PCCS

PCCS GROUP BERHAD

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

PASSION
COMMITMENT
COMPETITIVENESS
SINCERITY

Annual
Report
2018

Contents

PCCS GROUP BERHAD (Co. No. 280929-K)
Annual Report **2018**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Fourth **("24th")** Annual General Meeting of the Company will be held at PCCS Group Berhad's Corporate Office, Lot 1376, GM127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim on Monday, 27 August 2018 at 10:30 a.m. or at any adjournment thereof for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 March 2018 together with the Reports of the Directors and the Auditors thereon. **Please refer to Explanatory Note B1**

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

   (a) Mr. Julian Lim Wee Liang **Resolution 1**
   (b) Mr. Piong Yew Peng **Resolution 2**

3. To appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young and to authorise the Directors to fix their remuneration.

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

   "That Messrs. Baker Tilly Monteiro Heng, having consented to act, be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors." **Resolution 3**

As Special Business

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

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

   "THAT the Directors' Fees amounting to RM402,000/- (Ringgit Malaysia: Four Hundred and Two Thousand only) for the financial year ended 31 March 2018, be and is hereby approved for payment." **Resolution 4**

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

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

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

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

By Order of the Board

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

Kuala Lumpur
27 July 2018

Notes:

(A) Information for Shareholders/Proxies

1. For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 66(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 20 August 2018. Only a depositor whose name appears on the Record of Depositors as at 20 August 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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

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

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

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

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

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

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

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

Explanatory Notes to Ordinary Business:-

(B) Audited Financial Statements for the financial year ended 31 March 2018

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

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

1. In determining the eligibility of the Directors to stand for re-election at the forthcoming 24th Annual General Meeting, the Nomination Committee (**"NC"**) has considered the requirements under Paragraph 2.20A of the Main Market Listing Requirements (**"Main LR"**) of Bursa Malaysia Securities Berhad (**"Bursa Securities"**) and recommended Mr. Julian Lim Wee Liang and Mr. Piong Yew Peng for re-election as Directors pursuant to Article 94 of the Articles of Association of the Company (**"Retiring Directors"**).

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

(D) Resolution 3 - Appointment of Auditors

1. The Audit Committee (**"AC"**) satisfied with Messrs. Ernst & Young's technical competency i.e. suitability, objectivity and independence during the financial year ended 31 March 2018. However, Messrs. Ernst & Young had indicated its intention to not seek re-appointment as external auditors of the Company for the financial year ending 31 March 2019. The AC had subsequently assessed suitability, objectivity and independence of Messrs. Baker Tilly Monteiro Heng and recommended to the Board the appointment of Messrs. Baker Tilly Monteiro Heng as external auditors for the financial year ending 31 March 2019 in replacement of Messrs. Ernst & Young. The Board had in turn, recommended the same for shareholders' approval at the forthcoming 24th Annual General Meeting of the Company under **Resolution 3**.

Explanatory Notes to Special Business:

(E) Resolution 4 – Payment of Directors' Fees

1. The proposed adoption of the Ordinary Resolution is to approve the Proposed Directors' fees for the financial year ended 31 March 2018 of RM402,000/- (2017: RM402,000/-).

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

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

1. The Company wishes to renew the mandate on the authority to issue shares pursuant to the Companies Act 2016 at the 24th Annual General Meeting of the Company (hereinafter referred to as the **"General Mandate"**).

   The Company had been granted a general mandate by its shareholders at the Twenty-Third Annual General Meeting of the Company held on 25 August 2017 (hereinafter referred to as the **"Previous Mandate"**).

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

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

CORPORATE STRUCTURE

As at 27 July 2018

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

PCCS Group Berhad (Co. No. 280929-K)
(Incorporated in Malaysia)

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Julian Lim Wee Liang
Senior Independent Non-Executive Chairman

Chan Choo Sing
Group Managing Director

Chan Chow Tek
Executive Director

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

Chan Chor Ang
Non-Independent Non-Executive Director

Piong Yew Peng
Independent Non-Executive Director

AUDIT COMMITTEE

Piong Yew Peng (Chairman)
Independent Non-Executive Director

Julian Lim Wee Liang
Senior Independent Non-Executive Chairman

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

NOMINATION COMMITTEE

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

Piong Yew Peng
Independent Non-Executive Director

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

REMUNERATION COMMITTEE

Piong Yew Peng (Chairman)
Independent Non-Executive Director

Chan Choo Sing
Group Managing Director

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

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

REGISTRAR

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

Corporate Information

AUDITORS

Ernst & Young
Chartered Accountants
Level 16-1, Jaya 99, Tower B,
99 Jalan Tun Sri Lanang,
75100 Melaka

SOLICITORS

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

PRINCIPAL BANKERS

- Malayan Banking Berhad (3813-K)
- United Overseas Bank (Malaysia) Berhad (271809-K)

SUBSIDIARY COMPANIES

- Ample Apparels Limited
- Beauty Apparels (Cambodia) Ltd
- Beauty Electronic Embroidering Centre Sdn. Bhd. (102438-U)
- Beauty Silk Screen (M) Sdn. Bhd. (583304-X)
- Beauty Silk Screen Limited
- JIT Embroidery Limited
- JIT Textiles Limited
- Jusca Garments Sdn. Bhd. (135950-M)
- Keza Sdn. Bhd. (138288-U)
- Keza (Cambodia) Limited
- Mega Labels & Stickers Sdn. Bhd. (190144-X)
- Mega Label (Malaysia) Sdn. Bhd. (533197-U)
- Mega Labels & Stickers (Cambodia) Co., Ltd.
- PCCS Garments Limited
- PCCS Garments (Suzhou) Ltd
- PCCS Garments Wuhan Limited
- PCCS (Hong Kong) Limited
- Perusahaan Chan Choo Sing Sdn. Bhd. (70765-W)
- Perfect Seamless Garments (Cambodia) Limited
- Thirty Three (Hong Kong) Limited
- Thirty Three (Shanghai) Limited
- Thirty Three Trading Sdn. Bhd. (391830-P)
- Wan He Da Manufacturing Company Limited

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

CORPORATE WEBSITE

http://www.pccsgroup.net/

PROFILE OF DIRECTORS

JULIAN LIM WEE LIANG		**Senior Independent Non-Executive Chairman** **Malaysian, aged 44, Male**
Date of appointment as Director	:	14 November 2011
Length of service as director since appointment (as at 27 July 2018)	:	6 years 8 months Mr. Julian was appointed as Independent Non-Executive Director on 14 November 2011 and was re-designated as Senior Independent Non-Executive Director on 22 May 2013 and subsequently appointed as Senior Independent Non-Executive Chairman on 6 June 2014.
Board Committee(s) served on	:	• Member of the Audit Committee • Chairman of the Nomination Committee
Academic/ Professional Qualification(s)	:	• Bachelor Degree in University of Sheffield, United Kingdom in July 1996 • Member of the Malaysian Institute of Accountants • Fellow member of the Association of Chartered Certified Accountants
Present Directorship(s) in other Public/ Listed Companies	:	He does not have any directorships in other public company and listed company.
Family relationship with any Director and/or major shareholder of the Company	:	Nil
Working experience:	:	Mr. Julian worked with Arthur Andersen & Co and left in January 2000 to further his studies. Subsequently, he joined KY Siow & Co in January 2003 as Audit Manager.
Time committed:		Mr. Julian attended all the five (5) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

Profile of Directors

CHAN CHOO SING	Group Managing Director Malaysian, aged 64, Male
Date of appointment as Director	: 21 June 1995
Length of service as director since appointment (as at 27 July 2018)	: 23 years 1 month Mr. Chan was appointed as the Group Managing Director of PCCS in 1995 and as Chairman of PCCS on 24 August 2004. He has relinquished his role as Chairman on 6 June 2014 but remains Group Managing Director of PCCS till today.
Board Committee(s) served on	: Member of the Remuneration Committee
Academic/ Professional Qualification(s)	: Completed Malaysian Certificate of Education, equivalent to O-Level
Present Directorship(s) in other Public/ Listed Companies	: Mr. Chan sits on the board of several private limited companies. He does not have any directorships in other public company and listed company.
Family relationship with any Director and/or major shareholder of the Company	Mr. Chan is a substantial shareholder of the Company effective from 20 June 1995. Mr. Chan is the brother of Mr. Chan Chow Tek, Dato' Chan Chor Ngiak and Mr. Chan Chor Ang, all of them are Directors of PCCS and Mr. Chan Chow Tek is major shareholder of PCCS. He is husband of Madam Tan Kwee Kee and father of Mr. Chan Wee Kiang, who are major shareholders of PCCS. He has indirect interest of 34.40% in the equity of Setia Sempurna Sdn. Bhd. and 40.0% in the equity of CCS Capital Sdn. Bhd., who are major shareholders of PCCS.
Working experience:	Mr. Chan started his career when he ventured into a garment business known as Chan Trading in 1973. In 1981, he founded Perusahaan Chan Choo Sing Sdn. Bhd. **("PCCSSB")**, a company primarily involved in the manufacturing of garments. His entrepreneurial skills and ability to recognise business and expansion opportunities have led to successful business ventures including the forming of a number of companies actively involved in the garment industry. PCCS, the holding company of PCCSSB and its associated companies were successfully listed on the Main Board of Bursa Malaysia Securities Berhad **("Bursa Securities")** on 16 August 1995 as PCCS. During the period from 2001 to 2006, Mr. Chan was the Chairman of the Chinese Association in Parit Raja, Batu Pahat. He is the Honorary Member of the Rotary Club of Batu Pahat.
Time committed:	Mr. Chan attended all the five (5) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

CHAN CHOW TEK	**Executive Director** **Malaysian, aged 61, Male**
Date of appointment as Director	: 21 June 1995
Length of service as director since appointment (as at 27 July 2018)	: 23 years 1 month
Board Committee(s) served on	: Nil
Academic/ Professional Qualification(s)	: • Completed Malaysian Certificate of Education, equivalent to O-Level • Part-completion of the Higher Certificate of Education, equivalent to A-Level
Present Directorship(s) in other Public/ Listed Companies	: Mr. Chan is a director of several private limited companies. He does not have any directorships in other public company and listed company.
Family relationship with any Director and/or major shareholder of the Company	: Mr. Chan is a substantial shareholder of the Company effective from 20 June 1995. Mr. Chan is the brother of Mr. Chan Choo Sing, Dato' Chan Chor Ngiak and Mr. Chan Chor Ang, all of them are Directors of PCCS and Mr. Chan Choo Sing is major shareholder of PCCS. Mr. Chan has indirect interest of 24.4% in the equity of Setia Sempurna Sdn. Bhd., a major shareholder of PCCS.
Working experience:	Mr. Chan leads all the marketing activities in the Group and has more than forty (40) years of experience in textile and apparel marketing and merchandising. He started his career in 1973 in marketing the products of Chan Trading to local departmental stores. In 1981, he successfully made the first export order for Perusahaan Chan Choo Sing Sdn. Bhd. and has since brought the company's export sales to greater success. He is also responsible for the development and growth of the Group's garment business. His job includes keeping abreast with the latest development in the apparel and fashion industry by frequent overseas trips to identify new and potential markets.
Time committed:	Mr. Chan attended four (4) out of five (5) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

Profile of Directors

DATO' CHAN CHOR NGIAK	Non-Independent Non-Executive Director Malaysian, aged 56, Male
Date of appointment as Director	: 21 June 1995
Length of service as director since appointment (as at 27 July 2018)	: 23 years 1 month
Board Committee(s) served on	: • Member of the Audit Committee • Member of the Remuneration Committee • Member of the Nomination Committee
Academic/Professional Qualification(s)	: Completed Malaysian Certificate of Education, equivalent to O-Level
Present Directorship(s) in other Public/Listed Companies	: Dato' Chan is a director of several private limited companies. He does not have any directorships in other public company and listed company.
Family relationship with any Director and/or major shareholder of the Company	: Dato' Chan is the brother of Mr. Chan Choo Sing, Mr. Chan Chow Tek and Mr. Chan Chor Ang, all of them are Directors of PCCS and Mr. Chan Choo Sing and Mr. Chan Chow Tek, who are major shareholders of PCCS. Dato' Chan has indirect interest of 18.40% in the equity of Setia Sempurna Sdn. Bhd., a major shareholder of PCCS.
Working experience:	Dato' Chan started his carreer in 1980 in marketing the products of Chan Trading to local department stores. Dato' Chan has continuously established connections with many business executives in the Chamber of Commerce and Associations. He is the Honorary President of the Chinese Chamber of Commerce in Batu Pahat, the Chairman of the Chinese Association in Parit Raja, Batu Pahat. The Sultan of Pahang on his eighty-first (81st) birthday conferred the "Darjah Indera Mahkota Pahang (D.I.M.P.)" to him that carries the prestigious title of Dato'.
Time committed:	Dato' Chan attended four (4) out of five (5) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

Profile of Directors

CHAN CHOR ANG	**Non-Independent Non-Executive Director** **Malaysian, aged 55, Male**
Date of appointment as Director	: 21 June 1995
Length of service as director since appointment (as at 27 July 2018)	: 23 years 1 month
Board Committee(s) served on	: Nil
Academic/ Professional Qualification(s)	: Complete Junior Middle Three in Chinese High School
Present Directorship(s) in other Public/Listed Companies	: Mr. Chan is a director of several private limited companies. He does not have any directorships in other public company and listed company.
Family relationship with any Director and/or major shareholder of the Company	: Mr. Chan is the brother of Mr. Chan Choo Sing, Mr. Chan Chow Tek and Dato' Chan Chor Ngiak, all of them are Directors of PCCS and Mr. Chan Choo Sing and Mr. Chan Chow Tek are major shareholders of PCCS. Mr. Chan has indirect interest of 14.00% in the equity of Setia Sempurna Sdn. Bhd., a major shareholder of PCCS.
Working experience:	Mr. Chan joined Perusahaan Chan Choo Sing Sdn. Bhd. in 1981 and was transferred to Jusca Garments Sdn. Bhd. as the Factory Manager in 1985. He has more than thirty (30) years of experience in the textile and garment industry.
Time committed:	Mr. Chan attended all four (4) out of five (5) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

Profile of Directors

PIONG YEW PENG	Independent Non-Executive Director Malaysian, aged 48, Male
Date of appointment as Director	: 1 April 2015
Length of service as director since appointment (as at 27 July 2018)	: 3 years 4 months
Board Committee(s) served on	: • Chairman of the Audit Committee • Chairman of the Remuneration Committee • Member of the Nomination Committee
Academic/ Professional Qualification(s)	: • Bachelor of Business (Accounting) from RMIT University, Melbourne, Australia • Member of the Malaysian Institute of Accountants • Fellow member of the CPA Australia
Present Directorship(s) in other Public Listed Companies	: SWS Capital Berhad
Family relationship with any Director and/or major shareholder of the Company	: Nil
Working experience:	Mr. Piong has more than twenty (20) years of experience in providing audit services to wide range of clients. He is actively involved in assisting clients in Initial Public Offering (IPO), merger and acquisition, and other corporate exercises. He regularly provides value added services to update clients in financial reporting standards, listing requirements, and tax planning advisory.
Time committed:	Mr. Piong attended all the five (5) Board of Directors' Meetings of the Company held in the financial year ended 31 March 2018.

Note:

1) Other than traffic offences, if any, none of the Directors have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies for the financial year ended 31 March 2018.

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

PROFILE OF KEY SENIOR MANAGEMENT

CHAN WEE KIANG	**Deputy Group General Manager** **Malaysian, aged 40, Male**
Date of appointment as Deputy Group General Manager	: 30 March 2008
Academic/ Professional Qualification(s)	: Bachelor of Accounting & Finance, Monash University, Clayton Campus, Melbourne, Australia
Present Directorship(s) in other Public/Listed Companies:	: Nil
Family relationship with any Director and/or major shareholder of the Company	: Mr. Chan is a substantial shareholder of the Company effective from 20 March 2018. Mr. Chan is the son of Mr. Chan Choo Sing, who is a Director and major shareholders of PCCS and Madam Tan Kwee Kee, who is a major shareholder of PCCS. Mr. Chan has indirect interest of 30% and 8.8 % in the equity of CCS Capital Sdn. Bhd. and Setia Sempurna Sdn. Bhd. respectively, the major shareholders of PCCS.
Working experience:	: Mr. Chan started his career in Perusahaan Chan Choo Sing Sdn. Bhd. as a Marketing Executive since 2002 and subsequently being promoted as Marketing Manager in year 2003. In year 2007, Mr. Chan was appointed as Group Marketing Manager in PCCS and subsequently promoted as Deputy Group General Manager in year 2008.
List of convictions for offences:	: Other than traffic offences, if any, Mr. Chan does not have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies for the financial year ended 31 March 2018.
Conflict of Interest:	: Nil

Profile of Key Senior Management

TANG LAI HUAT	Corporate Controller Malaysian, aged 35, Male
Date of appointment as Corporate Controller	: 1 March 2018 Mr. Tang was appointed as Financial Controller of PCCS on 1 September 2016 and subsequently promoted as Corporate Controller on 1 March 2018.
Academic/ Professional Qualification(s)	: • Doctorate Degree in Business Administration (Accounting & Finance), International American University • Master of Business Administration, Business School Netherlands EMBA (CEO Class), Tsinghua University • Certificate in Financial Strategies for Cross Border Expansion from Harvad Business School
Present Directorship(s) in other Public/Listed Companies:	: Nil
Family relationship with any Director and/or major shareholder of the Company	: Nil
Working experience:	: Mr. Tang began his career as an audit assistant in LNB Management Consultancy and he was the Financial Controller of LimKokWing University of Creative Technology before he joined the Company in year 2013 and served as General Manager of Finance & Account. Currently he is also a committee member of Chung De Classics Education Association Malaysia. The past working experiences of Mr. Tang were as follows:- March 2018 to current – Corporate Controller (PCCS Group Berhad) 2016 to 2018 – Financial Controller (PCCS Group Berhad) 2013 to 2016 – General Manager of Account & Finance (JIT Textiles Limited) 2012 to 2013 – Financial Controller (LimKokWing University of Creative Technology) 2010 to 2011 – Financial Controller (Delano Furniture Industries (M) Sdn. Bhd.) 2008 to 2009 – Director (Ci Xin Enterprise Limited) 2006 to 2007 – Finance Admin Assistant Manager (Eng Lian Hup Trading Sdn. Bhd. and Engtex Group Berhad) 2004 to 2005 – Finance Executive (Pechem Industries Sdn. Bhd.) 2002 to 2004 – Audit Assistant (LNB Management Consultancy)
List of convictions for offences:	: Other than traffic offences, if any, Mr. Tang does not have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies during financial year ended 31 March 2018.
Conflict of Interest:	: Nil

Profile of Key Senior Management

CHAN WEE BOON	**Group General Manager for Label and Sticker Division** **Malaysian, aged 38, Male**
Date of appointment as Group General Manager for Label and Sticker Division	: 1 July 2014
Academic/ Professional Qualification(s)	: Bachelor of Civil Engineering, Monash University, Clayton Campus, Melbourne, Australia
Present Directorship(s) in other Public/Listed Companies	: Nil
Family relationship with any Director and/or major shareholder of the Company	: Mr. Chan is the son of Mr. Chan Choo Sing, who is a Director and major shareholders of PCCS and Madam Tan Kwee Kee, who is a major shareholders of PCCS. He is the brother of Mr. Chan Wee Kiang, who is a major shareholders of PCCS.
Working experience:	: Mr. Chan started his career in China as Project Manager in 2004. In year 2010, he joined Mega Labels & Stickers Sdn. Bhd. as General Manager and subsequently being promoted as Group General Manager for Label Division in year 2014. The past work experiences of Mr. Chan were as follows:- 2014 to current - Group General Manager (Label & Sticker Division) 2010 to 2014 - General Manager (Mega Labels & Stickers Sdn. Bhd.) 2008 to 2010 - Assistant General Manager (Trio Paper Mill Sdn. Bhd.) 2005 to 2007 - Marketing Manager, South China (Guangdong Haohe Construction Pte. Ltd.) 2004 to 2005 - Project Manager (Blopak China Private Ltd.)
List of convictions for offences:	: Other than traffic offences, if any, Mr. Chan does not have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies during financial year ended 31 March 2018.
Conflict of Interest:	: Nil

Profile of Key Senior Management

TAN KWEE KEE	**Manufacturing Director** **Malaysian, aged 60, Female**
Date of appointment as Manufacturing Director	: 1 October 2012
Academic/ Professional Qualification(s)	: Completed Primary School Evaluation Test
Present Directorship(s) in other Public/Listed Companies:	: Nil
Family relationship with any Director and/or major shareholder of the Company	: Madam Tan is a substantial shareholder of the Company effective from 17 July 2014. Madam Tan is the wife of Mr. Chan Choo Sing, who is a Director and major shareholders of PCCS. Madam Tan has indirect interest 20% in the equity of CCS Capital Sdn. Bhd., the major shareholders of PCCS.
Working experience:	Prior to the establishment of PCCS Group Berhad (**"PCCS"**), Madam Tan started her career in Chan Trading in 1973 as the first employee. After twenty-two (22) years of struggle with her husband, Mr. Chan Choo Sing, they were successfully list PCCS in Main Market of Bursa Malaysia Securities Berhad. With her extensive industry experience accumulated for the past forty-five (45) years in the management of business operation, marketing, sales and development of new business, Madam Tan has been instrumental in the growth and development of PCCS and commencement of those subsidiaries in Cambodia and Republic of China. Being an integral part of the management team, Madam Tan is joint responsible for implementation of PCCS's broad operational strategies and policies. She also oversees the day-to-day operations and performance of the manufacturing sector of those subsidiaries. Although she does not possess tertiary education qualification, with her years of experience accumulated in PCCS, she possess a certain level of management skills. She is also actively attends management courses i.e. Japan Lean Monozukuri Study in 2017, Program Wealth Master and Design of Equity Incentive Scheme in 2018, allowing her to play a positive role in PCCS.
List of convictions for offences:	Other than traffic offences, if any, Madam Tan does not have any convictions for offences within the past five (5) years and any public sanction or penalty imposed by any relevant regulatory bodies for the financial year ended 31 March 2018.
Conflict of Interest:	: Nil

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

I am pleased to enclose herewith the Annual Report 2018 and the Audited Financial Statements for the financial year ended 31 March 2018 (**"AFS 31 March 2018"**).

