Label (Malaysia) Sdn. Bhd. and PCCS Group Berhad, all of which were incorporated and domiciled in Malaysia, as the immediate holding company and ultimate holding company of the Company.

The ultimate holding company is listed on the Main Market of Bursa Malaysia Securities Berhad.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 12 to the financial statements.

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

Registration No.: 202001032741 (1389062-K)

DIRECTORS' REPORT (continued)

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

....
NG HEE CHOON
Director

....
CHAN WEE BOON
Director

Date: 13 August 2021

Registration No.: 202001032741 (1389062-K)

MEGA LABEL (PENANG) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note	2021 RM
ASSETS		
Non-current assets		
Plant and equipment	5	1,187,772
Total non-current assets		1,187,772
Current assets		
Inventories	6	10,710
Trade and other receivables	7	29,143
Cash and bank balances		648,030
Total current assets		687,883
TOTAL ASSETS		1,875,655
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	8	2,000,000
Accumulated loss		(556,653)
TOTAL EQUITY		1,443,347
Non-current liabilities		
Lease liabilities	9	100,637
Current liabilities		
Trade and other payables	10	190,258
Lease liabilities	9	141,413
Total current liabilities		331,671
TOTAL LIABILITIES		432,308
TOTAL EQUITY AND LIABILITIES		1,875,655

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

Registration No.: 202001032741 (1389062-K)

MEGA LABEL (PENANG) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 14 OCTOBER 2020 (DATE OF INCORPORATION) TO 31 MARCH 2021

	Note	Financial period from 14.10.2020 (date of incorporation) to 31.3.2021 RM
Revenue		3,501
Cost of sales		(363,384)
Gross loss		(359,883)
Administrative expenses		(194,127)
Operation loss		(554,010)
Finance cost	11	(2,643)
Loss before tax	12	(556,653)
Tax expense	14	-
Loss for the financial year, representing total comprehensive loss for the financial year		(556,653)

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

Registration No.: 202001032741 (1389062-K)

MEGA LABEL (PENANG) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 14 OCTOBER 2020 (DATE OF INCORPORATION) TO 31 MARCH 2021

	Share capital RM	Accumulated loss RM	Total equity RM
At 14 October 2020 (date of incorporation)	1,000,000	-	1,000,000
Total comprehensive loss for the financial period			
Loss for the financial period, representing total comprehensive loss	-	(556,653)	(556,653)
Total transaction with owners			
Issuance of ordinary shares, representing total transaction with owners	1,000,000	-	1,000,000
At 31 March 2021	2,000,000	(556,653)	1,443,347

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

Registration No.: 202001032741 (1389062-K)

MEGA LABEL (PENANG) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 14 OCTOBER 2020 (DATE OF INCORPORATION) TO 31 MARCH 2021

	Note	Financial period from 14.10.2020 (date of incorporation) to 31.3.2021 RM
Cash flows from operating activities		
Loss before tax		(556,653)
Adjustments for:		
Depreciation of plant and equipment	5	66,417
Interest expense	11	2,643
Operating loss before working capital changes		(487,593)
Changes in working capital:		
Inventories		(10,710)
Receivables		(29,143)
Payables		190,258
Net cash used in operations		(337,188)
Interest paid	11	(2,643)
Net cash used in operating activities		(339,831)
Cash flows from investing activity		
Purchase of plant and equipment, representing net cash used in investing activity	5(a)	(972,157)
Cash flows from financing activities	(a)	
Proceeds from issuance of shares		1,000,000
Repayments of lease liabilities		(39,982)
Net cash from financing activities		960,018
Net decrease in cash and cash equivalents		(351,970)
Cash and cash equivalents at date of incorporation		1,000,000
Cash and cash equivalents at the end of the financial period		648,030

Registration No.: 202001032741 (1389062-K)

MEGA LABEL (PENANG) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 14 OCTOBER 2020 (DATE OF INCORPORATION) TO 31 MARCH 2021 (continued)

(a) Reconciliation of liability arising from financing activities:

	Note	14.10.2020 (Date of incorporation) RM	Acquisition RM	Cash flows RM	31.3.2021 RM
Lease liabilities	9	-	282,032	(39,982)	242,050

(b) Total cash outflows for leases

During the financial period, the total cash outflows for leases of the Company amounted to RM42,625.