OUR BUSINESS

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

OUR VISION

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

OUR MISSION

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

OUR COMPETITIVE ADVANTAGE

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

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

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

OUR FORTHCOMING TWENTY-FOURTH ("24TH") ANNUAL GENERAL MEETING ("AGM")

I wish to inform that the 24th AGM of the Company will be held at PCCS Group Berhad's Corporate Office, Lot 1376, GM127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim on Monday, 27 August 2018 at 10:30 a.m.

At the forthcoming 24th AGM, the following resolutions shall be put forward for your consideration:-

- Our Directors, namely Mr. Julian Lim Wee Liang and Mr. Piong Yew Peng are offering themselves for re-election at the 24th AGM.

- Upon the review and recommendation of the Audit Committee, the Board recommended the appointment of Messrs. Baker Tilly Monteiro Heng as Auditors of the Company for the financial year ending 31 March 2019, in place of the retiring Auditors, Messrs. Ernst & Young.

- As per the previous financial year, the proposed total Directors' fees for the financial year ended 31 March 2018 remained at RM402,000/-.

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

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

The 24th AGM of the Company represents an important opportunity for all shareholders to express their views by asking questions on the above resolutions and/or any other topic relevant to our business and resolutions. As provided under the Companies Act 2016, at the forthcoming 24th AGM, you have the right to attend, speak, participate and vote at the said Meeting, either in person or vide proxy(ies).

If you are not able to attend the 24th AGM, you may complete the Form of Proxy in accordance with the instructions printed on the form and return it to the Share Registrar's Office located at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or at any adjournment thereof i.e. **on or before Saturday, 25 August 2018 at 10:30 a.m.**

As in previous AGM, we will call for a poll on each resolution at the forthcoming 24th AGM, which will administratively be conducted by the Poll Administrator upon the completion of deliberations on all resolutions. An independent scrutineer shall be appointed to verify and confirm the votes tabulated by the Poll Administrator.

Yours sincerely,

Julian Lim Wee Liang
Senior Independent Non-Executive Chairman

27 July 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dear Shareholders,

On behalf of the executive management of the PCCS Group Berhad, I am pleased to present the Management's Discussion and Analysis (**"MD&A"**) for your information. The MD&A aims to provide you and the stakeholders with an overview of our business, operations and financial performance of the Group for the financial year ended (**"FYE"**) 31 March 2018.

OUR BUSINESS

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

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

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

To remain competitive in the challenging market environment and catching up with fast-changing global business trend, the Group always believe in technology advancement. Therefore, our factories are well equipped with the necessary tools in every stage of job processing.

Key business units

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

(i) Apparel Division

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

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

(a) Apparel manufacturing:-

Manufacturing location – Batu Pahat, Malaysia
- Perusahaan Chan Choo Sing Sdn. Bhd.

Manufacturing location – Cambodia
- JIT Textiles Limited

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

OUR BUSINESS (CONT'D)

Key business units (Cont'd)

(i) Apparel Division (Cont'd)

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

(ii) Labelling Division

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

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

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

(b) Labelling Facility – Cambodia
- Mega Labels & Stickers (Cambodia) Co., Ltd.

(iii) Others

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

The entities under this Division are:-

(a) Investment holding
- PCCS Group Berhad – being the holding company of the Group

(b) Facilities in Cambodia
- Perfect Seamless Garment (Cambodia) Limited
- Beauty Silk Screen Limited

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

Financial Highlights

Overview and outlook of Malaysian economy

Positive prospects for the Malaysian economy in 2018 are premised upon expectations of strengthening global economy and the continued growth in domestic demand. The Malaysian economy is projected to expand by 5.5% - 6.0% in 2018 (2017: 5.9%). Domestic demand will remains the anchor of growth. Private sector expenditure will remain the key driver of growth, underpinned mainly by continued growth in wages and employment, business optimism and favourable demand. Public sector expenditure is expected to decline due to the contraction in public investment amid more moderate growth in public consumption. The external sector is expected to benefit from better global growth, and is likely to generate positive spillovers to domestic economic activity.

Private investment is projected to be sustained at 9.1% in 2018, supported by ongoing and new capital spending in both the manufacturing and services sectors, and strengthened by continued positive business sentiments.

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

Overview and outlook of Malaysian economy (Cont'd)

Malaysia remains well positioned to weather these headwinds should the downside risk materialise. Past experiences have demonstrated that Malaysia has the economic and financial adaptability to manage these risks. The strategic policy imperatives and structural reforms that were undertaken over the years have endowed the Malaysian economy with multiple sources of growth, ample buffers and robust policy frameworks. Going forward, the positive economic environment will provide policymakers with ample policy space to continue with the necessary reforms. The domestic financial markets are resilient and well positioned to intermediate large swings of capital flows in the event of heightened financial market volatility, thus preserving orderly market conditions that are supportive of the real economy. Fundamentally, policymakers have the tools, capacity and flexibility to undertake the necessary measures to steer the economy on a steady growth path.

(Source: Annual Report 2017, Bank Negara Malaysia)

Industrial Profits Increased in the First Five (5) Months of 2018 in China

In the first five (5) months of 2018, the profits made by industrial enterprises above the designated size achieved 2,729.83 billion yuan, a year-on-year increase of 16.5 percent, and the growth rate increased by 1.5 percentage points from the first four (4) months.

In the first five (5) months, the profits of state-holding industrial enterprises above the designated size gained 810.35 billion yuan, an increase of 28.7 percent year-on-year; that of collective-owned enterprises reached 9.31 billion yuan, an increase of 4.4 percent; that of joint-stock enterprises stood at 1,911.98 billion yuan, up by 20.6 percent; that of foreign funded enterprises, and enterprises funded from Hong Kong, Macao and Taiwan achieved 673.91 billion yuan, increased by 6.9 percent; and that of private enterprises gained 746.62 billion yuan, an increase of 10.6 percent.

In the first five (5) months, the profits of mining and quarrying reached 233.36 billion yuan, an increase of 41.6 percent year-on-year; that of manufacturing was 2,315.01 billion yuan, an increase of 13.8 percent; that of production and distribution of electricity, heat, gas and water reached 181.46 billion yuan, up by 26.1 percent.

In the first five (5) months, within 41 branches of industrial divisions, the industrial profits of 31 industrial divisions increased year-on-year, and that of 10 decreased. In view of the profit growth of major industries, the profits of mining and washing of coal increased by 14.8 percent year-on-year, that of extraction of petroleum and natural gas increased by 2.6 times, that of processing of food from agricultural products increased by 1.3 percent year-on-year, that of processing of petroleum, coal and other fuels increased by 27.9 percent, that of manufacture of chemical raw material and chemical products increased by 27.7 percent, that of manufacture of non-metallic mineral products increased by 44.6 percent, that of manufacture and processing of ferrous metals increased by 1.1 times, that of manufacture of general-purpose machinery up by 9.6 percent, that of manufacture of special-purpose machinery up by 22.2 percent, that of manufacture of motor vehicles increased by 0.5 percent, that of manufacture of electrical machinery and equipment increased by 1.9 percent, that of manufacture of computer, communication equipment and other electronic equipment increased by 4.3 percent, that of production and supply of electric power and heat power up by 27.8 percent, that of manufacture of textile down by 0.1 percent, that of manufacture and processing of non-ferrous metals decreased by 11.5 percent.

In the first five (5) months, the revenue from principal activities of industrial enterprises above the designated size reached 42.9 trillion yuan, increased by 10.2 percent year-on-year. The costs of principal activities were 36.3 trillion yuan, up by 9.8 percent. The profit rate of revenue from principal activities was 6.36 percent, an increase of 0.35 percentage points year-on-year.

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

Industrial Profits Increased in the First Five (5) Months of 2018 in China (Cont'd)

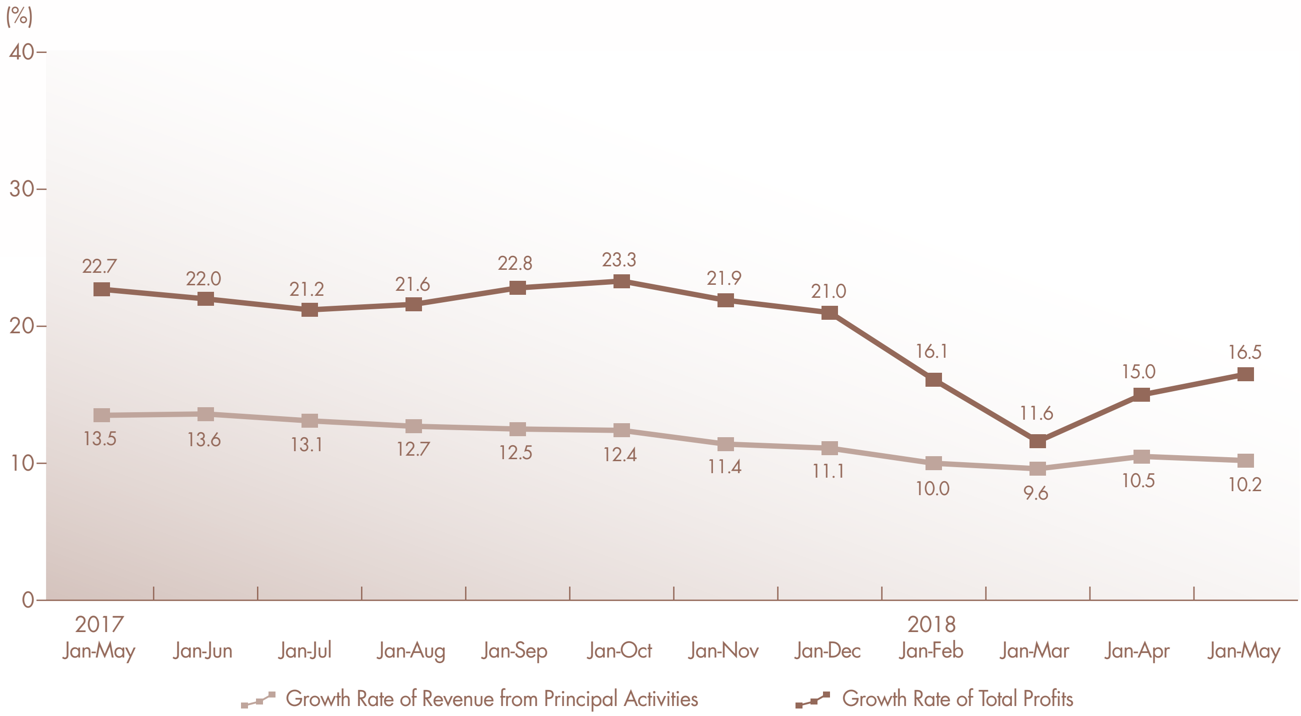
By the end of May, the total assets of industrial enterprises above the designated size was 108.8 trillion yuan, increased by 7.4 percent year-on-year; the total liabilities reached 61.6 trillion yuan, increased by 6.3 percent; the total owners' equity was 47.2 trillion yuan, increased by 8.8 percent. The asset-liability ratio was 56.6 percent, a decrease of 0.6 percentage points year-on-year.

By the end of May, the total volume of receivable accounts for industrial enterprises above designated hit 13.5 trillion yuan, went up by 10.6 percent year-on-year. The total value of finished products for industrial enterprises accounted for 4,124.63 billion yuan, increased by 7.3 percent.

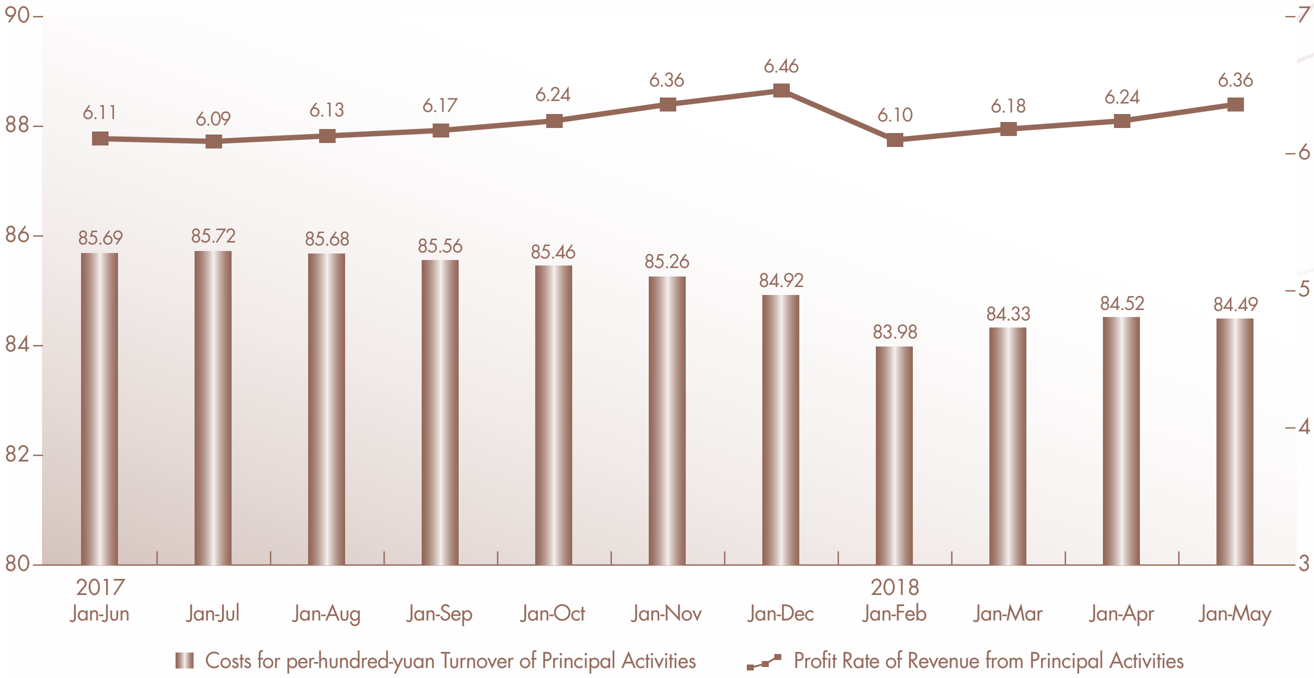
In the first five (5) months, the costs for per-hundred-yuan turnover of principal activities stood at 84.49 yuan, a decrease of 0.31 yuan year-on-year; the expenses for per-hundred-yuan turnover of principal activities stood at 8.1 yuan, a decrease of 0.04 yuan; the revenue from principal activities brought by per hundred yuan assets was 96.0 yuan, an increase of 2.4 yuan; the revenue from principal activities per capita was 1261 thousand yuan, an increase of 140 thousand yuan; the turnover days of finished goods were 16.6 days, a decrease of 0.2 days; the days sales outstanding hit an average of 45.5 days, remained at the same level.

In May, the profits made by industrial enterprises above the designated size achieved 607.06 billion yuan, a year-on-year increase of 21.1 percent, and the growth rate decreased by 0.8 percentage points from April.

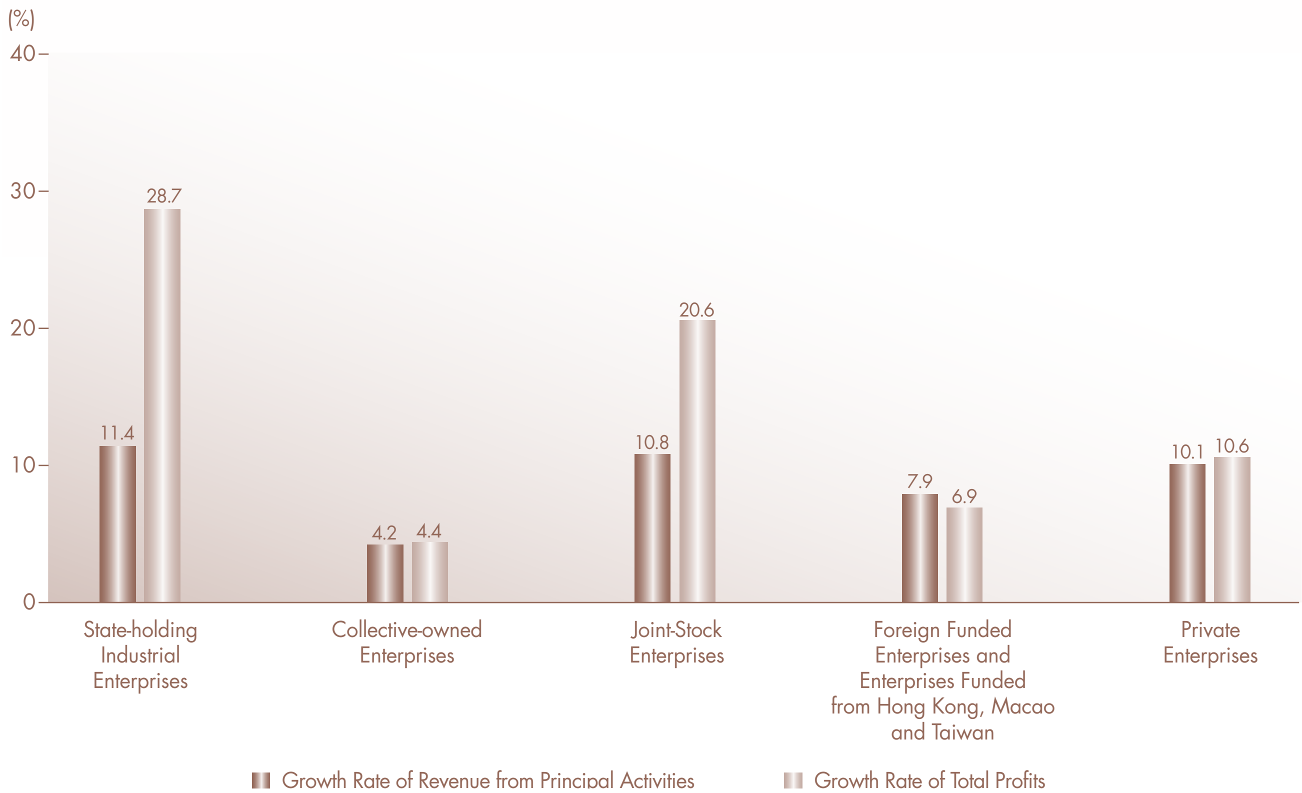
Monthly Growth Rate of Revenue from Principal Activities and Total Profits



Monthly Profit Rate and Costs for per-hundred-yuan Turnover of Principal Activities



Year-on-Year Growth Rate of Revenue from Principal Activities and Total Profits by Different Types in the First Five Months of 2018



(Source: National Bureau of Statistics of China, http://www.stats.gov.cn/english/PressRelease/201806/t20180628_1606805.html)

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

Summary financial performance

Summary of the financial performance for the past three (3) audited financial statements for the FYEs 31 March 2015 to 2017 as well as the audited financial statements for the FYE 31 March 2018 is as follows:

	FYE 31 March 2015 (RM'000)	FYE 31 March 2016 Restatement (RM'000)	FYE 31 March 2017 (RM'000)	FYE 31 March 2018 (RM'000)
Revenue	357,376	431,686	484,353	528,964
Gross profit	37,032	50,331	73,213	103,710
Profit After Tax [**"PAT"**] / (Loss After Tax [**"LAT"**]) attributable to owners of the Company	(17,465)	(10,255)	(9,236)	4,524
Weighted average number of Shares in issue ('000)	60,012	60,012	60,012	210,042
Earnings Per Share [**"EPS"**] / (Loss Per Share [**"LPS"**]) (sen):	(29.1)	(17.1)	(15.4)	2.2
Gross profit margin (%)	10.36	11.66	15.12	19.61
PAT / (LAT) margin (%)	(4.89)	(2.38)	(1.90)	0.86

Operating segments information

Summary of the revenue and Operating Profit/(Operating Loss) based on the Group's operating segments for the past three (3) audited financial statements for the FYEs 31 March 2015 to 2017 as well as the audited financial statements for the FYE 31 March 2018 are as follows:

	FYE 31 March 2015 (RM'000)	FYE 31 March 2016 Restatement (RM'000)	FYE 31 March 2017 (RM'000)	FYE 31 March 2018 (RM'000)
External revenue				
Apparel	306,363	377,858	418,029	448,992
Labelling	35,149	42,503	48,688	60,877
Others*	15,864	11,325	17,636	19,095
Total	**357,376**	**431,686**	**484,353**	**528,964**

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

Operating segments information (Cont'd)

	FYE 31 March 2015 (RM'000)	FYE 31 March 2016 Restatement (RM'000)	FYE 31 March 2017 (RM'000)	FYE 31 March 2018 (RM'000)
Operating Profit/ (Operating Loss)				
Apparel	(14,852)	(6,127)	4,966	18,927
Labelling	(621)	6,701	3,687	4,865
Others*	(10,150)	(1,299)	(35,832)	(6,804)
Discontinue operation-Apparel	NA	(6,638)	(8,265)	0
Inter-company adjustments and eliminations	12,768	7,384	45,391	(2,295)
Total	**(12,855)**	**21**	**9,947**	**14,693**

Note:

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

FYE 31 March 2018 vs FYE 31 March 2017

(i) Apparel division

The revenue from the Group's Apparel division increased by approximately 7.41% or RM30.97 million from approximately RM418.03 million recorded in the FYE 31 March 2017 to approximately RM449 million in the FYE 31 March 2018. The increase in revenue was mainly due to the steady revenue growth in China apparel division.