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

Registration No.: 202001032741 (1389062-K)

MEGA LABEL (PENANG) SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Mega Label (Penang) Sdn. Bhd. ("the Company") is a private limited company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at Suite 2, 1st Floor, 69, Lorong Selamat, 10400 George Town, Pulau Pinang.

The principal place of business is located at 1040, Jalan Perindustrian Bukit Minyak 4, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang.

The directors regard Mega Label (Malaysia) Sdn. Bhd. and PCCS Group Berhad, all of which were incorporated and domiciled in Malaysia, as the immediate holding company and ultimate holding company of the Company.

The ultimate holding company is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally engaged in printing and sales of labels and stickers. There have been no significant changes in the nature of these activities since the date of incorporation.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 August 2021.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

Registration No.: 202001032741 (1389062-K)

2. BASIS OF PREPARATION (continued)

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

(a) The Company has 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 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysia Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#/
MFRS 4	Insurance Contracts	1 January 2021/
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2021/ 1 January 2022^ 1 January 2023#/
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2021/ 1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ The Annual Improvements to MFRS Standards 2018-2020

 # Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

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2. BASIS OF PREPARATION (continued)

2.2 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

(b) The Company plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. The initial application of the applicable new MFRS and amendments/improvements to MFRSs is not expected to have material impact to the current and prior periods financial statements.

2.3 Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.4 Basis of measurement

The financial statement of the Company has been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial period presented in the financial statement of the Company.

3.1 Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Company becomes 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 Company has 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 Company has applied the practical expedient are measured at the transaction price determined under MFRS 15.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Financial instruments (continued)

(a) Subsequent measurement

The Company categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified 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 Company reclassifies financial assets when and only when its business models for managing those assets change.

Debt instruments
Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

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 is in accordance with Note 3.6(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

(ii) Financial liabilities

The Company classifies its 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 liabilities are derecognised and through the amortisation process.

(b) 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 Company commits itself to 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Financial instruments (continued)

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

The Company evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has 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 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.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Plant and equipment

(a) Recognition and measurement

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 3.6(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 plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of 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 Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

(c) Depreciation

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

	Useful lives (years)
Plant and machinery, tools and equipment and electrical installation	5-10
Renovation, furniture and fittings and office equipment	5-10
Computers	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 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 the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Leases

(a) Definition of lease

At inception of a contract, the Company assesses 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 Company assesses whether:

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

(b) Lease accounting

At the lease commencement date, the Company recognises 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 Company presents right-of-use assets that do not meet the definition of investment property in Note 5 and lease liabilities in Note 9.

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 ant 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 if 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 3.6(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 Company uses its incremental borrowing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Leases (continued)

(b) Lease accounting (continued)

Lease liability (continued)

Lease payments included in the measurements 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 payables 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 termination the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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 Company remeasures the lease liability (and make 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 revised discount rate is used).
- A lease contact 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.

Variable lease payments that do not depend on an index or a rate are not included in the measurements the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur and are included in the line "other expenses" in the statement of comprehensive income.

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

Lease of low value asset

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low value asset. The Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 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 follow:

- 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 a 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.

3.5 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.6 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost 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 losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

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

- 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 Company 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 losses, the Company considers 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 Company's historical experience and informed credit assessment and including forward-looking information.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment of assets

(a) Impairment of financial assets (continued)

The Company considers a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Company in full, without taking into account any credit enhancements held by the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Company has 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 Company is exposed to credit risk.

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

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

At each reporting date, the Company assesses whether financial assets carried at amortised cost is 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 debtor;
- a breach of contract, such as a default of past due event;
- the lender(s) of the debtor, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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 Company determines 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 Company's procedure for recovery of amounts due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment of assets (continued)

(b) Impairment of non-financial assets

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

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

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. 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.

3.7 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Provisions

Provisions are recognised when the Company has 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.

3.9 Revenue

The Company recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue recognition of the Company is applied for each contract with a customer or a combination of contracts with the same customers (or related parties of the customer).

Revenue from sale of goods is 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 Company measures revenue from sale of goods and service at its transaction price, being the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods 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 Company uses 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 Company expected to better predict the amount of consideration in which it is entitled.

For contact 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 Company estimates it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contact with customer, i.e. when or as a performance obligation in the contact 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 (continued)

3.9 Revenue (continued)

Sales of goods – manufacturing

The Company manufactures and sell a range of labels and stickers to local customers. Revenue from sale of manufactured goods is 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 30 to 60 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 Company uses the expected value method because it is the method that the Company expects to better predict the estimated volume discounts to which it will be provided to the customer.

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.

When consideration is collected from customer in advances for sales 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.

3.10 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contribution, 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 Company.

(b) Defined contribution plan

As required by the law, the Company contributes 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.

3.11 Borrowing costs

Borrowing costs are interests and other costs that the Company incurs 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 (continued)

3.11 Borrowing costs (continued)

The Company begins capitalising borrowing costs when the Company has incurred the expenditures for the assets, 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.

3.12 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 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 period, 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 statement 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, unused 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Income tax (continued)

(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 statement of financial position.

3.13 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 Company uses 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 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 Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.14 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 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 statement of financial position.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 disclosure 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 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.

There were no significant areas of estimation, uncertainty and critical judgements made in applying accounting policies that have significant effect in determining the amount recognised in the financial period.

5. PLANT AND EQUIPMENT

2020	**Plant and machinery, tools and equipment and electrical installation RM**	**Renovation, furniture and fitting, and office equipment RM**	**Computers RM**	**Right-of-use assets RM**	**Total RM**
Cost					
At 14.10.2020 (Date of incorporation)	-	-	-	-	-
Additions	854,021	80,469	37,667	282,032	1,254,189
At 31 March 2021	854,021	80,469	37,667	282,032	1,254,189
Accumulated depreciation					
At 14.10.2020 (Date of incorporation)	-	-	-	-	-
Depreciation charge for the financial period	15,949	2,102	7,161	41,205	66,417
At 31 March 2021	15,949	2,102	7,161	41,205	66,417
Carrying amount					
At 31 March 2021	838,072	78,367	30,506	240,827	1,187,772

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5. PLANT AND EQUIPMENT (continued)

(a) During the financial period, the Company acquired plant and equipment with an aggregate cost of RM1,254,189 which are satisfied by the following:

	2021 RM
Finance lease arrangement	282,032
Cash payments	972,157
	1,254,189

(b) The Company leases several assets including factory building and hostel buildings.

	Factory building RM	Hostel buildings RM	Total RM
At 14.10.2020 (Date of incorporation)	-	-	-
Addition	212,429	69,603	282,032
Depreciation	(35,405)	(5,800)	(41,205)
At 31 March 2021	177,024	63,803	240,827

6. INVENTORIES

	2021 RM
At cost	
Raw materials	10,710

The cost of inventories of the Company recognised as an expense in cost of sales was RM25,705 during the financial period.

7. TRADE AND OTHER RECEIVABLES

	2021 RM
Current:	
Trade	
A corporate shareholder	2,761
A third party	120
	2,881
Non-trade	
Other receivables	26,262
	29,143

7. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Company ranging from 30 to 60 days from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

(b) The information about the credit exposures are disclosed in Note 15(b)(i).