The Group's Apparel division registered an Operating Profit of approximately RM18.93 million in the FYE 31 March 2018 as compared to an Operating Profit of approximately RM4.97 million in the FYE 31 March 2017 mainly due to the contribution made by the China apparel division and the loss narrowed in Cambodia division.

(ii) Labelling division

The revenue from the Group's Labelling division increased by approximately 25.03% or RM12.19 million from approximately RM48.69 million recorded in the FYE 31 March 2017 to approximately RM60.88 million in the FYE 31 March 2018. The increase in revenue was mainly due to continuously achieved greater market share and secured of quality customer service.

The Group's Labelling division registered an Operating Profit of approximately RM4.87 million in the FYE 31 March 2018 as opposed to an Operating Profit of approximately RM3.69 million in the FYE 31 March 2017 which was mainly attributable to the loss narrowed in Cambodia division and profit in Malaysia division has increased slightly.

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

FYE 31 March 2018 vs FYE 31 March 2017 (Cont'd)

(iii) Others

The revenue from the Group's Others division increased by approximately 8.27% or RM1.46 million from approximately RM17.64 million recorded in the FYE 31 March 2017 to approximately RM19.1 million in the FYE 31 March 2018. The revenue increase was mainly due to more external orders secured from printing, embroidering and seamless bonding divisions. Operating Loss of the Group's Others division decreased by RM29.03 million from approximately RM35.83 million in the FYE 31 March 2017 to approximately RM6.8 million in the FYE 31 March 2018 mainly due to there was no impairment of investment in Cambodia subsidiaries in the investment holding company compared with the FYE 31 March 2017 and the loss narrowed in Cambodia printing and embroidering division also contributed to achieve such result.

FYE 31 March 2017 vs FYE 31 March 2016

(i) Apparel division

The revenue from the Group's Apparel division increased by approximately 10.63% or RM40.17 million from approximately RM377.86 million recorded in the FYE 31 March 2016 to approximately RM418.03 million in the FYE 31 March 2017. The increase in revenue was mainly due to the steady revenue growth in China apparel division.

The Group's Apparel division registered an Operating Profit of approximately RM4.97 million in the FYE 31 March 2017 as compared to an Operating Loss of approximately RM6.13 million in the FYE 31 March 2016 mainly due to the contribution made by the profitable sectors and the underperformed sectors have been reduced.

(ii) Labelling division

The revenue from the Group's Labelling division increased by approximately 14.56 % or RM6.19 million from approximately RM42.50 million recorded in the FYE 31 March 2016 to approximately RM48.69 million in the FYE 31 March 2017. The increase in revenue was mainly due to continuously achieved greater market share and secured of quality customer service.

The Group's Labelling division registered an Operating Profit of approximately RM3.69 million in the FYE 31 March 2017 as opposed to an Operating Profit of approximately RM6.70 million in the FYE 31 March 2016 which was mainly attributable to the weak performance in Cambodia division.

(iii) Others

The revenue from the Group's Others division increased by approximately 55.69 % or RM6.31 million from approximately RM11.33 million recorded in the FYE 31 March 2016 to approximately RM17.64 million in the FYE 31 March 2017. The revenue increase was mainly due to more external orders secured from printing, embroidering and seamless bonding divisions. Despite the higher revenue recorded in the FYE 31 March 2017, the Operating Loss of the Group's Others division increased by RM34.53 million from approximately RM1.30 million in the FYE 31 March 2016 to approximately RM35.83 million in the FYE 31 March 2017 mainly due to impairment of investment in Cambodia subsidiaries in the investment holding company.

OUR BUSINESS (CONT'D)

Financial Highlights (Cont'd)

FYE 31 March 2016 vs FYE 31 March 2015

(i) Apparel division

The revenue from the Group's Apparel division increased by approximately 23.34% or RM71.50 million from approximately RM306.36 million recorded in the FYE 31 March 2015 to approximately RM377.86 million in the FYE 31 March 2016. The increase in revenue was mainly contributed by the significant increase in orders received by the Group's manufacturing plants in the PRC as a result of existing buyers' relations and their confidence have been strengthened and thus urged the existing buyers increased orders.

The Group's Apparel division registered a lower Operating Loss of approximately RM6.13 million in the FYE 31 March 2016 as compared to an Operating Loss of approximately RM14.85 million in the FYE 31 March 2015 mainly due to the increase in the revenue detailed above. However, the decrease in the Operating Loss of 58.72% in the FYE 31 March 2016 was not proportionate to the significant increase in the revenue of 56.36% which is mainly attributable to decrease in margin due to an increase in labour costs in Cambodia divisions.

(ii) Labelling division

The revenue from the Group's Labelling division increased by approximately 20.92% or RM7.35 million from approximately RM35.15 million recorded in the FYE 31 March 2015 to approximately RM42.50 million in the FYE 31 March 2016. The increase in revenue was mainly due to achieved greater market share and stronger pricing negotiation power.

The Group's Labeling division registered an Operating Profit of approximately RM6.70 million in the FYE 31 March 2016 as opposed to an Operating Loss of approximately RM0.62 million in the FYE 31 March 2015 which was mainly attributable to the increase in the revenue detailed above and improved profit margins due to economies of scale.

(iii) Others

The revenue from the Group's Others division decreased by approximately 28.61% or RM4.54 million from approximately RM15.86 million recorded in the FYE 31 March 2015 to approximately RM11.33 million in the FYE 31 March 2016. As a supporting unit to the Group's Apparel division, the decrease of sales in the Group's operations in Cambodia has cascading effect in the Group's embroidering and printing activity.

Despite the lower revenue recorded in the FYE 31 March 2016, the Operating Loss of the Group's Others division decreased by 87.20% or RM8.85 million from approximately RM10.15 million in the FYE 31 March 2015 to approximately RM1.30 million in the FYE 31 March 2016 mainly due to embroidering and printing divisions have reduced their losses.

FUTURE OUTLOOK

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

FUTURE OUTLOOK (CONT'D)

The Group's revenue increased by 9.21% to RM528.964 million in the FYE 31 March 2018 as compared to RM484.353 million achieved in the FYE 31 March 2017, mainly contributed by the significant increase in orders received by the Group's manufacturing plants in the PRC as well as the revenue of the other two divisions was also growing. The Group's apparel business recorded higher operating profit margin as compared to the Group's Labeling business based on the latest audited consolidated financial statements of the Group for the FYE 31 March 2018 as detailed below:-

	Apparel		Labelling	
	(RM'000)	%	(RM'000)	%
Revenue	448,992	84.88*	60,877	11.51*
Operating profit/(loss)	18,927	128.82**	4,865	33.11**
Operating profit/(loss) margin (%)	4.22		7.99	

Notes:

* *Percentage is calculated based on the total revenue of the Group of RM528.964 million for the FYE 31 March 2018.*

** *Percentage is calculated based on the operating profit of the Group of RM14.693 million for the FYE 31 March 2018.*

COMPLETION OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

The Rights Issue of Shares with Warrants had completed with the listing of 150,030,005 Rights Shares together with 90,017,957 Warrants on the Main Market of Bursa Malaysia Securities Berhad on 3 January 2018.

DIVIDEND

Notwithstanding the slightly better performance for the FYE 31 March 2018 as compared to the previous financial year, our Group still requires financial resources to maintain the momentum of turning around the operating profitability. Therefore, our Group has not adopt any fixed dividend policy for the FYE 31 March 2018.

For the FYE 31 March 2018, the Board has not recommended any dividend payments to the shareholders.

CONCLUSION

The performance of the Group will continue to be affected by factors such as the vitality in the international and domestic consumer sentiments due to apparels and labelling products are ultimately consumed by consumers. We understand the concept of: "Two years' development relies on opportunity but five years' development relies on strategy." Hence PCCS is seeking long-term development, the key to getting rid of difficulties and improving competitiveness is to well-plan strategic management and recognise. PCCS will embarking on business diversification as our next strategic objective. Our Group will also continue its existing profitable businesses and expanding on its product range and distribution channels in order to make the existing businesses more robust.

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

For and on behalf of the Executive Management

Chan Choo Sing
Group Managing Director

27 July 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Inspirational quote by Stephen R. Covey, motivational writer

Drawing the inspiration from Mr. Stephen R. Covey, the Board of Directors of PCCS Group Berhad (**'the Board"**) wish to instill trust amongst its stakeholders by adopting good corporate governance practices. The Board recognises the importance of practice high standards of corporate governance throughout the Group as a basis of discharging their fiduciary duties and responsibilities to protect and enhance shareholders' value and the performance of the Group. The Board continued its commitment to report on the manner in which the Practice and Guidance of Malaysian Code on Corporate Governance (**"MCCG"**) are applied under the stewardship of the Board, throughout the financial year ended 31 March 2018 (**"FYE 2018"**).

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

Details application for each practice of the MCCG during the FYE 2018 is disclosed in the Company's Corporate Governance Report which is available on the Company's website: http://www.pccsgroup.net/.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

(a) Establishing clear roles and responsibilities of the Board

Duties and Responsibilities of the Board

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

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

(a) review and adoption of a strategic plan

The Board plays an active role in reviewing the sustainability, effectiveness and implementation of the strategic plans for the year and provided guidance and input to the Management.

For the FYE 2018, the Board has discharged of the following principal duties and responsibilities on the affairs of the Company and its subsidiary companies of the Group:-

(i) <u>Strategic Planning – New Investments</u>

The wholly-owned subsidiary of the Company, PCCS (Hong Kong) Limited had on 21 June 2017 acquired shares of Ample Apparels Limited (**"AAL"**) and the result from the aforesaid acquisition, AAL becomes a 60% sub-subsidiary of the Company. The principal activity of AAL is trading of apparels.

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

I. Board Responsibilities (Cont'd)

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

Duties and Responsibilities of the Board (Cont'd)

(a) review and adoption of a strategic plan (Cont'd)

(ii) Strategic Planning – Wound-up of Subsidiary

The wholly-owned subsidiary of the Company, PCCS Garments (Suzhou) Limited had on 13 December 2017 received notification from the Market Supervision Authority of Suqian Economic and Technical Development Area that the application for the winding-up of Yuxing Apparel Suqian Limited, a wholly-owned sub-subsidiary of the Company had been approved with effect from 24 November 2017.

(iii) Proposed Rights Issue of Shares with Warrants and Proposed Exemption

The Company had on 3 January 2018 completed the Rights Issue of Shares with Warrants with the listing of 150,030,005 Rights Shares together with 90,017,957 Warrants on the Main Market of Bursa Securities on 3 January 2018.

(iv) Strategic Planning – Sale of Property

The wholly-owned subsidiary of the Company, Perusahaan Chan Choo Sing Sdn. Bhd. had on 5 February 2018, entered into a Sale and Purchase Agreement with Harta Packaging Industries Sdn. Bhd. (Company No. 164015-W) (**"HPI"**) for the proposed disposal of the whole piece of sixty (60) years leasehold industrial land expiring on 10 September 2051 held under H.S (D) No. 27477 PTD 10363 situated in Mukim Sri Gading, District of Batu Pahat, Johor Darul Takzim measuring an area of 1.0603 Hektar (2.620 Acres) together with:-

1. One and Half Storey Building cum Offices;
2. A two and Half Storey Factory Building cum Offices; and
3. A single Storey Factory Building with postal address PLO 10, No. 8, 8-1 & 8-2, Jalan Padi Ria, Kawasan Perindustrian Parit Raja, 86400 Parit Raja, Johor Darul Takzim

The aforesaid disposal has been duly completed on 8 June 2018.

(b) Establishing policies for strengthening the performance of the Company

The Board had established Board Charter, as a policy to strengthen the performance of the Company. Details pertaining to the Board Charter are set out in the **Principle A, Section I (b), Board Charter** in this Statement.

(c) identifying principal risks and implementation of appropriate systems to manage risks

The Audit Committee has been entrusted by the Board to identify, evaluate, monitor and manage any relevant major risk faced by the Group so that the Group will achieve its business objectives. However, the Board as a whole remains responsible for all the actions of the Audit Committee with regard to the execution of the delegated role and this includes the outcome of the review and disclosure on key risks and internal control in this Annual Reports.

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

I. Board Responsibilities (Cont'd)

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

Duties and Responsibilities of the Board (Cont'd)

(d) succession planning

The Board, through the Nomination Committee, is responsible for the succession planning of the Directors of the Company and Group.

The Board has adopted the Succession Planning Policy for the Group to ensure the Group's continuity in leadership for all key positions.

The Board recognises that succession planning is an ongoing process designed to ensure that the Group identifies and develops a talent pool of employees through mentoring, training and job rotation for high level management positions that become vacant due to retirement, resignation, death or disability and/or new business opportunities.

As part of the agenda item of "To discuss the report on the Group's latest business development", the Deputy Group General Manager would brief on the Group Human Resources updates, in particular, the impending appointments and/or resignations/retirements of senior management staff, including overseas subsidiaries, to ensure all succession issue in respect to any vacant of senior management positions be addressed.

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

(e) Review of the adequacy and the integrity of the Company's internal control systems and management information systems;

The Board has established key control processes to ensure there is a sound framework of reporting on internal controls and regulatory compliance. Details pertaining to the Group's internal control system and its effectiveness are set out in the **Statement on Risk Management and Internal Control** in this Annual Report.

The Audit Committee has been delegated by the Board to review the adequacy and integrity of the Group's internal control systems and management information systems. The Audit Committee has in turn entrusted the outsourced Internal Auditors, namely Sterling Business Alignment Consulting Sdn. Bhd., to carry out such tasks and the same be incorporated as part of the Internal Audit Plan of the year to be adopted. The Internal Auditors are required to report to the Audit Committee with their findings and recommendations on the status of the internal control system of the Group on a quarterly basis.

(f) Review of the Company's financial position and the ability to meet its debts and other obligations

The Board monitors the financial position of the Company on a regular basis vide the insertion of the following permanent agenda item in the Board Meetings:-

"To review the Group's financial performance for the quarterly financial period".

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

I. Board Responsibilities (Cont'd)

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

Duties and Responsibilities of the Board (Cont'd)

(g) Integrity of the Company's financial statements

The Board ensures that shareholders are presented with a quality, clear, balanced, meaningful assessment of the Company's financial performance and prospects through the issuance of the audited financial statements and quarterly announcements of financial results and vide corporate announcements on significant development in accordance with the Main LR of Bursa Securities on a timely basis and in compliance with the applicable financial reporting standards and corporate law.

(h) Adherence of high standards of ethics and corporate behaviour

The Board had established Code of Conduct and Whistle Blowing Policy to promote and reinforce ethical standards throughout the Group. Details pertaining to the Code of Conduct and Whistleblowing Policy are set out in the **Principle A, Section I (c), Code of Conduct and Whistle Blowing Policy** in this Statement.

Chairman of the Board

Mr. Julian Lim Wee Liang, the Senior Independent Non-Executive Chairman, and his key responsibilities as a Chairman, include but no limited to the following:-

- Providing leadership to the Board, without limiting the principle of collective responsibility for Board decisions.
- Participating in the selection of Board members and ensuring that the balance in composition is properly maintained.
- Chairing meetings of the Board in a manner that will encourage constructive discussion and effective contribution from each Director.
- Reviewing the minutes of meetings of the Board before meetings, to ensure that such minutes accurately reflect the Board's deliberations, and matters arising from the minutes and on which further action is required have been addressed.
- Ensuring that the Company conducts orientation and education program for new directors.
- Initiating, normally in conjunction with the Management, the formulation of a business plan at the beginning of each year to ensure that the Board establishes the goals it wishes to achieve and the means by which this will be carried out.
- Working with the Board in establishing appropriate Board Committee structures and ensuring that they achieve their objectives.
- Promoting high levels of corporate governance.

The Board recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company to ensure a balance of power and authority.

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

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

I. Board Responsibilities (Cont'd)

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

Qualified Company Secretaries

The Board is supported by two (2) qualified and competent Company Secretaries and the Board is satisfied with the support rendered by the Company Secretaries to the Board in the discharge of its roles and responsibility. The Company Secretaries play an advisory role to the Board on the Company's contribution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations.

In performing their duties, the Company Secretaries carry out, amongst others, the following tasks:-

- Statutory duties as required under the Companies Act 2016, Main LR of Bursa Securities, Capital Market and Services Act, 2007;
- Facilitating and attending Board and Board Committees Meetings, respectively;
- Ensuring that Board and Board Committees Meetings are properly convened and the proceedings are properly recorded;
- Ensuring timely communications of the Board level decisions to the Management for further action;
- Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations;
- Maintaining records for the purpose of meeting statutory obligations;
- Facilitating the provision of information as may be requested by the Directors from time to time on timely manner and ensuring adherence to Board policies and procedures;
- Facilitating the conduct of the assessment to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committees' notation;
- Assisting the Board with the preparation of announcements for release to Bursa Securities and Securities Commission, where applicable; and
- Rendering advice and support to the Board and Management.

Both the Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators (**"MAICSA"**) and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016.

The brief profile of the company secretaries are as follows:-

Ms. Chua Siew Chuan, FCIS

Ms. Chua has been elected as a Fellow Member of the MAICSA since 1997. She has more than thirty-five (35) years of experience in handling corporate secretarial matters, with working knowledge of many industries and government services. She is the Immediate Past President of MAICSA and currently is the Chairman of the Technical & Professional Practice Committee and Deputy Chairman of the Membership Committee of MAICSA.

Ms. Chua is a Chartered Secretary by profession. She is the Managing Director of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Ms. Chua is also the named company secretary for a number of public listed companies, public companies, private limited companies and societies.

Ms. Chua has been appointed as Company Secretary of the Company since 20 June 1995.

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

I. Board Responsibilities (Cont'd)

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

Qualified Company Secretaries (Cont'd)

Mr. Cheng Chia Ping, ACIS

Mr. Cheng has been elected as an Associate Member of the MAICSA since 2012. He has more than ten (10) years of experience in handling corporate secretarial matters, with working knowledge of many industries and non-profit organisations.

Mr. Cheng is a Chartered Secretary by profession. He is a Manager (Corporate Secretarial) of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Mr. Cheng is also the named company secretary for a number of public listed companies, public companies, private limited companies and societies.

Mr. Cheng has been appointed as company secretary of the Company with effect from 31 March 2017.

The Board recognises that the Senior Independent Non-Executive Chairman is entitled to the strong and positive support of the Company Secretaries in ensuring the effective functioning of the Board. As a matter of practice, the Company Secretaries shall prepare the chairman's proceedings to assist the Senior Independent Non-Executive Chairman with the orderly conduct of the general meetings of the Company.

Access to information and advice

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

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

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

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

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

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

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

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

I. Board Responsibilities (Cont'd)

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

Access to information and advice (Cont'd)

Protocol for seeking of professional advisory services

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

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

The Directors have unrestricted access to independent professional advice as well as the advice and services of the Company Secretaries and External Auditors and, may seek advice from the Management on issue under their respective purview.

(b) Demarcation of responsibility

Board Charter

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

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

The Board Charter acts as a source of reference for Board members and Management, and the same is accessible to the public on the Company's corporate website. The Board Charter entails the following:-

- Board Governance Process
- Role of the Board and Board Committees
- Board-Management Relationship
- Board-Shareholders Relationship
- Stakeholders Relationship
- Commitment on Corporate Governance

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

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

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

I. Board Responsibilities (Cont'd)

(c) Good business conduct and corporate culture

Code of Conduct

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

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

Whistle Blowing Policy

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

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

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

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

Communication and Feedback Channels

Report(s) can be made verbal or in writing and forwarded in a sealed envelope to the Audit Committee Chairman/Senior Independent Non-Executive Chairman/Group MD/Head of Human Resources/Deputy Group General Manager (**"DGM"**) only (where applicable):-

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

I. Board Responsibilities (Cont'd)

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

Communication and Feedback Channels (Cont'd)

For matters relating to financial reporting, unethical or illegal conduct, one can report directly to the following designated persons:-

(1) Audit Committee Chairman

Mr. Piong Yew Peng at piongyewpeng@gmail.com; or

(2) Senior Independent Non-Executive Chairman

Mr. Julian Lim Wee Liang at julianlim@pccsgroup.net; or

(3) Group MD

Mr. Chan Choo Sing at cschan@pccsgroup.net.

For Employment-related concerns, one can report directly to the following designated person:-

(1) Head of Human Resources

Mr. Matt Teo Bee San at mattteo@pccsgroup.net; or

(2) DGM

Mr. Chan Wee Kiang at davidchan@pccsgroup.net.

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

Sustainability

The Board views the commitment to sustainability and Environmental, Social and Governance (**"ESG"**) performance as part of its broader responsibility to clients, shareholders and the communities in which it operates.

The Board also recognises the importance of its corporate and social responsibility whilst pursuing its corporate goals.

(a) Environmental Aspect – *Occupational Safety, Health, and Environmental ("OSHE") Policy*

The Board has established an OSHE Policy to ensure the Group operates its business activities with full commitment in achieving environmental, occupational safety and health excellence. The Board believes that a workplace that is ecologically harmless and accident-free would promote physical and emotional health. In return, the Board envisages enhancement in employees' productivity, efficiency and quality.

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

I. Board Responsibilities (Cont'd)

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

Sustainability (Cont'd)

(b) Social Aspect – *Corporate Responsibility ("CR")*

The Board recognises the importance of CR whilst pursuing its corporate goals.

The CR activities undertaken for the FYE 2018 are as follows:-

- Annual Dinner & Award as an appreciation to the staff located in People's Republic of China;
- Mega Label (Malaysia) Sdn. Bhd. have celebrated "Hari Raya" & "Chinese New Year" at factory premises;
- In October 2017, Cambodia subsidiaries have celebrated "Pchum Ben" which is a 15-day Cambodian religious festival;
- Headquarter of the Group has been providing financial contributions to various activities carried out by local non-profit organisations.

(c) Governance Aspect – *Quality Certifications*

The Board strongly believes in maintaining the quality of its products and services, and the safety of its processes. As such, the Group has established its standard operating procedures (**"SOP"**), which encompass all work processes to enable its employees to perform the task in a consistent manner.

Mega Labels & Stickers Sdn. Bhd. and Mega Label (Malaysia) Sdn. Bhd., the key subsidiaries under the Group's Labels Printing Division have both obtained dual quality certifications as follow:-

Certification	Scope of work
ISO 9001:2015	Production & Printing of Labels, Stickers and Related Products
ISO 14001:2015	Production & Printing of Labels, Stickers and Related Products

(d) Group Sustainability

The Board recognises the importance of its corporate and social responsibility whilst pursuing its corporate goals.

The Group has adopted the "Group Believes - that Skilled is a Valuable Asset" that would underpin the sustainability as well as future success of the Group.

The Group continues to invest in its staff through continuous trainings to develop in-house capability and also maintaining a united workforce that would assist the Group in realising its goals and objectives.

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

II. BOARD COMPOSITION

Size and Composition of the Board

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

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

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

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

Tenure of Independent Directors

Practice 4.2 of the MCCG recommended that the tenure of an Independent Director should not exceed a cumulative terms of nine (9) years. Upon completion of the nine (9) years' terms, an Independent Director may continue to serve on the Board as a Non-Independent Director.

The Board shall provide justifications and seek shareholder's approval in the event it proposes to retain an Independent Director who has served the Board in that capacity for more than nine (9) years, upon the prior review and relevant recommendation from the Nomination Committee.

The Board noted that none of its Independent Directors have attained such tenure as at the date of this Statement. Therefore, there is no such need for the Company to seek for shareholders' approval on the said purpose at the forthcoming Twenty-Fourth Annual General Meeting (**"24th AGM"**).

Procedures for Appointment of Directors and Senior Management

<u>Appointment of Directors</u>

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

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

Pursuant to the TOR of Nomination Committee, the Nomination Committee is tasked to identify and select potential new Directors and to make recommendations to the Board for the appointment of Directors.

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

II. BOARD COMPOSITION (CONT'D)

Procedures for Appointment of Directors and Senior Management (Cont'd)

Appointment of Directors (Cont'd)

The Nomination Committee reviews candidates for appointment as Directors based on the following criteria:-

- qualifications;
- skills and competence;
- functional knowledge;
- experience;
- background and character;
- integrity and professionalism;
- time commitment and mobility; and
- in the case of candidates for the position of Independent Non-Executive Directors, whether the test of independence under the Main LR of Bursa Securities is satisfied.

In its review of the potential candidates, the Nomination Committee also considered the following additional criteria:-

- Prevailing government policies such as gender diversity;
- Overall composition of the Board;
- Board dynamics;
- The combination of skills possessed by existing Directors to ensure the selected candidate would help close any possible gaps in the Board; and
- Financial health of the Group.

As part of its evaluation procedures, representative(s) of the Nomination Committee will conduct an informal interview with the potential candidate(s). Upon review, the Nomination Committee shall make its recommendations to the Board of Directors for consideration and approval.

During the FYE 2018, there was no new Director appointed to the Board of the Company.

The Board is entitled to the services of the Company Secretaries who ensures that all appointments are properly made, that all necessary information is obtained from Directors, both for the internal records and for the purposes of meeting statutory obligations, as well as obligations arising from Main LR of Bursa Securities or other regulatory requirements.

Re-election of Directors

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

At the forthcoming 24th AGM, Mr. Julian Lim Wee Liang and Mr. Piong Yew Peng are due for retirement and being eligible, have offered themselves for re-election.

In determining the Director's eligibility for re-election, the Nomination Committee conducted the following assessments:-

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

II. BOARD COMPOSITION (CONT'D)

Procedures for Appointment of Directors and Senior Management (Cont'd)

Re-election of Directors (Cont'd)

(i) Formal review of the performance of the retiring Directors, taking into account the results of the latest Board Effectiveness Evaluation, the time commitment to discharge their roles, the level of contribution to the Board through their skills, experience and strength in qualities; and
(ii) Ability to act in the best interest of the Company in decision-making.

Upon review, the Nomination Committee were satisfied with the performance of the abovementioned Directors and recommended their re-election to the Board for approval. The Board has in turn, recommended the same to be considered by the shareholders at the forthcoming 24th AGM of the Company.

Appointments to Board Committees

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

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

Appointments to Senior Management

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

Boardroom Diversity

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

Gender and Ethnicity Diversity

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

Age Diversity

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

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

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

II. BOARD COMPOSITION (CONT'D)

Board Committee

Audit Committee

The Audit Committee was set up on 7 February 2002 with current TOR revised on 27 May 2016.

The membership of the Audit Committee are stated in the **Audit Committee Report** of this Annual Report. A summary of works of the Audit Committee to discharge their duties during the FYE 2018 is set out in the **Audit Committee Report** of this Annual Report.

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

Nomination Committee

The Nomination Committee was set up on 7 February 2002 with current TOR revised on 27 May 2016. The Nomination Committee comprises exclusively of Non-Executive Directors, majority being Independent Non-Executive Directors, i.e. two (2) Independent Non-Executive Director and one (1) Non-Independent Non-Executive Directors as follows:-

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

The Chairman of the Nomination Committee is the Senior Independent Non-Executive Chairman of the Company. The Nomination Committee is governed by its TOR of Nomination Committee which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the Nomination Committee as defined in the TOR, including but not limited to the following:-

- To recommend to the Board of Directors, candidates for all directorships to be filled by the Shareholders or the Board of Directors.
- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or Shareholder and to take steps to ensure that women candidates are sought as part of its recruitment exercise.
- To recommend to the Board of Directors the nominees to fill the seats on the Board Committees.
- To assess the effectiveness of the Board of Directors as a whole and each individual Director/committee of the Board.
- To review annually, the term of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and members have carried out their duties in accordance with the TOR of the Audit Committee.
- To review the Board's succession planning.
- To ensure that orientation and education programmes are provided for new members of the Board and to review the Directors' continuing education programmes for existing members of the Board.
- To review the attendance of the Directors at Board and/or Board Committee meetings.

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

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

II. BOARD COMPOSITION (CONT'D)

Board Committee (Cont'd)

Nomination Committee (Cont'd)

(a) Summary of Works

Pursuant to Paragraph 15.08A(3) of Main LR of Bursa Securities, the summary of activities of the Nomination Committee during the FYE 2018 were disclosed as follows:-

- Review and confirmed the minutes of the Nomination Committee Meeting held in financial year ended 31 March 2017;
- Recommended the re-election of Dato' Chan Chor Ngiak and Mr. Chan Chor Ang who retired pursuant to Article 94 of the Company's Articles of Association at the Twenty-Third Annual General Meeting held on 25 August 2017 (**"23rd AGM"**);
- Reviewed and recommended to the Board, the adoption of "Declaration by Independent Directors" to confirm the "Independence" of the Independent Directors in accordance with MCCG and the Main LR of Bursa Securities
- Reviewed the required mix of skills, experience and other qualities of the Board;
- Conducted the Board evaluation to assess the effectiveness of the Board as a whole and Board Committees and evaluated the contribution and performance of each individual Director;
- Reviewed the attendance of the Directors at Board and Board Committees meetings;
- Reviewed the term of office of the Audit Committee and assessed its effectiveness as a whole; and
- Reviewed the training programmes attended by the Directors for the financial year ended 31 March 2017 and identified the training needs of the Directors for FYE 2018.

(b) Time Commitment by Directors

The Nomination Committee has been tasked to review the attendance of the Directors at Board and/or Board Committee Meetings. Upon review, the Nomination Committee noted the Board and/or Board Committee members have devoted sufficient time and effort to attend Board and/or Board Committee meetings for the FYE 2018.

The attendance record of each Directors at Board and Board Committees' Meetings during the FYE 2018 are as follows:-

Board of Directors

Name of Directors	Attendance	% of Attendance
Chan Choo Sing	5 out of 5	100
Chan Chow Tek	4 out of 5	80
Dato' Chan Chor Ngiak	4 out of 5	80
Chan Chor Ang	4 out of 5	80
Julian Lim Wee Liang	5 out of 5	100
Piong Yew Peng	5 out of 5	100

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

II. BOARD COMPOSITION (CONT'D)

Board Committee (Cont'd)

Nomination Committee (Cont'd)

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

Nomination Committee

Name of Directors	Attendance	% of Attendance
Mr. Julian Lim Wee Liang	1/1	100
Dato' Chan Chor Ngiak	0/1	0
Mr. Piong Yew Peng	1/1	100

Remuneration Committee

Name of Directors	Attendance	% of Attendance
Mr. Piong Yew Peng	1/1	100
Mr. Chan Choo Sing	1/1	100
Dato' Chan Chor Ngiak	0/1	0

The attendance of the Audit Committee Meetings held during the FYE 2018 is stated in the **Audit Committee Report** in this Annual Report.

(c) Continuing Education and Training of Directors

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

The Board has cultivated the following best practices:-

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

All Directors have attended the MAP prescribed by Bursa Securities.

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

II. BOARD COMPOSITION (CONT'D)

Board Committee (Cont'd)

Nomination Committee (Cont'd)

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

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

Directors	Training(s) Attended
Julian Lim Wee Liang	• 2018 budget and Tax Conference • Goods and Services Tax Conference 2017 • Companies Act 2016 and new MCCG
Chan Choo Sing	• SME Plant Study and LEAN Management Forum • Tax risks, investigations and strategies workshop • Companies Act 2016 and new MCCG
Chan Chow Tek	• SME Plant Study and LEAN Management Forum • Mastering Companies Act 2016 requirements for accountants and finance professionals • Companies Act 2016 and new MCCG
Dato' Chan Chor Ngiak	• 2018 Taxation and Strategies workshop • Companies Act 2016 and new MCCG
Chan Chor Ang	• 2018 Taxation and Strategies workshop • Companies Act 2016 and new MCCG
Piong Yew Peng	• 2018 National Budget and Tax Planning Conference • MIA-SC Workshop on MCCG • Companies Act 2016 and new MCCG

Upon review, the Board concluded that the Directors' Trainings for the FYE 2018 were adequate.

2019 Directors' Training

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

Remuneration Committee

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

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

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

II. BOARD COMPOSITION (CONT'D)

Board Committee (Cont'd)

Remuneration Committee (Cont'd)

The Remuneration Committee is governed by its TOR of Remuneration Committee which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the Remuneration Committee as defined in the TOR, including but not limited to the following:-

- To review and assess the remuneration packages of the Executive Directors in all forms, with or without independent professional advice or other outside advice to reflect the Board's responsibilities, expertise and complexity of the Company's activities.
- To ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to run the Company successfully.
- To structure the component parts of remuneration so as to align with the business strategy and long-term objectives of the Company and to link rewards to individual performance and to assess the needs of the Company for talent at Board level at a particular time.
- To recommend to the Board of Directors the remuneration packages of the Executive Directors.
- To act in line with the directions of the Board of Directors.
- To consider and examine such other matters as the Remuneration Committee considers appropriate.
- To review and assess the remuneration packages of the Group's Directors in all forms, with or without other independent professional advice or other outside advice and to recommend the same to the Board of Directors.

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

(a) Summary of Works

The following works were undertaken by the Remuneration Committee during the FYE 2018:-

(a) Reviewed and confirmed the minutes of the Remuneration Committee Meeting held in financial year ended 31 March 2017;
(b) Deliberated on the remuneration packages of the Executives Directors and recommended the same to the Board for approval;
(c) Reviewed the Directors' fees and recommended the same for the Board for approval; and
(d) Reviewed the benefits payable to the Directors of the Company.

Annual Assessment on effectiveness of Board and Individual Directors

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

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

II. BOARD COMPOSITION (CONT'D)

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

The Nomination Committee conducted the following assessments annually:-

(i) Directors' self-assessment

In conducting the assessment, the following main criteria were adopted by the Nomination Committee:-

(i) Contribution to interaction;
(ii) Quality of Input; and
(iii) Understanding of Role.

Based on the assessment conducted for the FYE 2018, the Nomination Committee was satisfied with the performance of the individual Board of Directors.

(ii) Evaluation on the effectiveness of the Board and Board Committees

In conducting the Evaluation, the following main criteria were adopted by the Nomination Committee:-

- Establish clear roles and responsibilities;
- Strengthen composition;
- Reinforce independence;
- Foster commitment;
- Uphold integrity in financial reporting;
- Recognise and manage risks;
- Ensure timely and high quality disclosure; and
- Strengthen relationship between company and shareholders

Based on the Evaluation conducted for the FYE 2018, the Nomination Committee was satisfied with the performance of the Board and Board Committees.

(iii) Annual Assessment of Independence of Directors

The Board principally adhered to the concept of independence in tandem with the definition of Independent Director in Paragraph 1.01 of the Main LR of Bursa Securities through the assistance of the Nomination Committee. The Board has conducted annual assessment on its Independent Directors. To be in line with the MCCG, the Board has put in place proper policies and procedures to ensure effectiveness of the Independent Non-Executive Directors on the Board.

The Board considers that its Independent Directors provide an objective and independent views on various issues dealt with at the Board and Board Committees level. All Independent Non-Executive Directors are independent of management and free from any relationship. The Board is of the view that the current composition of Independent Directors fairly reflects the interest of minority shareholder in the Company through the Board representation.

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

II. BOARD COMPOSITION (CONT'D)

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

(iii) Annual Assessment of Independence of Directors (Cont'd)

The Board noted that Letters of Declaration has been executed by the following Independent Non-Executive Directors of the Company, confirming their independence pursuant to Main LR of Bursa Securities as well as the MCCG and the Independent Non-Executive Directors have undertaken to inform the Company immediately should there be any change which could interfere with the exercise of their independent judgement or ability to act in the best interest of the Company:-

- Mr. Julian Lim Wee Liang
- Mr. Piong Yew Peng

Based on the outcome of the Board and Board Committees Performance Evaluation and Self Performance Evaluation Forms completed by each Directors and Committees, the Board is satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

The Board considers that its Independent Non-Executive Directors provide an objective and independent views on various issues dealt with at the Board and Board Committee level. All Independent Non-Executive Director are independent of management and free from any business or other relationship. The Board is of the view that the current composition of Independent Directors fairly reflects the interest of minority shareholders in the Company through the Board representation.

III. REMUNERATION

Directors' Remuneration Policy

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

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

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

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

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

III. REMUNERATION (CONT'D)

Directors' Remuneration Policy (Cont'd)

It is the Board's duty to ensure that the level of remuneration is sufficient to attract and retain the Directors needed to run the Company successfully. Remuneration package of the Group MD and the Executive Directors will be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration.

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

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

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

The Company does not have a remuneration policy for other Senior Manegement in place. Though the Company is in the process of drawing up a remuneration framework for the Senior Management.

Remuneration of Directors

For the FYE 2018, the aggregate remuneration received/receivable by the Directors of the Company from the Company and the Group categorised into appropriate components are as follows:-

Received from the Company

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

* Subject to the approval by shareholders at the 24th AGM

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

III. REMUNERATION (CONT'D)

Remuneration of Directors (Cont'd)

Received on the Group Basis

Directors' Remuneration	Fees* (RM'000)	Salaries and Other emoluments (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)	Others (RM'000)	Total (RM'000)
Executive Directors						
Chan Choo Sing	-	695	99	-	-	794
Chan Chow Tek	-	564	46	-	-	610
Non-Executive Directors						
Dato' Chan Chor Ngiak	-	-	-	-	-	-
Chan Chor Ang	-	-	-	-	-	-
Julian Lim Wee Liang	-	-	-	-	-	-
Piong Yew Peng	-	-	-	-	-	-

Remuneration of top five (5) senior management

The Board is of the view that, given that the disclosure of the remuneration of the top five (5) senior management will give rise to recruitment and talent retention issues, it is in the best interests of the Company not to disclose.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

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

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

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

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

None of the Audit Committee members was a former key audit partner of the Company and the Board has no intention to appoint any former key audit partner as member of the Audit Committee. The Board would consider establishing a written policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee when the Board reviews the Term of Reference of the Audit Committee in due course.

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

I. AUDIT COMMITTEE (CONT'D)

Assessment on External Auditors

The Audit Committee has procedures to assess the suitability, objectivity and independence of external auditors and that such assessment would be carried out annually. The outcome of the assessment would form a basis for the Audit Committee in making recommendation to the Board on the re-appointment of the external auditors for the ensuing year at the AGM.

During the FYE 2018, the Audit Committee has carried out the annual assessment and in its assessment, the Audit Committee considered, inter alia, the following factors:-

For ***"suitability"*** assessment:-

- The external auditors have the adequate resources, skills, knowledge and experience to perform their duties with professional competence and due care in accordance with approved professional auditing standards and applicable regulatory and legal requirements;
- To the knowledge of the Audit Committee, the external auditors do not have any record of disciplinary actions taken against them for unprofessional conduct by the Malaysian Institute of Accountants (**"MIA"**) which has not been reserved by the Disciplinary Board of MIA;
- The external auditors firm has the geographical coverage required to audit the Group;
- The external auditors firm advises the Audit Committee on significant issues and new developments pertaining to risk management, corporate governance, financial reporting standards and internal controls on a timely basis;
- The external auditors firm consistently meets the deadlines set by the Group;
- The level of quality control procedures in the external audit firm, including the audit review procedures; and
- The external auditors' scope is adequate to cover the key financial and operational risks of the Group.

For ***"objectivity"*** assessment:-

- The nature and extent of the non-audit services rendered and the appropriateness of the level of fees.

For ***"independence"*** assessment:-

- The engagement partner has not served for a continuous period of more than five (5) years with the Company;
- The Audit Committee receives written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and
- Tenure of the current auditors.

The Audit Committee noted for the FYE 2018, Messrs. Ernst & Young, the external auditors of the Company confirmed in writing that the engagement quality control reviewer and members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.

Upon completion of its assessment, the Audit Committee is satisfied with Messrs. Ernst & Young's technical competency i.e. suitability, objectivity and independence during the FYE 2018. However, Messrs. Ernst & Young had indicated its intention to not seek re-appointment as external auditors of the Company for the financial year ending 31 March 2019. The Audit Committee had subsequently assessed suitability, objectivity and independence of Messrs. Baker Tilly Monteiro Heng and recommended to the Board the appointment of Messrs. Baker Tilly Monteiro Heng as external auditors for the financial year ending 31 March 2019 in replacement of Messrs. Ernst & Young. The Board had in turn, recommended the same for shareholders' approval at the forthcoming 24th AGM of the Company.

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

I. AUDIT COMMITTEE (CONT'D)

Skillsets of Audit Committee

The Audit Committee conducts self and peer evaluation annually to assess the performance and skillsets of the individual Audit Committee members and their peers.

During the FYE 2018, the Audit Committee members had completed the assessment on individual basis and the results were compiled by the company secretaries and tabled for the Nomination Committee's review.

Based on the results of the assessment, the Audit Committee members are financially literate and understand the Group's business. The Audit Committee as a whole, has necessary skills and knowledge to discharge their duties. The Audit Committee members had also given feedback to their peers on areas of focus for enhancement.

The members of the Audit Committee have attended various continuous trainings and development programmes as detailed in **Principle A, Section II, Continuing Education and Training of Directors** in this Statement.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management and Internal Control Framework

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

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

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

The Board had vide the Audit Committee has formed a Risk Management Working Group (**"RMWG"**) together with Performance Management Review Team (**"PMRT"**) to discharge the Risk Management function of the Group on behalf on the Board. The RMWG is reporting to PMRT in respect of the identified risks and PMRT will report directly to the Audit Committee.

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

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

Risk Management and Internal Control Framework (Cont'd)

Performance Management Review Team ("PMRT")

In conjunction with the adoption of the Risk Management Handbook, a Performance Management Review Team (**"PMRT"**) comprising selected key management personnel has been established to review, highlight and report directly to the Audit Committee on matters in relation to the risk management function of the Group.