8. SHARE CAPITAL

	Number of ordinary share 2021 Unit	Amount 2021 RM
Issued and fully paid up (no par value):		
At date of incorporation	1,000,000	1,000,000
Issued during the financial period	1,000,000	1,000,000
At end of financial period	2,000,000	2,000,000

On 31 March 2021, the Company issued 1,000,000 new ordinary shares at a price of RM1 per ordinary share for working capital purposes.

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

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.

9. LEASE LIABILITIES

	Note	2021 RM
Non-current:		
Lease liabilties	(a)	100,637
Current:		
Lease liabilties	(a)	141,413
		242,050

9. LEASE LIABILITIES (continued)

(a) Lease liabilities

The average interest rates implicit in the leases for current financial period is 3.56%.

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

	2021 RM
Minimum lease payment	
Not later than 1 year	145,872
Later than 1 year and not later than 5 years	103,248
	249,120
Less: Future finance charge	(7,070)
Present value of minimum lease payments	242,050

10. TRADE AND OTHER PAYABLES

	Note	2021 RM
Trade		
Third parties	(a)	136,663
Non-trade		
Other payables		38,776
Accruals		14,819
Total trade and other payables		190,258

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Company was 30 days.

11. FINANCE COST

	Financial period from 14.10.2020 (date of incorporation) to 31.3.2021 RM
Interest expenses on lease laibilities	2,643

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12. LOSS BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at loss before tax:

	Note	Financial period from 14.10.2020 (date of incorporation) to 31.3.2021 RM
Auditors' remuneration		2,500
Depreciation of plant and equipment	5	66,417
Employee benefits expense	13	189,543
Expense relating to lease of low value assets		2,883

13. EMPLOYEE BENEFITS EXPENSE

	Financial period from 14.10.2020 (date of incorporation) to 31.3.2021 RM
Salaries and allowances	168,978
Defined contribution plan	20,565
	189,543

14. TAX EXPENSE

There is no income tax charge for the current financial period as the Company does not have any chargeable income.

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the financial period.

14. TAX EXPENSE (continued)

The reconciliation from the tax amount at statutory income tax rate to the Company's tax expense is as follows:

	Financial period from 14.10.2020 (date of incorporation) to 31.3.2021 RM
Loss before tax	(556,653)
Tax at the Malaysian statutory income tax rate of 24%	(133,597)
Expenses not deductible for for tax purposes	13,678
Deferred tax assets not recognised	119,919
Tax expense	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item (stated at gross):

	2021 RM
Unutilised tax losses	475,032
Unabsorbed capital allowances	24,631
	499,663
Potential deferred tax assets not recognised at 24%	119,919

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

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

	2021 RM
2028	475,032

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15. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statement of financial position by the classes of financial instruments to which they are assigned:

	Carrying amount RM	Amortised cost RM
At 31 March 2021		
Financial assets		
Trade and other receivables	29,143	29,143
Cash and bank balances	648,030	648,030
	677,173	677,173
Financial liabilities		
Trade and other payables	190,258	190,258
Lease liabilities	242,050	242,050
	432,308	432,308

(b) Financial risk management

The Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Credit risk

The Company's credit risk is primarily attributable to trade and other receivables. The Company trades only with recognised and creditworthy third parties. It is 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 Company's exposure to bad debts is not significant.

The credit risk of the Company's other financial assets, which comprise cash and bank balances arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Company does 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.

15. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables

Exposure to credit risk

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Credit risk concentration profile

The Company does not have any significant exposure concentration of credit risk arising from exposure to a single or group of debtors as at the reporting date.

The Company applies 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.

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

	Gross carrying amount at default RM
At 31 March 2021	
Current	2,881

15. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets

For other receivables and other financial assets (including cash and bank balance), the Company minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, 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 financial assets recognised in the statement of financial position.

The Company considers 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 Company compares 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 the group of companies 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 Company will consider the expected manner of recovery and recovery period of the intercompany loan.

There is no expected credit loss being recognised for other receivables of the Company.

Refer to Note 3.6(a) for the Company's other accounting policies for impairment of financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations when they fall due. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Company's exposure to liquidity risk arises principally from trade and other payables and lease liabilities.

The Company manages its cash flows by maintaining sufficient levels of cash to meet its working capital requirements

15. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis

The maturity analysis of the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

	Carrying amount RM	<----- Contractual undiscounted cash flows ------> On demand or within 1 year RM	Between 1 to 5 years RM	More than 5 years RM	Total RM
2021					
Financial liabilities:					
Trade and other payables	190,258	190,258	-	-	190,258
Lease liabilities	242,050	145,872	103,248	-	249,120
	432,308	336,130	103,248	-	439,378

15. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial instruments

The carrying amounts of cash and bank balances, short-term receivables and payables reasonably approximate to their fair values due to their short-term nature of these financial instruments.

There have been no transfers between levels during the current financial period.

16. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Company if the Company 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 Company is subject to common control. Related parties may be individuals or other entities.

Related parties of the Company include:

(i) Holding companies;
(ii) Related companies (subsidiaries of the holding company); and
(iii) Key management personnel of 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:

	Financial period from 14.10.2020 (date of incorporation) to 31.3.2021 RM
Transaction with holding company is as follows:	
- Purchase of plant and equipment	84,221
Transactions with corporate shareholder is as follows:	
- Sales of goods	(2,761)
- Rental paid/payable	36,624
Transaction with a related company is as follows:	
- Purchase of plant and equipment	461,146

16. RELATED PARTIES (continued)

(c) Compensation of key management personnel

The key management personnel of the Company are the directors. There is no compensation of key management personnel during the financial period.

17. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, 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 period ended 31 March 2021.

The Company is not subject to any externally imposed capital requirements.

There were no borrowings for the current financial period. Accordingly, calculation of gross debt ratio is not meaningful to the Company.

18. COMPARATIVE FIGURES

There are no comparative figures as this is the first set of financial statements prepared by the Company since its incorporation on 14 October 2020.

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MEGA LABEL (PENANG) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

We, **NG HEE CHOON** and **CHAN WEE BOON**, being the two of the directors of Mega Label (Penang) Sdn. Bhd., do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 6 to 37 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 Company as at 31 March 2021 and of its financial performance and cash flows for the financial period from 14 October 2020 (date of incorporation) to 31 March 2021.

Signed on behalf of the Board of Directors in accordance with a resolution of directors:

....

NG HEE CHOON
Director

....

CHAN WEE BOON
Director

Simpang Ampat

Date: 13 August 2021

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MEGA LABEL (PENANG) SDN. BHD.
(Incorporated in Malaysia)

STATUTORY DECLARATION
Pursuant to Section 251(1) of the Companies Act 2016

I, **NG HEE CHOON**, being the director primarily responsible for the financial management of Mega Label (Penang) Sdn. Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 6 to 37 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.

....
NG HEE CHOON

BUKIT MERTAJAM

Subscribed and solemnly declared by the abovenamed at ~~Simpang Ampat~~ in the State of Penang on 13 August 2021.

Before me,

NO. 1, LORONG PERDA SELATAN 2,
BANDAR PERDA,
14000 BUKIT MERTAJAM,
PULAU PINANG.

PESURUHJAYA SUMPAH
No: P 101
Nama: LETCHUMANAN,
PPA,PPS,PJM,PJK
A/L SINGARAVELLU
01.01.21 - 31.12.23
MALAYSIA

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEGA LABEL (PENANG) SDN. BHD.
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mega Label (Penang) Sdn. Bhd., which comprise the statement of financial position as at 31 March 2021 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period from 14 October 2020 (date of incorporation) to 31 March 2021, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 37.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the financial period from 14 October 2020 (date of incorporation) to 31 March 2021 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MEGA LABEL (PENANG) SDN. BHD. (continued)
(Incorporated in Malaysia)

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 Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements 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 Directors' Report, 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 Company that gives 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 Company that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEGA LABEL (PENANG) SDN. BHD. (continued)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 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 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 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 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEGA LABEL (PENANG) SDN. BHD. (continued)
(Incorporated in Malaysia)

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.