The PMRT is comprising of the following key management personnel:-

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

Risk Management Working Group ("RMWG")

RMWG report significant risks to PMRT, and comprised the following key management personnel:-

Office	Name(s)
Leader	Tan Kwee Kee
Members	Chan Wee Boon, Goh King Swee, Chen Tian Shen, P'ng Kim Leng, Matt Teo Bee San, Teo Lee Ping, Lim Bok Sze, Chong Cher Kung, Lee Hui Cheng, Soh Lian Pau, Sim Sian Ling, Lim Tuck Yee, Phua Chee How, Daniel Pua Kian Boon, Tan Soo Ching and Tan Siok Yin

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

Internal Audit Function

The Directors are responsible for the Group's system of internal controls and its effectiveness. The principal aim of the system of internal controls is the management of financial and business risks that are significant to the fulfilment of the Company's business objectives, which is to enhance the value of shareholders' investment and safeguarding the Group's assets.

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

The principal consultant of Sterling, Ms. So Hsien Ying, has more than twenty (20) years of relevant experience in providing the Board with a reasonable assurance of adequacy of the scope, functions and resources of the Internal Audit function.

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

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

Internal Audit Function (Cont'd)

The functions of the internal audit include major areas as follows:

- Perform regular review of operational compliance with the established internal control procedures and the risk profiles of the major business units of the Group.
- Conduct investigations on specific areas or issues directed by the Audit Committee.
- Review the risk management processes.

The internal controls are tested for effectiveness and efficiency by Sterling. The report of the internal audit is tabled for Audit Committee's review and comments, and the audit findings will then be communicated to the Board. The outsourced internal auditor's representative met up four (4) times with the Audit Committee for the FYE 2018.

The internal audit review of the Group's operations encompasses a risk-based independent assessment of the Company's compliance with its internal controls and recommendations are made for further improvement.

The following matters (non-exhaustive), in relation to the internal audit function of the Group, are reserved matters for the Audit Committee:-

(a) Consider the appointment of the internal auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person(s) as auditors.

(b) Review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings.

(c) Review any appraisal or assessment of the performance of members of the internal audit function.

During the FYE 2018, the Audit Committee had reviewed and assessed the adequacy of the scope, functions, competency, resources and independence of the outsourced internal auditors and that they have the necessary authority to carry out their work.

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

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

I. Communication with Stakeholders

The Board has developed internal corporate disclosure practices to ensure effective communications to the investing public regarding the business, operations and financial performance of the Group are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

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

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

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

(a) Announcements to Bursa Securities

Material information, updates and periodic financial reports are published on a timely basis through announcements to Bursa Securities.

Shareholders and Investors can obtain the Company's latest announcements such as quarterly financial results in the dedicated website of Bursa Securities at www.bursamalaysia.com.my.

(b) Annual Reports

The Company's Annual Reports to the shareholders remain the central means of communicating to the shareholders, amongst others, the Company's operations, activities and performance for the past financial year end as well as the status of compliance with applicable rules and regulations.

(c) AGM/General Meetings

The AGM/General Meetings which are used as the main forum of dialogue for shareholders to raise any issues pertaining to the Company.

(d) Corporate Website

The Company's website provides a plethora of information to the public, which includes, inter alia, corporate information, business activities, corporate governance matters, latest press releases, annual reports, financial results, and etc.

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

I. Communication with Stakeholders (Cont'd)

(d) Corporate Website (Cont'd)

The Company has created the following dedicated sections to ensure more effective dissemination of information:-

(i) A dedicated **"Investor Relations"** section which provides all relevant information on the Company and is accessible by the public. It includes the announcements made by the Company and Annual Reports. The Board discloses to the public all material information necessary for informed investment and takes reasonable steps to ensure that all shareholders enjoy equal access to such information. The Investor Relations section comprises the following specific information:-

- Stock information
- Financial reporting
- Meet the Directors (with personal photograph of each Director)

(ii) A dedicated **"Media Centre"** section which provides access to various editions of the PCCG Group Press (成報). Published since the year 2009 in bi-lingual language of English and Chinese, the PCCS Group Press serves an internal communication channel for the Group in view of the Group subsidiaries' diverse location around the globe.

Copies of the PCCS Group Press is available at the Company's corporate website under the banner of **"Media Centre"**.

(iii) A dedicated **"Contact Us"** section with the listing of contact particulars of all the subsidiaries of the Group, including telephone numbers, facsimile as well as email address of the respective person-in-charge for ease of communication by stakeholders.

The Company's corporate website is accessible at http://www.pccsgroup.net/.

(e) Senior Independent Non-Executive Chairman

The Board has designated Mr. Julian Lim Wee Liang as Senior Independent Non-Executive Chairman to whom concerns from shareholders/stakeholders may be conveyed.

Shareholders/Stakeholders may address their concerns to the Senior Independent Non-Executive Chairman in the following manners:-

- By Letter – to be forwarded in a sealed envelope labelling with a legend of **"To be opened by the Senior Independent Non-Executive Chairman only"**; or
- By Email – to be forwarded vide secure email with the heading of **"For the eyes of the Senior Independent Non-Executive Chairman only"**.

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

I. Communication with Stakeholders (Cont'd)

(e) Senior Independent Non-Executive Chairman (Cont'd)

Senior Independent Non-Executive Chairman

Mr. Julian Lim Wee Liang

Postal Address:-

PCCS Group Berhad
Lot 1376, GM 127, Mukim Simpang Kanan,
Jalan Kluang, 83000 Batu Pahat, Johor, Malaysia.

Email Address:-

julianlim@pccsgroup.net

The above information can also be found at the "Investor Relations" Section of the Company's corporate website at http://www.pccsgroup.net.

For the FYE 2018, Mr. Julian Lim informed that he has not received any concerns from shareholders/ stakeholders, be it written or verbal.

II. Conduct of general meetings

Notice of AGM

The notice of 23rd AGM together with the Annual Report is dispatched to shareholders at least twenty-one (21) days prior to the meeting date. Full explanation of the effects of a proposed resolution of any special business will accompany the notice of the AGM. The Board took note of the requirement of notice of the AGM to be sent out at least twenty-eight (28) days before the date of the meeting.

The Board endevour to send out notice of the AGM at least twenty-eight (28) days before the date of the meeting so as to enable the shareholders to have full information about the AGM and to facilitate informed decision-making moving forward.

Directors' Commitment

All the Directors were present at the 23rd AGM of the Company held in year 2017 to engage with the shareholders personally and proactively.

The proceedings of the AGM included the presentation of financial statements to the shareholders, and a question and answer session in which the Chairman of the AGM would invite shareholders to raise questions on the Company's financial statements and other items for adoption at the AGM, before putting a resolution to vote.

The Board ensure that sufficient opportunities are given to shareholders to raise issues relating to the affairs of the Company and that adequate responses are given.

The Chairmen of the Board Committees are also readily available to address the questions posted by the shareholders at the general meetings.

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

II. Conduct of general meetings (Cont'd)

Poll Voting

In line with the Main LR of the Bursa Securities on the requirement for poll voting for all resolution set out in the notice of general meetings, during the 23rd AGM held in year 2017, the resolutions tabled at the 23rd AGM were all voted by poll.

Electronic Poll Voting

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

Voting in absentia and remote Shareholders' participation at General Meeting(s)

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

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

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

CONCLUSION

The Board is satisfied that for the FYE 2018, it complies substantially with the principles of the MCCG.

The on Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors passed on 23rd of July 2018.

AUDIT COMMITTEE REPORT

The Board of Directors of PCCS Group Berhad is pleased to present the following report on the Audit Committee and its work during the financial year ended 31 March 2018 **("FYE 2018")** in compliance with Paragraph 15.15(1) of the Main Market Listing Requirements **("Main LR")** of Bursa Malaysia Securities Berhad **("Bursa Securities")**.

A. COMPOSITION

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

The Independent Non-Executive Directors satisfied the test of independence under Paragraph 1.01 of the Main LR of Bursa Securities and also meets the requirements of Set Up Practice 8.4 of the Malaysian Code on Corporate Governance **("MCCG")**, comprised solely of Independent Directors.

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

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

The term of office and performance of the Audit Committee and each of its members were reviewed by the Nomination Committee annually in accordance with Paragraph 15.20 of the Main LR of Bursa Securities and was satisfied that they are able to carry out their duties in accordance with their Terms of Reference for the FYE 2018. The Nomination Committee had reported its satisfaction to the Board of Directors for notation.

B. ATTENDANCE

A total of four (4) Audit Committee meetings were held during the FYE 2018. Details of attendance at Audit Committee during the FYE 2018 were as follows:-

Directors	Attendance	%
Piong Yew Peng (Chairman)	4 out of 4	100
Julian Lim Wee Liang	4 out of 4	100
Dato' Chan Chor Ngiak	3 out of 4	75

C. SUMMARY OF WORK

The works of the Audit Committee were primarily in accordance with its functions and duties as set out in its Terms of Reference. The main works undertaken by the Audit Committee during the FYE 2018 were as follows:-

1. Overview of Financial Performance and Reporting

- Reviewed the unaudited quarterly financial results for the quarter ended 31 March 2017, 30 June 2017, 30 September 2017 and 31 December 2017 and recommend the same to the Board of Directors for approval;
- Reviewed the draft audited financial statements for the financial year ended 31 March 2017 and recommend the same to the Board of Directors for approval;
- Reviewed the financial performance of the Group on quarterly basis;
- Reviewed the identified significant matters pursuant to Paragraph 15.12(1)(g)(ii) of the Main LR of Bursa Securities; and
- Reviewed the Group's compliance with the accounting standards and relevant regulatory requirements.

2. Oversight of External Auditors

- Reviewed the suitability and independence of the External Auditors vide a formalised "Assessment on External Auditors" and upon reviewed and being satisfied with the results of the said assessment, the same has been recommended to the Board of Directors for approval;
- Discussed and reviewed with the External Auditors, the Audit Planning Memorandum entailing the scope of work and audit plan for the FYE 2018, including any significant issues and concerns arising from the audit;
- Discussed and reviewed with the External Auditors, the applicability and the impact of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board;
- Met twice with the External Auditors without the presence of the Executive Board and Management to discuss issue of concern arising from the annual statutory audit; and
- Reviewed the audit fees FYE 2018 prior to the approval of the Board of Directors.

3. Oversight of Internal Audit ("IA")

- Reviewed and adopted the IA plan for the Group for the FYE 2018 and reported to the Board of Directors for notation;
- Reviewed the IA Reports for the FYE 2018 and assessed the Internal Auditors' findings and the management's responses and made the necessary recommendations to the Board of Directors for approval;
- Reviewed the Status Report on the follow-up actions on the previously reported Audit Findings of the Group;

C. SUMMARY OF WORK (CONT'D)

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

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

4. Oversight of Risk Management Working Group and Function

- Reviewed the Registry of Risks entailing the Register of Risk, Risk Matrix, Risk Measurement and Risk Factors; and
- Monitored the reporting structure for the Risk Management Working Group.

5. Review of Related Party Transactions

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

6. Oversight of Internal Control Matters

- Reviewed and confirmed the minutes of the Audit Committee Meetings; and
- Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control to be included in the Annual Report 2017.

D. IA FUNCTION

1. Appointment

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

2. IA Activities

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

(a) IA Plan of the Group

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

D. IA FUNCTION (CONT'D)

2. IA Activities (Cont'd)

(b) Regular IA Reports

IA reports are reviewed and adopted by the Audit Committee on a quarterly basis. During the FYE 2018, Sterling has reviewed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the major subsidiaries and recommended possible improvements to the internal control process. This is to provide reasonable assurance that such system continues to operate satisfactorily and effectively within the Group.

For the FYE 2018, the following subsidiaries of the Group were audited by Sterling:-

Name of Entities audited by Sterling	Date of IA Report
Mega Labels & Stickers (Cambodia) Co., Ltd.	29 May 2017
Thirty Three (Shanghai) Limited	25 August 2017
Beauty Silk Screen Limited	24 November 2017
PCCS Garments (Suzhou) Ltd	26 February 2018

(c) Follow-up Reports

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

For the FYE 2018, Sterling has presented their status report: follow-up actions on previously reported audited findings in respect of the following subsidiaries of the Group:-

Name of Entities followed-up by Sterling	Date of IA Status Report
Mega Label (Malaysia) Sdn. Bhd.	29 May 2017
JIT Textiles Limited	29 May 2017
Apparels Division in Cambodia	29 May 2017
Mega Label (Malaysia) Sdn. Bhd.	25 August 2017
JIT Textiles Limited	25 August 2017
Thirty Three (Shanghai) Limited	24 November 2017
Mega Labels & Stickers (Cambodia) Co., Ltd.	24 November 2017
JIT Textiles Limited	24 November 2017
Mega Label (Malaysia) Sdn. Bhd.	24 November 2017
Beauty Silk Screen Limited	26 February 2018
Thirty Three (Shanghai) Limited	26 February 2018
Mega Labels & Stickers (Cambodia) Co., Ltd.	26 February 2018
JIT Textiles Limited	26 February 2018
Mega Label (Malaysia) Sdn. Bhd.	26 February 2018

D. IA FUNCTION (CONT'D)

3. Total costs incurred for the FYE 2018

The total costs incurred for the IA function of the Group for the FYE 2018 was RM56,000/- (2017: RM41,000/-).

4. IA Charter

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

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

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

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

The IA Charter contained the following key items:-

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

The IA Charter has been adopted since 27 May 2016.

5. Review of IA Function

With the adopted IA Charter to serve as a guiding document, the Audit Committee has performed a review on the IA Function during the FYE 2018. For the FYE 2018, the Audit Committee concluded that the IA function is independent and Sterling has performed their audit assignments with impartiality, proficiency and due professional care.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (**"the Board"**) is pleased to present the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and the internal control systems of the Group for the financial year ended 31 March 2018 pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (**"Main LR"**), Malaysian Code on Corporate Governance (**"MCCG"**) and *"Statement on Internal Control and Risk Management: Guidelines for Directors of Listed Issuers"*.

BOARD RESPONSIBILITY

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

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

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

RISK MANAGEMENT

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

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

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

PMRT

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

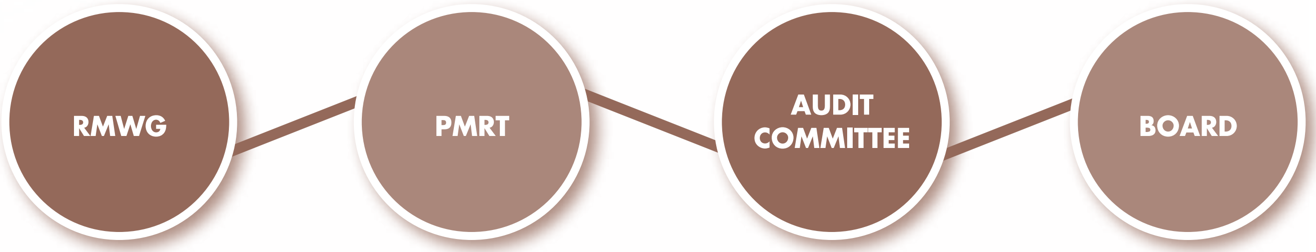
RISK MANAGEMENT (CONT'D)

RMWG

Office	Name(s)
Leader	Tan Kwee Kee
Members	Chan Wee Boon, Goh King Swee, Chen Tian Shen, P'ng Kim Leng, Teo Bee San, Teo Lee Ping, Lim Bok Sze, Chong Cher Kung, Lee Hui Cheng, Soh Lian Pau, Sim Sian Ling, Lim Tuck Yee, Phua Chee How, Daniel Pua Kian Boon, Tan Soo Ching and Tan Siok Yin

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

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



During the financial year ended 31 March 2018 and up to the date of this Annual Report, the Audit Committee and the Board had received and reviewed the Risk Registry of the PCCS for Corporate Level, Apparels Division (Malaysia, Cambodia and China) and Labels & Stickers Division (Malaysia and Cambodia). The risk factors identified and deliberated were assigned to the respective heads of subsidiaries and risk owners to implement the risk control measures.

For the financial year ended 31 March 2018, the RMWG has held one (1) meeting with the Audit Committee, while the PMRT has held three (3) meetings.

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

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

INTERNAL AUDIT FUNCTION

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

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

INTERNAL AUDIT FUNCTION (CONT'D)

During the financial year ended 31 March 2018, Sterling has reviewed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the major subsidiaries and recommended possible improvements to the internal control process. This is to provide reasonable assurance that such systems continues to operate satisfactorily and effectively within the Group.

For the financial year ended 31 March 2018, four (4) internal audit reviews were carried out and follow up status were reported by Sterling to the Audit Committee:-

Audit Period	Reported in	Audited Areas

1st Quarter (Apr 2017 – Jun 2017)	Aug 2017	• Efficiency and Effectiveness of Operations, Policies, Process and Procedures, and reliability of Financial Reporting, including Business Planning and Budgeting of Thirty Three (Shanghai) Limited.
		• Follow up status update on:
		  • Mega Label (Malaysia) Sdn. Bhd. (Sales & Marketing, Quality Assurance, Inventory & Logistics Management, Production and Maintenance & Manufacturing Engineering)
		  • JIT Textiles Limited (Production, Asset Management and Product claims)

2nd Quarter (Jul 2017 – Sep 2017)	Nov 2017	• Business Development, Costing, Production and Operations functions of Beauty Silk Screen Limited.
		• Follow up status update on:
		  • Thirty Three (Shanghai) Limited (Business Development, Costing, Design and Operations Support)
		  • Mega Labels & Stickers (Cambodia) Co., Ltd (Sales and Marketing, Data Transactions Processing, Customer Service, Billing and Collection, and Costing)
		  • JIT Textiles Limited (Production, Asset Management and Product Claims)
		  • Mega Label (Malaysia) Sdn. Bhd. (Sales & Marketing, Quality Assurance, Inventory & Logistics Management, Production and Maintenance & Manufacturing Engineering)

3rd Quarter (Oct 2017 – Dec 2017)	Feb 2018	• Outsourcing Management and Production function of PCCS Garments (Suzhou) Ltd.
		• Follow up status update on:
		  • Beauty Silk Screen Limited (Business Development, Costing, Production and Operations)
		  • Thirty Three (Shanghai) Limited (Business Development, Costing, Design and Operations Support)
		  • Mega Labels & Stickers (Cambodia) Co., Ltd. (Sales and Marketing, Data Transactions Processing, Customer Service, Billing and Collection, and Costing)
		  • JIT Textiles Limited (Production, Asset Management and Product Claims)
		  • Mega Label (Malaysia) Sdn. Bhd. (Sales & Marketing, Quality Assurance, Inventory & Logistics Management, Production and Maintenance & Manufacturing Engineering)

4th Quarter (Jan 2018 – Mar 2018)	May 2018	• Operations function of Thirty Three (Shanghai) Limited
		• Warehouse management function of PCCS Garments (Suzhou) Ltd
		• Sewing machine management function of Perusahaan Chan Choo Sing Sdn. Bhd.
		• Follow up status update on:
		  • PCCS Garments (Suzhou) Limited (Outsource Management and Production Function)
		  • JIT Textiles Limited (Production, Asset Management and Product Claims)

KEY ELEMENTS OF INTERNAL CONTROL

The following sets out the key elements of the Group's internal control, which have been in place throughout the financial year ended 31 March 2018, and up to the date of this Statement:-

- **Organisational Structure**

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

- **Limits of Authority**

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

- **Review of Financial and Operational Performance**

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

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

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

- **Company Manual**

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

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

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

- **Health and Safety Manual**

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

- **Staff Training and Development Programmes**

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

- **Internal Quality Audits**

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

ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Group Managing Director and CC that the Group's risk management and internal control system were operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group, for the financial year ended 31 March 2018, and up to the date of this Statement.

CONCLUSION

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

This Statement of Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 23 July 2018.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

STATEMENT OF DIRECTORS' RESPONSIBILITY

In Relation to the Financial Statements

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

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

To prepare the financial statements of the Group and the Company for the financial year ended 31 March 2018, the Directors have:-

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

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

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

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

This statement on Directors' Responsibility in relation to the Financial Statements is made in accordance with the resolution of the Board of Directors dated 23 July 2018.

OTHER INFORMATION REQUIRED

By the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

UTILISATION OF PROCEEDS

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

Use of Proceeds	Amount Allocated (RM'000)	Amount Utilised (RM'000)
Expansion of labelling business	7,100	2,000
Working capital	21,956	8,651
Estimated expenses in relation to the Rights Issue of Shares with Warrants	950	1,039
Total	**30,006**	**11,690**

AUDIT AND NON-AUDIT FEES

For the financial year ended 31 March 2018, the External Auditors have rendered certain audit and non-audit services to the Company and the Group. A breakdown of fees paid were listed as below for information:-

	Company (RM)	Group (RM)
Audit services rendered	44,000	292,306
Non-audit services rendered		
Audit Review	39,395	39,395
Certify the stock statements and increased export application form	-	6,420
Corporate exercise of proposed Rights Issue of Shares with Warrants	30,000	30,000
Review of the Statement of Risk Management and Internal Control	5,000	5,000
Tax Services	8,800	76,900
Total	**127,195**	**450,021**

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

None of the Directors, Chief Executive and major shareholders have entered into any material contracts with the Company and/or its subsidiaries during the financial year ended 31 March 2018.

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

The RRPTs were disclosed in Note 33 to the Financial Statements for the financial year ended 31 March 2018 on page 168.

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

PCCS Group Berhad and its subsidiaries (**"the Group"**) has developed its sustainability strategy with aims to create sustainable values for its stakeholders and bring positive impact to the environment and society. By promoting "While pursuing for-profit, environmental protection is gradually taken into account", the Group is dedicated to its mission of "When consumer consume our products, they devote to environmental conservation simultaneously".