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Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Ng Zu Wei
No. 03545/12/2022 J
Chartered Accountant

Kuala Lumpur

Date: 13 August 2021

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

2.1 Malacca Securities

Malacca Securities, being the Principal Adviser for the Proposed Disposal, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Malacca Securities confirms that it is not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation in relation to its role.

2.2 AER

AER, being the Independent Adviser for the Proposed Disposal, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, letter and all references thereto in the form and context in which they appear in this Circular.

AER confirms that it is not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation in relation to its role.

3. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, there are no other material commitments incurred or known to be incurred by the Group, which upon being enforced may materially and adversely affect the financial results or position of the Group:

	RM
Contracted but not provided for	397,415
	397,415

4. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being entered into in the ordinary course of business) which have been entered into by the Group during the past two (2) years immediately preceding the date of this Circular:

(a) the SSA;

(b) **Memorandum of understanding entered between PCCS and Shanghai Shenqi Medical Co., Ltd**

PCCS had on 15 December 2020 entered into a memorandum of understanding with Shanghai Shenqi Medical Co., Ltd to open up and develop the markets of cardiology related products in Asia-Pacific countries (excluding mainland China and Japan).

The memorandum of understanding is effective upon signing and the duration of the memorandum of understanding may be extended by mutual agreement of both parties in writing. The memorandum of understanding may be terminated by any party at any time upon at least sixty (60) days written notice to the other party with such termination becomes effective upon the date set forth in such written notice.

(c) **Exclusive distribution agreement entered between Shanghai Shenqi Medical Technology Co., Ltd and La Prima Medicare Pte. Ltd ("LPM")**

LPM, a wholly-owned subsidiary of PCCS, had on 22 May 2021 entered into an exclusive distribution agreement with Shanghai Shenqi Medical Technology Co., Ltd to appoint LPM as the exclusive distributor of its products solely to customers practicing within the field of cardiology, including, without limitation, medical diagnosis and treatment of congenital heart defects, coronary artery disease, heart failure, valvular heart disease, electrophysiology and other applications or procedures to the extent it is practiced by licensed cardiologists or any professional skilled personnel relating to the area of cardiology within the Asia-Pacific region, excluding People's Republic of China and Japan.

This agreement is effective from 22 May 2021 and continues to be in full force until 21 May 2023.

(d) **Shareholders agreement entered between PCCS and See Kok Wah**

PCCS had on 12 April 2021 entered into the shareholders agreement with See Kok Wah to set out the mutual understanding, roles and obligations of each other in respect of the incorporation of the joint venture company for establishing and operating used four-wheeled vehicles (including passengers cars, commercial vehicles) and/or motorcycles financing and insurance business within two (2) territories of the southern states of Peninsular Malaysia, which comprises of Johor and Melaka only.

The joint venture company, Southern Auto had been incorporated on 19 April 2021.

(e) **Shareholders agreement entered between MLMSB and CLPG**

MLMSB had on 29 September 2020 entered into the shareholders agreement with CLPG to incorporate MLPSB for the purpose of conducting business in relation to printing and sales of labels and stickers and/or such other purposes as may be mutually determined by the parties herein, as well as to set out their respective rights as the shareholders of MLPSB in this agreement.

5. CONTINGENT LIABILITIES

Save as disclosed in Section 10 of Appendix II of this Circular, as at the LPD, there are no other contingent liabilities incurred or known to be incurred by the Group, which upon being enforced may materially and adversely affect the financial results or position of the Group.

6. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, neither PCCS nor any of its subsidiary companies are engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which may have a material effect on the financial position of the Group and the Board has no knowledge of any proceedings, pending or threatened, against the Group or of any fact which is likely to give rise to any proceeding which may materially and adversely affect the business or financial position of the Group.