This Statement discloses the economic, environmental and social (**"EES"**) performance of the Group over different sustainability matters for the financial year ended 31 March 2018. Moreover, this Statement also demonstrates the Group's strategies and commitment to its EES responsibilities. The Statement has been prepared in accordance with the Listing Requirements, Sustainability Reporting Guide and Sustainability Toolkits issued by Bursa Malaysia Securities Berhad. Performance data of this Statement were compiled internally for a period of 12-months.

REPORTING PERIOD AND SCOPE OF THIS STATEMENT

This Statement covers the environmental and social performance of three major subsidiaries of the Group, namely JIT Textiles Limited (**"JTL"**) located in Cambodia, Mega Label (Malaysia) Sdn Bhd (**"MEGAM"**) located in Malaysia and PCCS Garments (Suzhou) Limited (**"SGL"**) located in China. In this Statement, the Group presents its major business activities related to manufacturing and sale of apparels, providing sub-contracting services and printing and sale of labels and stickers business segments, which together contributes more than 90% of the Group's total revenue for the financial year ended 31 March 2018.

The reporting period of this Statement is from 1 April 2017 to 31 March 2018 (**"FY2017-2018"**), unless otherwise stated. This Statement will be issued on an annual basis.

INFORMATION DISCLOSURE

Information in this Statement is sourced from the in-house statistics which derives based on the reporting framework, the integrated information of management and operation in accordance with the relevant policy and sustainability practices practiced by the Group.

SUSTAINABILITY GOVERNANCE STRUCTURE

In order to carry out a sustainable strategy from top to bottom, the Board of Directors (**the "Board"**) are responsible for ensuring effectiveness of the Group's environmental, social and governance policies. The Board has established dedicated Sustainability Working Group (**"SWG"**) to manage sustainability matters within each business division in the Group. SWG is also committed to constantly review and adjust the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders. Deputy Group General Manager was assigned to enforce and supervise the implementation of the relevant policies into business practices. Details of its management approach in different sustainability aspects can be found in the different sections of this Statement. The Group believes that sustainability is essential to the long-term development of the Group.

STAKEHOLDER ENGAGEMENT

As a multinational enterprise, with the goal to strengthen the sustainability approach and performance of the Group, the Group has put in tremendous effort to listen to both its internal and external stakeholders. The Group actively collects feedback from its stakeholders regularly through the following preferred communication channels. The Group strives to incorporate their feedbacks for business improvement.

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

MATERIALITY ASSESSMENT

The Group undertakes annual review in identifying and understanding its stakeholder's main concerns and material issues for this Statement. In FY2017-2018, the Group has engaged its stakeholders to conduct a materiality assessment survey for both internal and external stakeholders and they were selected based on their influence and dependence on the Group. Stakeholders with high level of influence and dependence on the Group selected by the management were invited to express their views and concerns on a list of sustainability issues. From the combination of in-house risk assessment and prioritisation of the sustainability issues with stakeholders' expectations, the material sustainability issues are identified and presented in this Statement.

Environment	Welfare of employees	Marketplace
- Energy Use - Water Use- Solid Wastes - Packaging Materials	- Occupational Health and Safety - Employment Practices	- Product Responsibility - Labelling and information relating to products and services - Privacy and Data Protection

ENVIRONMENT

As a responsible manufacturer, the Group is committed to the long-term sustainability of the environment and community in which it operates. The Group had set up policies to comply with all applicable environmental laws and regulations in order to protect the environment as well as maintain procedures of notifying local authorities in the event of any environmental incident resulting from the operation. Designated staff are assigned to communicate, deploy and monitor the practice of keeping good environment in local operating regions. Besides, the Group applies stringent controls in consumption of resources and complies with relevant environmental laws and regulations in its daily operation.

Energy Use

The Group commits to maintain efficient energy management by constantly reviewing the detailed record of its electricity consumption and implementing energy conservative policies in business operation. Purchased electricity contributes to the largest source of energy within the Group. All electricity consumed by the Group derives from regular operation by factories and offices. The energy consumption of the three (3) main subsidiaries in FY 2017-2018 are shown below.

Major subsidiaries	Annual electricity consumption (kWh)
SGL	1,409,184
MEGAM	2,322,473
JTL	1,411,689

To ensure electricity were used effectively, MEGAM has formulated an internal policy named "Environmental Management Programme under ISO14001". The purpose of this internal policy formulated by MEGAM was to set out an annual target of reducing approximately 2% on the electricity consumption against manufacturing sale. Furthermore, the management has implemented lean management to improve the effectiveness and efficiency on the consumption of electricity which had resulted to headquarters Plant and Shah Alam Plant have achieved their targets (21.86% and 19.27% respectively) during the FY 2017-2018. The said targets were calculated based on annual output divide annual electricity consumption.

The Group is committed into saving electricity from both production lines and daily office operation by executing the following measures:

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

ENVIRONMENT (CONT'D)

Energy Use (Cont'd)

Moreover, the Group's owned motor vehicles consumes diesel and gasoline for transportation purpose. The Group strives to minimise the pollution by conserving energy and uses non-renewable energy sources in a controllable manner. The diesel and gasoline consumption of the three (3) main subsidiaries in FY 2017-2018 are shown below.

Major subsidiaries	Annual diesel consumption (L)	Annual gasoline consumption (L)
SGL	23,772	27,031
MEGAM	54,724	11,707
JTL	32,473	-

The Group encourages energy saving through simple measures, such as making the best use of room to avoid unnecessary transport and replacing highly polluting vehicles with more environmentally-friendly ones. Apart from saving the amount of the energy consumed by the Group's owned motor vehicles, the Group also highly encourages its staff to take public transportation or environmental-friendly transportation instead of driving to work.

Water Use

The Group commits to maintain an efficient water management by constantly reviewing the detailed record of its water consumption in business operation. Water consumed by the Group derives from regular operation by factories and offices. The water consumption of the three (3) main subsidiaries in FY 2017-2018 are shown below:

Major subsidiaries	Annual water consumption (m3)
SGL	17,699
MEGAM	4,593
JTL	30,473

To ensure water is used effectively, MEGAM has formulated an internal policy named "Environmental Management Programme under ISO14001". The purpose of this internal policy formulated by MEGAM was to set out an annual target of reducing approximately 3% in water consumption against manufacturing sale in FY2017-2018. Unfortunately, MEGAM failed to achieve the target during the FY 2017-2018 due to underground water pipe leakage, nonetheless, the said issue was rectified and resolved hastily. Target was remained unchanged for next financial year – FY2018-2019 and to further improve efficiency on the utilisation of water, the Group has formulated an internal policy as below:

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

ENVIRONMENT (CONT'D)

Solid Wastes

The main hazardous solid wastes produced by the Group consists of contaminated rags, contaminated ink containers, ink sludge, ink waste and waste of non-halogenated organic solvent. All hazardous wastes listed above are produced during the process of manufacturing finished products and treated as Schedule Wastes for recovery treatment, incinerated or disposed to licensed waste disposal collectors.

The Group produces domestic (including office and kitchen waste) and non-hazardous solid wastes while the amount produced are significantly smaller as compared to hazardous solid waste. The non-hazardous solid wastes are mainly leftover of fabric, paper and plastic which are generated from cutting, sewing and process where fabric is cut in accordance with a pattern or shape of the marker. In order to minimise domestic and non-hazardous solid waste generation, the Group strictly comply with Environmental Quality Act (Act 127).

Some domestic and non-hazardous solid wastes can be recycled hence the Group had sent those recyclable items to a qualified material recycle agent for further treatment to avoid any waste. JTL had contracted an agent in disposing the company waste and the contracted agent is the only authorised agent recognised by the Ministry of Environment for waste collecting and disposing in Phnom Penh.

Domestic and non-hazardous solid wastes and hazardous solid wastes in FY2017-2018 by the Group's major subsidiaries are as below:

Major subsidiaries	Domestic and Non-Hazardous Solid Wastes (tonnes)	Hazardous Solid Wastes (tonnes)
SGL	165	-
MEGAM	145	10,102
JTL	313	-

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

- Providing yearly refresh / awareness training on handling schedule waste;
- Train a competent personnel by attending Course for Certified Environmental Professional in Scheduled Wastes Management;
- Issuing only "One" standard bag of fabric rag to Production section monthly; and
- Proper storage for monitoring, control and prevent unapproved usage/access.

Packaging Materials

The Group pays great attention to the consumption of packaging materials hence the Group attempts to use green packaging materials. The packaging material used by the Group are mainly polybags and carton boxes. MEGAM complies with RoHS (Restriction of Hazardous Substances) Compliance and does have adequate policies in place. The main packaging material consumed by the Group in FY2017-2018 are as table below:

Major Subsidiaries	Annual Polybag Utilization (pieces)	Annual Box Carton Utilization (pieces)
SGL	2,892,499	397,574
MEGAM	-	17,036
JTL	9,418,405	387,412

The Group will continue to adhere to the safety, harmony and green development concept and make unremitting efforts to create a resource-saving and environmentally-friendly corporation.

WELFARE OF EMPLOYEES

Occupational Health and Safety

By being a responsible company, the Group has categorised welfare of employees as one of their top priorities. The Group therefore endlessly creates and maintains the high standard of safety, health protection and good working conditions for its employees by establishing comprehensive mechanism in committing to workplace safety. Comprehensive mechanism is prepared by incorporating a range of occupational health and safety measures for all of its employees in the workplace. The Group aims to maintain a healthy, non-toxic, non-hazardous and safe working environment and measures taken to achieve such goal are listed below:

- Active participation in accident prevention program
- Ensure proper planning to be done for all operations prior to commencement
- Regular training on safety to be conducted for all employees
- Controls pollution within the premise before emitting to the public
- Maintain a healthy and safe working environment
- Provide relevant clothes and equipment to employee

The Group has formulated and strictly enforced internal occupational safety policies, such as machine safety guard policy and chemical storage and handling policy, to ensure and improve the safety aspects of working environments for employees. Several departments within the Group such as cutting, soldering and welding, explosion or any other activity that involves an open flame were enforced hot work policy to prevent fire.

Employees within the Group were provided working uniforms such as mask, safety shoes, safety vest, metal gloves, and safety earplug. Besides, the installation of fire equipment such as automatic smoke spray system and powder fire extinguishers in the working place were also implemented. Regular inspections and reviews are carried out to examine the health & safety measures' effectiveness, such as noise monitoring test and Chemical Health Risk Assessment (CHRA) based on Occupational Safety and Health Administration (OSHA) requirement.

In addition, the Group is insured against liabilities for personal injuries that may occur to its employees during the operation within the Group's properties. The Group has also purchased insurances, such as medical insurance and social welfare insurance, for all of its senior management employees. It is inevitable for injuries to occur even if all precautions were taken up hence work-related fatalities and lost days due to work injury occurred during the Group's related activities for the FY 2017-2018 are listed at below. In FY2017-2018, no work-related fatalities due to work injury had occurred in the Group's related activities.

Major Subsidiaries	No. of work-related accidents and injuries	No. of lost days due to work injury
SGL	6	130
MEGAM	6	16
JTL	28	62

The Group has conducted accident investigation for every accident occurred, the management will review and develop corrective and preventive action. MEGAM has included safety and awareness topics during their monthly "Quality & Delivery" briefing session for education purposes. Employee's welfare is one of the top priorities which was looked upon by the Group, hence the Group has set up a reporting mechanism and procedures such as accident investigation policy in the operating sites aiming to prevent reoccurrence of similar or potential accident.

WELFARE OF EMPLOYEES (CONT'D)

Occupational Health and Safety (Cont'd)

To develop safe working environment and culture in daily operation, the Group has registered its employees to attend occupational health and safety awareness seminars and trainings. The trainings and seminars which had been attended by the Group's employee are "Electrical and Fire Safety Training", "5S Method", "Safe Workplace Arrangement", "Occupational Safety and Health" and etc. The Group has always been committed in providing a safe and healthy environment by incorporating a range of occupational health and safety measures for all the employees in the offices and production sites. Throughout the year, the Group had been constantly intensified its resourcefulness on health and safety by sending its staff for trainings. A summary of the number of workforce that had undergone health and safety training representing each major subsidiary for the FY 2017-2018 are as below:

Major Subsidiaries	No. of total workforce undergoing health and safety training
SGL	501
MEGAM	78
JTL	2,180

Subsidiaries of the Group complies with their local standard for occupational health and safety. SGL complies with the Standardised occupational safety and health system-Level 3 Certificate, MEGAM complies with the OSHA Community under OSHA Act while JTL complies with International Labour Law. Moreover, JTL is a member of "The Better Factory", partnership between UN's International Labour Organisation (ILO) and International Finance Corporation (IFC), a member of World Bank Group which had brought upon the creation of "Better Factories Cambodia" in 2001. Refining working environments and enhancing competitiveness of the garment industry is the purpose where the programme engages with workers, employers and governments.

The Group has set up a health and safety committee in each of the three (3) major subsidiaries to enhance and maintain the occupational health and safety practiced by the Group. The Group constantly took every possible measures to safeguard the occupational health and safety of employees and stakeholders involved in the operations.

Employment Practices

The Group has a mindset of developing a healthy and safe workplace by providing employees with assorted and inclusive working place where human rights are respected. Moreover, the Group highly appreciate employee's talent and visualise it as one of the key areas in achieving success and upholding the sustainability of the Group. Human resource policies of the group adheres strictly to the applicable employment laws and regulations on wages and benefits such as minimum wages order, employee's provident fund, employees' social security and leaves. Internal policies on working hours, minimum wages and rest period for employees which was set up by the Group is articulated based on local employment laws.

As an equal opportunity employer, the Group is dedicated to create a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its employee and employment decisions. For instance, training, promotion opportunities and dismissals are based on factors irrespective of the employees' age, sex, marital status, family status, race, nationality, religion or any other non-job related factors in all business units of the Group. The Group has formulated harassment policy to be practiced by all employees to prevent any form of harassment and unlawful discrimination and it will be seen as a serious offence upon violation is done by any employee. During the FY 2017-2018, there was no discrimination noted within the Group. Two (2) tables in respect of gender distribution of workforce and employees' age distribution presenting mix labour for the three (3) major subsidiaries are as below:

WELFARE OF EMPLOYEES (CONT'D)

Employment Practices (Cont'd)

Gender Distribution of Workforce for FY 2017-2018

By Gender (Percentage)	SGL	MEGAM	JTL	Total
Male	135 (27%)	145 (63%)	527 (24%)	807 (28%)
Female	366 (73%)	86 (37%)	1,653 (76%)	2,105 (72%)

Employee's Age Distribution of Workforce for FY 2017-2018

By Age Group (Percentage)	SGL	MEGAM	JTL	Total
Aged 30 & below	221 (44%)	130 (56%)	1,396 (64%)	1,747 (60%)
Aged 31-40	152 (30%)	68 (30%)	715 (33%)	935 (32%)
Aged 41-50	107 (22%)	26 (11%)	58 (2%)	191 (7%)
Aged 51 & Above	21 (4%)	7 (3%)	11 (1%)	39 (1%)

The Group had set up an age verification policy on going against illegal employment on child labour, underage workers and forced labour and ensuring juvenile workers are in compliance with the relevant regulations. Valid identity documents are requested by the Group's human resources department before confirmation of employment in order to safeguard that applicants are lawfully employable.

In addition to basic paid annual leave and statutory holidays stipulated by the employment laws of the local governments, the Group provides personal accident and medical insurance coverage to its employee. Additionally, the Group does provide employees further leave entitlements such as marriage leave, maternity leave and compassionate leave. The Group has hosted a series of activities for its employees in FY2017-2018, such as annual dinners and training campaign. These events have not only helped the employees in terms of stress relief, but also exemplify the Group's corporate culture of solidarity and cohesion among its employees.

As employee retention is vital to the future business development of the Group hence the Group constantly reviews its compensation packages and performs probationary and regular evaluations according to the overall market environment, profitability of the Group and employee's performance in the past. This ensures that employees are recognised by the Group appropriately with respect of their efforts and contributions. Meanwhile, any appointment, promotion or termination of employment contract would be based on reasonable, lawful grounds and internal policies, such as staff handbooks and the Group's policies. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.

MARKETPLACE

In FY 2017-2018, the Group is not aware of any non-compliance or breach of relevant laws and regulations in relation to operation, health and safety, labelling and privacy matters relating to products/services that have significant impact to the Group. The Group has set up internal procedures to identify, access and ensure compliance with all legal requirements such as original copy of legal requirements shall be maintained properly and designated department performs regularly check for new revisions of existing legal requirements.

MEGAM complies with ISO 14001:2015 which is required to be monitored constantly and reviewed annually. Besides, JTL was recognised as a member of Garment Manufacturers Association and Gold Certificate of Compliance in Cambodia in 2017. In FY 2017-2018, the Group has not received any monetary value of fines and non-monetary sanctions during the business operation.

MARKETPLACE (CONT'D)

Product Responsibility

The Group had set up a Quality Assurance Department to ensure quality of products meet buyer's production standards as per Restriction of Hazardous Substances Directive (RoHS). No products of the Group were subject to recalls for safety and health reasons for the FY 2017-2018. The Group conducts testing on raw materials, semi-finished products and finished products by dispatching quality controllers to its manufacturing facilities in order to track and detect any potential defective products. Fabric shrinkage test, tape test and shear test were conducted for quality assurance purpose. Products are required to go through internal quality control assessment and a certain standard of quality is required to be met before goods are delivered to their customers.

The Group gives paramount importance to the opinions and complaints of its customers. When the Group receives complaint on its products and services via phone, email or on-site meeting, the Group will investigate the issue before providing an appropriate response to its customers. All investigation will be recorded in the manual of "Improvement Corrective Action Plan". The manual contains root cause and corrective or preventive action where it will be highlighted to all production head/supervisor/leader which requires more attention to prevent reoccurrences. The manual will be circulated among the Group on monthly basic.

Labelling and information relating to products and services

Labelling and information related to products are rather important for the Group hence upon information is requested, procedures of obtaining approval is required to be followed before information are disclosed. However, the Group's products are required to be packaged and attached with standard products labels according to the requirements of customers and the regulations of the export regions such as product size, composition of materials, instructions for use and others prior to sending to their customers.

Privacy and Data Protection

Information collected by the Group from its customers would solely be used for the purpose of which it has been collected. The Group forbids the provision of customer information to a third party without consent from customer. Furthermore, after confirming the product order, the Group will take necessary measures to ensure the safety and prevention of inappropriate use of such information such as signing contracts with the buyers on the non-disclose agreement. Rules and regulations on disclosure of information for employees are stated in the employee's handbook.

All personal data of customers collected during the course of business are treated as confidential, kept securely and accessible by designated personnel. For the FY 2017-2018, no complaints for breaching of customer policy or losses of customer data received by the Group. In addition, there is no report of non-compliance with the significant laws and regulations related to products manufactured by the Group and handling of customer brand labels.

Financial Statements

PCCS GROUP BERHAD (Co. No. 280929-K)
Annual Report 2018

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 19 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit/(loss) net of tax	4,761	(7,511)
Profit/(loss) attributable to:		
Equity holders of the Company	4,524	(7,511)
Non-controlling interests	237	-
	4,761	(7,511)

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of previous financial year. The directors do not recommend the payment of any dividend for the current financial year.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

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

** These directors are also directors of the Company's subsidiaries

DIRECTORS (CONT'D)

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Abdul Muttalib Bin Jasmani
Chan Wee Boon
Tan Kwee Kee
Chan Wee Kiang
Zhu Xiu Wen
Pan Jing
Huang Wei
Tang Ai Hua
Lim Hock Beng (appointed in Keza Sdn Bhd on 7 December 2017)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 13 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 33 to the financial statements.

The Company maintains a liability insurance for the directors of the Group. The total amount of sum insured for directors of the Group for the financial year amounted to RM2,000,000.

DIRECTORS' INTERESTS

Pursuant to Section 59(3) of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares and warrants in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	1.4.2017	**Bought**	**Sold**	**31.3.2018**
Direct interest -				
Chan Choo Sing	2,643,220	-	(2,643,220)	-
Chan Chow Tek	2,272,750	3,750,000	-	6,022,750
Dato' Chan Chor Ngiak	339,817	849,542	-	1,189,359
Chan Chor Ang	542,350	1,355,875	-	1,898,225
Abdul Muttalib Bin Jasmani	1,666	-	-	1,666
Chan Wee Boon	131,000	-	(131,000)	-
Tan Kwee Kee	3,833,539	-	(3,833,539)	-
Chan Wee Kiang	530,765	-	(530,765)	-
Lim Hock Beng	1,666	-	-	1,666

DIRECTORS' INTERESTS (CONT'D)

	Number of ordinary shares			
	1.4.2017	Bought	Sold	31.3.2018
Indirect interest -				
Chan Choo Sing	28,495,382	84,985,028	(4,495,304)	108,985,106
Chan Chow Tek	24,000,078	-	-	24,000,078
Dato' Chan Chor Ngiak	24,001,411	3,332	-	24,004,743
Chan Chor Ang	24,040,078	100,000	-	24,140,078
Tan Kwee Kee	27,305,063	84,985,028	(3,304,985)	108,985,106
Chan Wee Kiang	-	84,985,028	-	84,985,028

	Number of warrants			
	1.4.2017	Issued	Exercised	31.3.2018
Direct interest -				
Chan Chow Tek	-	2,250,000	-	2,250,000
Chan Chor Ang	-	813,525	-	813,525
Dato' Chan Chor Ngiak	-	509,725	-	509,725
Indirect interest -				
Chan Choo Sing	-	46,707,902	-	46,707,902
Chan Chor Ang	-	60,000	-	60,000
Dato' Chan Chor Ngiak	-	1,999	-	1,999
Tan Kwee Kee	-	46,707,902	-	46,707,902
Chan Wee Kiang	-	46,707,902	-	46,707,902

Chan Choo Sing, Chan Chow Tek, Dato' Chan Chor Ngiak and Chan Chor Ang by virtue of their interest in shares in the Company are also deemed interested in shares in all the Company's subsidiaries to the extent that the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM60,012,002 to RM83,638,472 by way of rights issue of 150,030,005 ordinary share. The shares are issued on the basis of 5 right shares for every 2 existing shares at an issue price of RM0.20 per right shares, together with 90,017,957 free detachable warrants on the basis of three (3) warrants for every five (5) right shares subscribed for.

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

WARRANTS

On 3 January 2018, 90,017,957 free detachable warrants ("Warrants") were issued by the Company pursuant to the Rights Issue with Warrants Exercise on the basis of three (3) warrants for every five (5) right shares subscribed for.

The Warrants are issued at no cost to the entitled shareholders who subscribed for the rights shares. The exercise price of the Warrants is RM0.60, and the Warrants are constituted by the Deed Poll.

Salient terms of the Warrants are as follow:

(i) Each warrant carries the entitlement to subscribe for 1 new share at any time during the exercise period at the exercise price (subject to adjustments in accordance with the provisions of the Deed Poll).

(ii) The warrants may be exercised at any time within 5 years commencing on and including the date of issuance of the warrants until 5.00p.m. on the expiry date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

(iii) The expiry date of the warrants is the day falling 5 years from and including the date of issue of the warrants, and if such date is not a market day, then on the preceding market day.

(iv) For the purpose of trading on Bursa Securities, 1 board lot of warrants shall comprise 100 warrants carrying the rights to subscribe for 100 new shares at any time during the exercise period, or such other denomination as determined by Bursa Securities from time to time.

(v) The new shares issued pursuant to the exercise of the warrants are not entitled to any dividends, rights, allotments and/or distributions. The warrant holders are not entitled to vote in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless and until the warrant holders become shareholders of the Company by exercising their warrants into new shares.

(vi) The Deed Poll and accordingly the warrants, are governed by and shall be construed in accordance with the laws of Malaysia.

The movements in the Company's number of shares under warrants during the financial year are as follows:

	Number of warrants of RM0.60 each			
	1.4.2017 '000	Issued '000	Exercised '000	31.3.2018 '000
Number of unissued shares under warrants	-	90,018	-	90,018

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

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

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

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

(f) In the opinion of the directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

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

SUBSEQUENT EVENTS

On 20 June 2018, a wholly-owned subsidiary of the Company, Keza Sdn Bhd, incorporated a wholly-owned subsidiary company in Cambodia, known as Wan He Da Manufacturing Company Limited ("WHD"), with a registered capital of USD2,200,000 divided into 2,200 shares of USD1,000 per share. The principal activity of WHD is manufacturing of garments.

AUDITORS' REMUNERATION

Auditors' remunerations are as follows:

	Group RM'000	Company RM'000
Statutory audit	212	44
Other services	150	83
	362	127

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young for the financial year ended 31 March 2018.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 July 2018.

Chan Choo Sing

Chan Chow Tek

STATEMENT BY DIRECTORS

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

We, Chan Choo Sing and Chan Chow Tek, being two of the directors of PCCS Group Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 97 to 181 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 July 2018.

Chan Choo Sing **Chan Chow Tek**

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Chan Chow Tek, being the director primarily responsible for the financial management of PCCS Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 97 to 181 are in my opinion 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.

Subscribed and solemnly declared by
the abovenamed, Chan Chow Tek
at Batu Pahat in the State of Johor
on 23 July 2018

Chan Chow Tek

Before me,

CHIANG EE CHIN (J247)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of PCCS Group Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PCCS Group Berhad, which comprise the statements of financial position as at 31 March 2018 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 97 to 181.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with 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 audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment of property, plant and equipment

(Refer to Note 7.2(f) and Note 16 to the financial statements)

In accordance with MFRS136: Impairment of Assets, the Group is required to perform impairment test of cash generating unit ("CGU") whenever there is an indication that the CGU may be impaired by comparing the carrying amount with its recoverable amount.

Brought about by the decline in the demand and the downsizing of the Group's apparel operation in Malaysia, the Group estimated the recoverable amount of the respective CGU based on the on value-in-use ("VIU") method. Certain land and building recoverable amounts are based on the fair value less cost of disposal ("FVLCD") method.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (Cont'd)

Impairment of property, plant and equipment (Cont'd)

Determining the VIU involves estimating the future cash inflows and outflows that will be derived from the usage of the CGU and discounting them at an appropriate rate. Such estimations are highly subjective and accordingly we consider this to be an area of audit focus.

In addressing this area of audit focus, we performed, amongst others, the following procedures:

(i) Obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGU or group of CGUs;

(ii) Evaluated the key assumptions used by management in the cash flow projections, in particular, by comparing to past actual outcomes on whether the key assumptions made are reasonable;

(iii) Corroborated the key assumptions with management's plans and existing contracts, where applicable; and

(iv) Analysed the sensitivity of the key assumptions by assessing the impact of changes to the key assumptions to the recoverable amount.

For recoverable amounts that are based on FVLCD, the Group engaged independent valuers to assess the fair value of the land and building. We performed, amongst others, the following procedures:

(i) Considered the independence, reputation and capabilities of the independent valuers;

(ii) Obtained an understanding of the work of the management's specialist; and

(iii) Evaluated the management's specialist work by considering the significant assumptions, methods and models.

Revenue recognition

(Refer to Note 4.6 and Note 8 to the financial statements)

Revenue from sale of finished goods recorded by the Group during the year amounted to approximately RM529 million. We have identified revenue recognition for sale of goods to be a key audit matter as we considered the voluminous sales transactions to be the possible cause of higher risk of material misstatements in respect of timing and the amount of revenue recognised. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

In addressing this area of audit focus, we performed, amongst others, the following procedures:

(i) Tested the Group's internal controls over the timing for the recognition of revenue and the amount of revenue recognised;

(ii) Inspected the terms in the purchase orders and sales invoices to determine the point of transfer of significant risk and rewards on a sample basis;

(iii) We inspected documents which evidenced the delivery of goods to customers;

(iv) Tested the recording of sales transactions for the financial year, including testing revenue cut-off and review of credit notes issued after year end, to establish whether the sales transactions were recorded in the correct accounting period.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (Cont'd)

Cost of investment in subsidiaries

(Refer to Note 7.2(f) and Note 19 to the financial statements)

The carrying amount of the Company's investment in subsidiaries amounted to approximately RM45 million which represents 62% of total assets of the Company as at 31 March 2018.

The continued losses and depleting shareholders' funds reported by certain subsidiaries of the Company indicated that the carrying amounts of the Company's investment in these subsidiaries may be impaired.

Accordingly, management performed impairment testing to determine the recoverable amounts of the cost of investment in those subsidiaries based on value-in-use ("VIU") method. Determining the VIU involves estimating the future cash inflows and outflows that will be derived from the investments and discounting them at an appropriate rate. Due to the significance of the carrying amounts of investment in subsidiaries and because the VIU computation involves estimations that are highly subjective, we consider this to be an area of audit focus.

In addressing this area of audit focus, we performed, amongst others, the following procedures:

(i) Obtained an understanding of the relevant internal controls over the estimation of recoverable amounts of investment in subsidiaries.

(ii) Evaluated the key assumptions used by management in the cash flow projections, in particular, by comparing to past actual outcomes on whether the key assumptions made are reasonable.

(iii) Corroborated the key assumptions with management's plans and existing contracts, where applicable.

(iv) Assessed whether the rates used in discounting the future cash flows to its present value were appropriate.

(v) Analysed the sensitivity of the key assumptions by assessing the impact of changes to the key assumptions to the recoverable amount.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (Cont'd)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are as below:

- <u>Audited by member firm of Ernst & Young Global in Cambodia</u>

  PCCS Garments Limited
  JIT Textiles Limited
  Beauty Apparels (Cambodia) Ltd
  Perfect Seamless Garments (Cambodia) Ltd
  JIT Embroidery Limited
  Beauty Silk Screen Limited
  Mega Labels & Stickers (Cambodia) Co. Ltd
  Keza (Cambodia) Limited

- <u>Audited by firms other than Ernst & Young, Malaysia and member firm of Ernst & Young Global</u>

  Keza Sdn Bhd
  Thirty Three Trading Sdn Bhd
  PCCS Garments (Suzhou) Ltd
  PCCS (Hong Kong) Limited
  Thirty Three (Hong Kong) Ltd
  Beauty Silk Screen (M) Sdn Bhd
  PCCS Garments Wuhan Ltd
  Ample Apparels Limited
  Thirty Three (Shanghai) Ltd

Independent Auditors' Report

To the Members of PCCS Group Berhad (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 content of this report.

Ernst & Young
AF 0039
Chartered Accountants

Lee Ah Too
02187/09/2019 J
Chartered Accountant

Melaka, Malaysia
Date: 23 July 2018

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Continuing operations					
Revenue	8	**528,964**	484,353	**5,676**	1,790
Cost of sales		**(425,254)**	(411,140)	**-**	-
Gross profit		**103,710**	73,213	**5,676**	1,790
Other items of income					
Interest income		**121**	193	**80**	73
Other income	9	**3,431**	4,816	**269**	7,869
Other items of expense					
Administrative expenses		**(76,822)**	(58,460)	**(12,680)**	(29,251)
Selling and marketing expenses		**(15,747)**	(9,813)	**-**	-
Share of results of associates		**-**	(2)	**-**	-
Operating profit/(loss)		**14,693**	9,947	**(6,655)**	(19,519)
Finance costs	10	**(4,716)**	(5,413)	**-**	-
Profit/(loss) before tax from continuing operations	11	**9,977**	4,534	**(6,655)**	(19,519)
Income tax expense	14	**(5,216)**	(3,202)	**(856)**	-
Profit/(loss) from continuing operations, net of tax		**4,761**	1,332	**(7,511)**	(19,519)
Discontinued operations					
Loss from discontinued operations, net of tax		**-**	(7,244)	**-**	-
Non-controlling interests		**-**	(3,105)	**-**	-
	26	**-**	(10,349)	**-**	-
Profit/(loss) net of tax		**4,761**	(9,017)	**(7,511)**	(19,519)
Other comprehensive income:					
Foreign currency translation		**4,168**	(1,164)	**-**	-
Other comprehensive income for the year, net of tax		**4,168**	(1,164)	**-**	-
Total comprehensive income/(loss) for the year		**8,929**	(10,181)	**(7,511)**	(19,519)

Statements of Comprehensive Income

For the financial year ended 31 March 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit/(loss) attributable to:					
Equity holders of the Company		**4,524**	(9,236)	**(7,511)**	(19,519)
Non-controlling interests		**237**	219	**-**	-
		4,761	(9,017)	**(7,511)**	(19,519)
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		**8,692**	(10,400)	**(7,511)**	(19,519)
Non-controlling interests		**237**	219	**-**	-
		8,929	(10,181)	**(7,511)**	(19,519)
Earnings/(loss) per share attributable to equity holders of the Company (sen per share)					
Basic and diluted (continuing operations)	15	**2.2**	(3.3)		
Basic and diluted (discontinued operation)	15	**-**	(12.1)		
Basic earnings/(loss) for the year	15	**2.2**	(15.4)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at March 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Non-current assets					
Property, plant and equipment	16	**58,976**	68,756	**46**	52
Investment properties	17	**10,410**	10,981	**-**	-
Land use rights	18	**2,250**	3,141	**-**	-
Investment in subsidiaries	19	**-**	-	**44,693**	49,173
Investment in associate	20	**-**	21	**-**	-
		71,636	82,899	**44,739**	49,225
Current assets					
Inventories	21	**49,193**	61,619	**-**	-
Trade and other receivables	22	**102,110**	121,444	**8,556**	2,946
Other current assets	23	**8,021**	6,773	**27**	28
Asset held for sale	24	**3,933**	-	**-**	-
Tax recoverable		**-**	-	**-**	79
Cash and bank balances	25	**51,160**	36,127	**19,229**	5,760
		214,417	225,963	**27,812**	8,813
Total assets		**286,053**	308,862	**72,551**	58,038
Equity and liabilities					
Current liabilities					
Loans and borrowings	27	**58,391**	97,167	**-**	-
Trade and other payables	28	**85,668**	108,247	**8,060**	16,903
Tax payable		**12,057**	11,137	**862**	-
		156,116	216,551	**8,922**	16,903
Net current assets/(liabilities)		**58,301**	9,412	**18,890**	(8,090)
Non-current liabilities					
Loans and borrowings	27	**2,382**	3,250	**-**	-
Deferred tax liabilities	29	**109**	549	**-**	-
		2,491	3,799	**-**	-
Total liabilities		**158,607**	220,350	**8,922**	16,903
Net assets		**127,446**	88,512	**63,629**	41,135

Statements of Financial Position

As at 31 March 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Equity attributable to equity holders of the Company					
Share capital	30	**83,638**	60,012	**83,638**	60,012
Share premium	30	**-**	4	**-**	4
Warrants reserve	31(a)	**6,383**	-	**6,383**	-
Foreign exchange reserve	31(b)	**10,598**	6,430	**-**	-
Legal reserve fund	31(c)	**1,757**	326	**-**	-
Retained earnings/(Accumulated losses)	32	**22,834**	19,741	**(26,392)**	(18,881)
Shareholders' equity		**125,210**	86,513	**63,629**	41,135
Non-controlling interests		**2,236**	1,999	**-**	-
Total equity		**127,446**	88,512	**63,629**	41,135
Total equity and liabilities		**286,053**	308,862	**72,551**	58,038

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2018

2018 Group	Equity, total RM'000	Equity attributable to equity holders of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserves, total RM'000	Foreign exchange reserve RM'000	Warrants reserve RM'000	Legal reserve fund RM'000	Non-controlling interests RM'000
		Attributable to equity holders of the Company								
			Non-distributable		Distributable	Non-distributable				
Opening balance at 1 April 2017	88,512	86,513	60,012	4	19,741	6,756	6,430	-	326	1,999
Total comprehensive income	8,929	8,692	-	-	4,524	4,168	4,168	-	-	237
Total transactions with equity holders										
Transition to no-par value regime	-	-	4	(4)	-	-	-	-	-	-
Rights issue of ordinary shares	23,622	23,622	23,622	-	-	-	-	-	-	-
Addition of warrants reserve	6,383	6,383	-	-	-	6,383	-	6,383	-	-
Addition of legal reserve fund	-	-	-	-	(1,431)	1,431	-	-	1,431	-
	30,005	30,005	23,626	(4)	(1,431)	7,814	-	6,383	1,431	-
Closing balance at 31 March 2018	127,446	125,210	83,638	-	22,834	18,738	10,598	6,383	1,757	2,236

Consolidated Statement of Changes in Equity

For the financial year ended 31 March 2018

2017 Group		Attributable to equity holders of the Company								
			Non-distributable		Distributable	Non-distributable				
	Equity, total RM'000	Equity attributable to equity holders of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserves, total RM'000	Foreign exchange reserve RM'000	Warrants reserve RM'000	Legal reserve fund RM'000	Non-controlling interests RM'000
Opening balance at 1 April 2016	97,144	96,913	60,012	4	28,977	7,920	7,594	-	326	231
Total comprehensive (loss)/income	(10,181)	(10,400)	-	-	(9,236)	(1,164)	(1,164)	-	-	219
Disposal of shares of subsidiaries	1,549	-	-	-	-	-	-	-	-	1,549
	(8,632)	(10,400)	-	-	(9,236)	(1,164)	(1,164)	-	-	1,768
Closing balance at 31 March 2017	88,512	86,513	60,012	4	19,741	6,756	6,430	-	326	1,999

COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2018

	Note	Equity, total RM'000	Non-distributable: Share capital RM'000	Non-distributable: Share premium RM'000	Non-distributable: Warrants reserve RM'000	Distributable (Accumulated losses)/ Retained earnings RM'000
Company						
2018						
Opening balance at 1 April 2017		41,135	60,012	4	-	(18,881)
Total comprehensive loss		(7,511)	-	-	-	(7,511)
Total transactions with equity holders of the Company						
Transition to no-par value regime	30	-	4	(4)	-	-
Rights issue of ordinary shares	30	23,622	23,622	-	-	-
Additions of Warrants reserve	31(a)	6,383	-	-	6,383	-
		30,005	23,626	(4)	6,383	-
Closing balance at 31 March 2018		**63,629**	**83,638**	**-**	**6,383**	**(26,392)**
2017						
Opening balance at 1 April 2016		60,654	60,012	4	-	638
Total comprehensive loss		(19,519)	-	-	-	(19,519)
Closing balance at 31 March 2017		41,135	60,012	4	-	(18,881)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 March 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating activities				
Profit/(loss) before tax				
- Continuing operations	**9,977**	4,534	**(6,655)**	(19,519)
- Discontinued operations	**-**	(8,598)	**-**	-
Profit/(loss) before tax, total	**9,977**	(4,064)	**(6,655)**	(19,519)
Adjustments for:				
Bad debts written off	**58**	86	**-**	5,717
Depreciation and amortisation:				
- Property, plant and equipment	**7,576**	9,156	**19**	20
- Investment properties	**257**	253	**-**	-
- Land use rights	**69**	71	**-**	-
Gain on disposal of:				
- Property, plant and equipment	**(198)**	(2)	**-**	-
Loss on disposal of subsidiaries	**-**	-	**-**	457
Impairment loss on:				
- Property, plant and equipment	**-**	416	**-**	-
- Investment in subsidiaries	**-**	-	**4,480**	17,162
- Trade and other receivables	**11**	21	**4,285**	-
Payment on behalf expenses	**-**	-	**-**	4,039
Inventories written down	**202**	1,052	**-**	-
Inventories written off	**115**	-	**-**	-
Interest expense	**4,716**	5,746	**-**	-
Interest income	**(121)**	(193)	**(80)**	(73)
Net unrealised foreign exchange loss/(gain)	**7,627**	(4,481)	**989**	(697)
Reversal of allowance for impairment of investment in subsidiaries	**-**	-	**-**	(6,989)
Property, plant and equipment written off	**29**	4,024	**-**	2
Total adjustments	**20,341**	16,149	**9,693**	19,638
Operating cash flows before changes in working capital	**30,318**	12,085	**3,038**	119
Changes in working capital				
Decrease in inventories	**12,109**	2,130	**-**	-
Decrease/(increase) in trade and other receivables	**15,575**	(38,148)	**(10,900)**	(8,634)
(Increase)/decrease in other current assets	**(1,246)**	2,991	**-**	(1)
(Decrease)/increase in trade and other payables	**(22,585)**	25,445	**(8,297)**	8,099
Total changes in working capital	**3,853**	(7,582)	**(19,197)**	(536)
Cash flows generated from/(used in) operations	**34,171**	4,503	**(16,159)**	(417)

Statements of Cash Flows
For the financial year ended 31 March 2018

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Changes in working capital (Cont'd)				
Interest paid	**(4,716)**	(5,746)	**-**	-
Tax paid	**(7,388)**	(1,401)	**(284)**	(34)
	(12,104)	(7,147)	**(284)**	(34)
Net cash flows generated from/(used in) operating activities	**22,067**	(2,644)	**(16,443)**	(451)
Investing activities				
Interest received	**121**	193	**80**	73
Investment in associate	**-**	(21)	**-**	-
Acquisition of non-controlling interests	**(11)**	-	**-**	-
Purchase of property, plant and equipment	**(4,353)**	(3,973)	**(13)**	(4)
Proceeds from withdrawal deposit pledged with bank	**-**	441	**-**	-
Proceeds from disposal of:				
- Property, plant and equipment	**976**	297	**-**	-
Net cash outflows from discontinued operations (Note 26)	**-**	(99)	**-**	-
Share of loss of non-controlling interest	**-**	1,499	**-**	-
Net cash flows (used in)/generated from investing activities	**(3,267)**	(1,663)	**67**	69
Financing activities				
Proceed from exercise of rights issue with warrants	**30,005**	-	**30,005**	-
Repayments of finance lease liabilities	**(1,167)**	(758)	**-**	-
Repayment of term loans	**(3,956)**	(3,084)	**-**	-
Drawdown of term loans	**3,680**	-	**-**	-
(Decrease)/increase in short term borrowings	**(37,780)**	8,393	**-**	-
Net cash flows (used in)/generated from financing activities	**(9,218)**	4,551	**30,005**	-
Net increase/(decrease) in cash and cash equivalents	**9,582**	244	**13,629**	(382)
Effects of foreign exchange rate changes	**6,538**	(2,255)	**(160)**	381
Cash and cash equivalents at 1 April	**34,841**	36,852	**5,760**	5,761
Cash and cash equivalents at 31 March (Note 25)	**50,961**	34,841	**19,229**	5,760

Statements of Cash Flows

For the financial year ended 31 March 2018

	Note	1 April 2017 RM'000	Changes from financing cash flows RM'000	Effect of changes in foreign exchange rates RM'000	31 March 2018 RM'000
Changes in liabilities arising from financing activities:					
Proceeds from exercise of rights issue with warrants	30	-	30,005	-	**30,005**
Repayments of finance lease liabilities	27	3,867	(502)	-	**3,365**
Repayment of term loans	27	790	(276)	-	**514**
Decrease in short term borrowings	27	94,474	(37,390)	(389)	**56,695**
		99,131	(8,163)	(389)	**90,579**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2018

1. CORPORATE INFORMATION

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

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

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 19.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and the Company have also been prepared on a historical basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM). All values are rounded to nearest thousand (RM'000) except when otherwise indicated.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively the "Group") as at 31 March 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time than decisions need to be made, including voting patterns at previous shareholders' meetings.