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7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim during normal business hours (except public holidays) from the date of this Circular up to the time set for holding the EGM or at any adjournment thereof:

(a) Constitutions of PCCS, MLMSB and MLPSB;

(b) copy of the SSA and the LOU;

(c) audited consolidated financial statements of PCCS for the past two (2) financial years up to the FYE 31 March 2021 and the latest unaudited quarterly report for the six (6)-month FPE 30 September 2021;

(d) audited financial statements of MLMSB for the past two (2) financial years up to the FYE 31 March 2021 and the unaudited 6-month FPE 30 September 2021;

(e) audited financial statements of MLPSB for the financial period from 14 October 2020 (date of incorporation of MLPSB) to 31 March 2021 and the unaudited 6-month FPE 30 September 2021;

(f) the letters of consent and declaration of conflict of interests referred to in Section 2 above;

(g) the material contracts as referred to in Section 4 above; and

(h) the material contracts as referred to in Section 7 of Appendix II of this Circular.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of PCCS Group Berhad ("**PCCS**" or "**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 Friday, 25 February 2022 at 11:00 a.m. for the purpose of considering and if thought fit, passing the following resolution with or without modifications:

ORDINARY RESOLUTION

PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN MEGA LABEL (MALAYSIA) SDN. BHD. ("MLMSB"), A WHOLLY-OWNED SUBSIDIARY OF PCCS, TOGETHER WITH MEGA LABEL (PENANG) SDN. BHD. ("MLPSB"), A 51%-OWNED SUBSIDIARY OF MLMSB, FOR A CASH CONSIDERATION OF RM8.5 MILLION ("PROPOSED DISPOSAL")

"**THAT**, subject to the fulfilment of all other conditions precedent under the conditional share sale agreement dated 21 December 2021 between PCCS and Chan Capital Sdn. Bhd. (formerly known as Xwing (M) Sdn. Bhd.) ("**CCSB**") in relation to the Proposed Disposal, and all approvals being obtained from the relevant authorities and/or parties (if required), approval be and is hereby given to the Company to dispose of its entire equity interest in MLMSB together with its 51%-owned subsidiary, MLPSB to CCSB for a total cash consideration of RM8.5 million.

AND THAT the Board of Directors ("**Board**") be and is hereby authorised to do all such acts and things and enter into any arrangements and/or documents as the Board deems necessary and expedient in order to implement, finalise and/or give full effect to and complete the Proposed Disposal; and where applicable with full powers to assent to any terms, conditions, modifications, variations and/or adjustments as may be required by the relevant regulatory authorities or as the Board may deem necessary or expedient to implement, finalise and/or give full effect to and complete the Proposed Disposal.

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
10 February 2022

Notes:

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 February 2022 ("**General Meeting Record of Depositors**") shall be eligible to attend the EGM.*

2. *A member entitled to attend and vote at the EGM, shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote instead of the member at the EGM. 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 EGM shall have the same rights as the member to attend, participate, speak and vote at the EGM 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 EGM, 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 EGM 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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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 Extraordinary General Meeting ("**EGM**") 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 Friday, 25 February 2022 at 11:00 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.

	Resolution		**For**	**Against**
1.	Proposed Disposal	(Ordinary Resolution)		

* Strike out whichever not applicable

Signed this ……………………….day of …………………2022

……………………………………..
Signature of Member/Common Seal

Notes:

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 February 2022 ("**General Meeting Record of Depositors**") shall be eligible to attend the EGM.*

2. *A member entitled to attend and vote at the EGM, shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote instead of the member at the EGM. 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 EGM shall have the same rights as the member to attend, participate, speak and vote at the EGM 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 EGM, 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.*

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   (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

The Share Registrar

PCCS GROUP BERHAD
(199301026191 (280929-K))

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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