3. BASIS OF CONSOLIDATION (CONT'D)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combinations and goodwil

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

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

4.1 Business combinations and goodwill (Cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

4.2 Current versus non-current classification

Assets and liabilities in statement of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

4.2 Current versus non-current classification (Cont'd)

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.3 Fair value measurement

The Group measures financial instruments such as investment securities and contingent consideration assets at fair value at each reporting date. Fair value related disclosures for financial instruments are summarised in the following notes:

	Note
Financial instruments (including those carried at amortised)	35

Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

4.3 Fair value measurement (Cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to the accounting policies of the Group. For this analysis, the senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4.4 Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

4.5 Foreign currencies

(a) Functional and presentation currency

The Group's and the Company's financial statements are presented in Ringgit Malaysia which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

4.5 Foreign currencies (Cont'd)

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(c) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

4.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group or the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Company and its subsidiaries assess their revenue arrangements against specific criteria in order to determine if the Company and its subsidiaries are acting as principal or agent.

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

4.6 Revenue recognition (Cont'd)

The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

(b) Management fees

Management fees are recognised when services are rendered.

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

Other income of the Group and the Company, presented separately from revenue, are recognised using the following bases:

(a) Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate ("EIR"), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in profit or loss.

(b) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

4.7 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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

4.7 Employee benefits (Cont'd)

(b) Defined contribution plans

The Group makes contributions to the Employees Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed. Some of the Group's foreign subsidiaries are also making contribution to their respective country's statutory pension schemes.

4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.9 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

(i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

4.9 Taxes (Cont'd)

(b) Deferred tax (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

(i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 all or part of the 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 profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

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

4.9 Taxes (Cont'd)

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings	20 to 50 years
- Plant and machinery, air-conditioners, factory equipment and electrical installations	10 years
- Renovation, furniture and fittings and office equipment	5 to 10 years
- Motor vehicles	5 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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 on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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

4.11 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy for investment properties are in accordance with that for property, plant and equipment as described in Note 4.10.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying amount at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 4.10 up to the date of change in use.

4.12 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) As lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss as finance costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

4.13 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

4.14 Investment in subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

4.15 Inventories

Inventories are stated 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 first-in first-out 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 first-in first-out basis.

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

4.16 Impairment of non-financial assets

At each reporting date, an assessment is made as to whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining 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.

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

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

Impairment calculation are based on detailed budgets and forecast calculations, which are prepared separately for each CGU to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

Goodwill is tested for impairment annually at reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

For assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the recoverable amount of the asset or CGU is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

4.17 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

(a) Financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

4.17 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and an ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in profit or loss. The losses arising from impairment are recognised in profit or loss as finance costs.

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

4.17 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Subsequent measurement (Cont'd)

Held-to-maturity investments (Cont'd)

The Group did not have any held-to-maturity investments during the years ended 31 March 2017 and 2018.

(iii) Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The ability and intention to sell its AFS financial assets in the near term are evaluated whether they are still appropriate. When, in rare circumstances, these financial assets cannot be traded due to inactive markets, these financial assets will be reclassified if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

The Group and the Company did not have any AFS financial instruments during the years ended 31 March 2017 and 2018.

(iv) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statements of financial position) when:

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

4.17 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iv) Derecognition (Cont'd)

- The rights to receive cash flows from the asset have expired;

- The rights to receive cash flows from the asset have been transferred or an obligation to pay the received cash flows in full without material delay to a third party has been assumed under a 'pass-through' arrangement; and either (a) substantially all the risks and rewards of the asset have been transferred or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained but control of the asset has been transferred.

When the rights to receive cash flows from an asset have been transferred or when a pass-through arrangement has been entered into, the Group evaluates if, and the extent of, the risks and rewards of ownership that have been retained. When substantially all of the risks and rewards of the asset have not been transferred nor retained, the transferred asset continues to be recognised to the extent of the Group's continuing involvement. In that case, an associated liability is also recognised. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained.

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

(b) Impairment of financial assets

At each reporting date, an assessment is made as to whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, an assessment is made as to whether impairment exists individually (for financial assets that are individually significant) or collectively (for financial assets that are not individually significant). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

4.17 Financial instruments (Cont'd)

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

Financial assets carried at amortised cost (Cont'd)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Available-for-sale ("AFS") investments

For AFS financial investments, an assessment is made at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss) is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

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

4.17 Financial instruments (Cont'd)

(c) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and financial guarantee contracts.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. No financial liabilities has been designated at fair value through profit or loss during the reporting period.

Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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

4.17 Financial instruments (Cont'd)

(c) Financial liabilities (Cont'd)

(ii) Subsequent measurement (Cont'd)

Other financial liabilities (Cont'd)

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method ("EIR") amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

(iii) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

(iv) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

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

4.18 Cash and short-term deposits

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts, if any.

4.19 Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When it is expected that some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4.20 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments and are recorded at the proceeds received, net of directly attributable incremental transaction costs.

4.21 Cash dividend and non-cash distribution to equity holders of the Group

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders and a corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in profit or loss.

4.22 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

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

4.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

4.24 Discontinued operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

5. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after the date stated below:

Description	**Effective for annual periods beginning on or after**
MFRS 107 Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014 - 2016 Cycle Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12	1 January 2017

<u>MFRS 107 Disclosure Initiative (Amendments to MFRS 107)</u>

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures as shown in the statement of cash flows, the application of these amendments had no impact on the Group and the Company.

5. CHANGES IN ACCOUNTING POLICIES (CONT'D)

MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to MFRS Standards 2014 - 2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group and the Company as none of the Group and the Company's interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	
(i) Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
(ii) Amendments to MFRS 128 Investments in Associates and Joint Ventures	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	
(i) Amendments to MFRS 3 Business Combinations	1 January 2019
(ii) Amendments to MFRS 11 Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112 Income Taxes	1 January 2019
(iv) Amendments to MFRS 123 Borrowing Costs	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

Description	Effective for annual periods beginning on or after
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors are of opinion that the standards and interpretations above would not have any material impact on the financial statements in the year of initial application except as discussed below:

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During 2018, the Group and the Company has performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in 2019 when the Group and the Company adopts MFRS 9.

Based on the analysis of the Group's and the Company's financial assets and liabilities as at 31 March 2018 on the basis of facts and circumstances that exist at that date, the directors of the Group and the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

(i) Classification and measurement

The Group does not expect a significant impact on its statements of financial position or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value, if any.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

The Group and the Company will apply the simplified approach and record lifetime expected losses on all trade receivables.

(iii) Hedge accounting

As the Group and the Company does not apply hedge accounting, applying the hedging requirements of MFRS 9 will not have a significant impact on the Group's and the Company's financial statements.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

MFRS 15 Revenue from Contracts with Customers (Cont'd)

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group plans to adopt the new standard on the required effective date using the modified retrospective method. The directors have assessed the effects of applying the new standard on the Group's financial statements.

(i) Sales of goods and rendering of services

The Group is in the business of manufacturing and sale of apparels and labellings.

The Group also involves in the delivery of the apparels and labellings to the customer. Currently, the Group accounts for the bundled sales as one deliverable and recognises revenue when the significant risks and rewards of the goods have passed to the buyer. Under MFRS 15, the sale of goods and the rendering of delivery services are separate deliverables of bundled sales. The considerations received or receivable should be allocated between these deliverables based on relative stand-alone selling prices of each deliverable.

The Group expects the revenue recognition for the sales of goods to occur at a point in time when the control of the asset is transferred to the customer, generally on delivery of the goods. Whereas the revenue recognition for the delivery services will be recognised over time when the delivery services are rendered.

Based on the Group's preliminary assessment, the Group did not expect any material impact to revenue and profit for the year upon the adoption of MFRS 15.

In addition, costs relating to the fulfilment of the delivery services currently classified as selling and marketing expenses will be reclassified as costs of goods sold under MFRS 15.

(ii) Principal versus agent considerations

A subsidiary of the Group enters into contract with customers to manufacture apparels on their behalf. Under these contracts, the subsidiary merely produce the apparels based on the design and materials provided by the customer. Under the current accounting policy, based on the nature of the contract, the subsidiary does not have exposure to the significant risks and rewards associated with the sales of apparels to its customers, hence accounted for the contracts as if it is an agent.

MFRS 15 requires further assessment of whether the subsidiary controls a specified good or service before it is transferred to the customer. The subsidiary determined that it does not control the goods before they are transferred to the customer, and hence, is an agent rather than principal in these contracts.

As the subsidiary had accounted for the contract sales as an agent during the year, the adoption of MFRS 15 does not expect to have significant impact to the Group.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

MFRS 15 Revenue from Contracts with Customers (Cont'd)

(iii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include how the transaction price has been allocated to each performance obligation, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. In addition, extended disclosures are also expected as a result of the significant judgement made when assessing the contract where the Group has concluded that it acts as an agent instead of a principal. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

During the financial year, the Group continued testing the appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. The Group will apply these amendments when they become effective. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its financial statements.

Annual Improvements to MFRS Standards 2014–2016 Cycle

The Annual Improvements to MFRS Standards 2014-2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

(i) Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

This amendment is not applicable to the Group and the Company as the Group and the Company is not a first-time adopter of MFRS.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

Annual Improvements to MFRS Standards 2014–2016 Cycle (Cont'd)

(ii) Amendments to MFRS 128 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- an entity that is a venture capital organisaton, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

- if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which:

  (i) the investment entity associate or joint venture is initially recognised;
  (ii) the associate or joint venture becomes an investment entity; and
  (iii) the investment entity associate or joint venture first becomes a parent.

Earlier application of these amendments are permitted and must be disclosed. These amendments does not expect to have a significant impact to the Group.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the amendments either retrospectively or prospectively. Specific transition provisions apply to prospective application. Early application is permitted and must be disclosed. The application of these amendments will not have an impact on the Group and the Company as the Group and the Company are already accounting for transactions involving the payment or receipt of advance consideration in foreign currency in a way that is consistent with the amendments.

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group and the Company's financial statements.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effect of MFRS 16 on its financial statements in year 2018.

MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that an entity applies MFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Company do not expect the amendments to have any impact on the Group's and the Company's financial statements.

Annual Improvements to MFRS Standards 2015–2017 Cycle

The Annual Improvements to MFRS Standards 2015-2017 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

Annual Improvements to MFRS Standards 2015–2017 Cycle (Cont'd)

(i) Amendments to MFRS 112 Income Taxes - Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

(ii) Amendments to MFRS 123 Borrowing Costs - Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

Amendments to MFRS 10 and MFRS 128: Sales or Contribution of assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate or a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

7. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

7.1 Judgements made in applying accounting policies

In the process of applying the above accounting policies, management has made the following judgements, apart from those involving estimations, which could have a significant effect on the amounts recognised in the financial statements.

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgment whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

The Group owns buildings which are fully rented to earn rentals, such properties have been classified as investment properties in the financial statements. The Group has also sub-let portion of another building but has decided to classify the entire building as property, plant and equipment as this portion cannot be sold separately and significant portion of the building is held for use in the production or supply of goods or for administrative purposes.

7. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

7.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Assumptions and estimates are based on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group and of the Company. Such changes are reflected in the assumptions when they occur.

(a) Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and equipment to be within 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Fair value of investment properties

The Group carried out the impairment test of investment properties based on fair value of investment properties. The Group engaged independent valuation specialists to determine fair value as at 31 March 2018 based on the comparison method.

(c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 22.

(d) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

7. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

7.2 Estimates and assumptions (Cont'd)

(e) Taxes

Deferred tax assets are recognised for unutilised tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the losses and credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The carrying amount of recognised tax losses and tax credits of the Group is disclosed in Note 29.

(f) Impairment of cost of investment in subsidiaries of the Company and certain property, plant and equipment of the Group

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

In determining fair value less costs of disposal, recent market transactions are taken into account.

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. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Impairment loss on investment is not reversed in a subsequent period.

Key assumptions used to derive recoverable amount

The recoverable amount is determined based on value-in-use ("VIU") calculations using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below.

7. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

7.2 Estimates and assumptions (Cont'd)

(f) Impairment of cost of investment in subsidiaries of the Company and certain property, plant and equipment of the Group (Cont'd)

Key assumptions used to derive recoverable amount (Cont'd)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment test of cost of investment in subsidiaries of the Company and certain property, plant and equipment of the Group:

(i) Discount rate

The discount rate used is based on the weighted average cost of capital of the subsidiaries.

(ii) Terminal growth rate

The terminal growth rate used is based on the subsidiaries expected long term inflation and economic growth rate.

The sensitivity of the impairment of cost of investment in subsidiaries of the Company and certain property, plant and equipment of the Group to changes in the key assumptions are as follow:

	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease in VIU by 14% - 16%	Increase in VIU by 18% - 21%
Terminal growth rate	1%	Increase in VIU by 14% - 16%	Decrease in VIU by 11% - 13%

8. REVENUE

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Sales of goods	**528,964**	484,353	**-**	-
Dividend income	**-**	-	**5,676**	-
Management fee	**-**	-	**-**	1,790
	528,964	484,353	**5,676**	1,790

9. OTHER INCOME

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Gain on disposal of property, plant and equipment	**198**	2	**-**	-
Government claim	**431**	-	**-**	-
Rental income	**605**	59	**-**	-
Reversal of allowance for impairment of investment in subsidiaries	**-**	-	**-**	6,989
Reversal of allowance for value added tax	**85**	-	**-**	-
Sales of scrap	**46**	2	**-**	-
Sundry income	**963**	272	**-**	-
Realised foreign exchange gain	**1,103**	-	**269**	183
Unrealised foreign exchange gain	**-**	4,481	**-**	697
	3,431	4,816	**269**	7,869

10. FINANCE COSTS

	Group	
	2018 RM'000	**2017 RM'000**
Interest expense on:		
- Bank loans and bank overdrafts	**4,450**	5,259
- Obligations under finance leases	**160**	99
Interest paid to director	**106**	55
Total finance costs	**4,716**	5,413

11. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

The following items have been included in arriving at profit/(loss) before tax from continuing operations:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Auditors' remuneration				
- Statutory audit				
Company's auditors	**212**	201	**44**	43
Other auditors	**78**	66	**-**	-
Overprovision in prior year	**2**	-	**-**	-
- Other services				
Company's auditors	**150**	117	**83**	25
Bad debts written off	**58**	86	**-**	5,717
Depreciation and amortisation:				
- Property, plant and equipment (Note 16)	**7,576**	8,801	**19**	20
- Investment properties (Note 17)	**257**	253	**-**	-
- Land use rights (Note 18)	**69**	71	**-**	-
Employee benefits expense (Note 12)	**106,709**	109,306	**673**	774
Impairment loss on:				
- Trade and other receivables (Note 22)	**11**	21	**4,285**	-
- Property, plant and equipment (Note 16)	**-**	416	**-**	-
- Investment in subsidiaries	**-**	-	**4,480**	17,162
Inventories written down	**202**	1,052	**-**	-
Inventories written off	**115**			
Loss on disposal of subsidiary	**-**	-	**-**	457
Minimum operating lease payments:				
- Land and buildings	**4,625**	4,551	**-**	-
- Machinery	**18**	6	**6**	6
Non-executive directors' emoluments (Note 13)	**283**	281	**246**	246
Unrealised foreign exchange loss	**7,627**	-	**989**	-
Realised foreign exchange loss	**-**	577	**-**	-
Property, plant and equipment written off	**29**	1,747	**-**	2

12. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive directors (Note 13)				
Executive directors of the Company	**1,560**	1,120	**156**	156
Executive directors of subsidiaries	**826**	835	**-**	-
	2,386	1,955	**156**	156
Other staff				
Wages, salaries and bonus	**97,083**	102,134	**429**	535
Defined contribution plans	**3,421**	3,440	**54**	67
Other related costs	**3,819**	1,777	**34**	16
	104,323	107,351	**517**	618
	106,709	109,306	**673**	774

13. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company				
Executive:				
- Salaries and other emoluments	**1,306**	944	**-**	-
- Defined contribution plans	**98**	20	**-**	-
- Fees	**156**	156	**156**	156
	1,560	1,120	**156**	156
Non-Executive:				
- Fees	**246**	246	**246**	246
Directors of Subsidiaries				
Executive:				
- Salaries and other emoluments	**826**	835	**-**	-
Non-Executive:				
- Salaries and other emoluments	**30**	28	**-**	-
- Defined contribution plans	**3**	3	**-**	-
- Fees	**4**	4	**-**	-
	37	35	**-**	-
Total directors' remuneration	**2,669**	2,236	**402**	402
Analysis of directors' remuneration:				
Executive directors (Note 12)	**2,386**	1,955	**156**	156
Non-executive directors (Note 11)	**283**	281	**246**	246
Total directors' remuneration	**2,669**	2,236	**402**	402

14. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2018 and 2017 are:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	**1,793**	582	**19**	-
- Foreign tax	**3,110**	1,806	**-**	-
- Underprovision in respect of prior years	**753**	176	**837**	-
	5,656	2,564	**856**	-
Deferred tax (Note 29):				
- Origination and reversal of temporary difference	**1**	430	**-**	-
- (Over)/under provision in respect of prior years	**(441)**	208	**-**	-
	(440)	638	**-**	-
Income tax expense recognised in profit or loss	**5,216**	3,202	**856**	-

Current income tax is calculated at the Malaysian corporate statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The below reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

14. INCOME TAX EXPENSE (CONT'D)

Reconciliation between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 March 2018 and 2017 are as follows:

	2018 RM'000	2017 RM'000
Group		
Accounting profit before tax	**9,977**	4,534
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	**2,394**	1,088
Different tax rates in other countries	**(1,607)**	1,496
Adjustments:		
Effect of income not subject to tax	**(3,257)**	(2,528)
Effect of reduction in tax rate	**(119)**	-
Effect of expenses not deductible for tax purposes	**5,992**	(763)
Utilisation of previously unrecognised tax losses	**(307)**	(1,649)
Utilisation of previously unrecognised unabsorbed capital allowance	**(121)**	-
Deferred tax assets recognised in respect of Qualified Investment Project ("QIP") status	**(15)**	-
Deferred tax assets not recognised in respect of unabsorbed capital allowances, reinvestment allowances, tax losses and others	**1,944**	5,174
(Over)/under provision of deferred tax in prior years	**(441)**	208
Under provision of tax expense in prior years	**753**	176
Income tax expense recognised in profit or loss	**5,216**	3,202
Company		
Loss before tax	**(6,655)**	(19,519)
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	**(1,597)**	(4,685)
Adjustments:		
Effect of income not subject to tax	**(1,427)**	(211)
Effect of expenses not deductible for tax purposes	**2,593**	3,594
Deferred tax assets not recognised on unutilised current year business loss	**450**	1,302
Underprovision of tax expense in prior years	**837**	-
Income tax expense recognised in profit or loss	**856**	-

15. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing earnings/loss for the year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the profit and share data used in the computation of basic earnings/(loss) per share for the years ended 31 March:

	Group	
	2018 RM'000	**2017 RM'000**
Earnings/(Loss) net of tax attributable to equity holders of the Company:		
- Continuing operations	**4,524**	(1,992)
- Discontinued operations	**-**	(7,244)
	4,524	(9,236)
	Number of shares	**Number of shares**
Weighted average number of ordinary shares ('000)	**210,042**	60,012
Basic earnings/(loss) per share (sen):		
Earnings/(loss) from continuing operations	**2.2**	(3.3)
Loss from discontinued operations	**-**	(12.1)
Basic earnings/(loss) per share (sen)	**2.2**	(15.4)

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as the Company does not have any potential dilutive ordinary shares.

16. PROPERTY, PLANT AND EQUIPMENT

	* Land and buildings RM'000	Plant and machinery, air-conditioners, factory equipment and electrical installation RM'000	Renovation, furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group					
Cost					
At 1 April 2016	43,296	122,481	48,317	7,741	221,835
Additions	-	5,728	1,065	524	7,317
Disposals	-	(13,640)	(833)	(1,412)	(15,885)
Written off	-	(34,947)	(14,425)	(642)	(50,014)
Reclassification	297	-	-	-	297
Exchange differences	1,165	8,463	3,090	426	13,144
At 31 March and 1 April 2017	44,758	88,085	37,214	6,637	176,694
Additions	340	2,676	880	1,122	5,018
Reclassification to asset held for sale (Note 24)	(5,959)	-	-	-	(5,959)
Disposals	-	(2,733)	(588)	(1,117)	(4,438)
Written off	-	(517)	(1,739)	-	(2,256)
Reclassification	-	7	(208)	204	3
Exchange differences	(1,240)	(3,569)	(1,279)	(261)	(6,349)
At 31 March 2018	**37,899**	**83,949**	**34,280**	**6,585**	**162,713**
Accumulated depreciation and impairment losses					
At 1 April 2016	8,286	95,963	40,382	5,679	150,310
Depreciation charge for the year					
- Continuing operations (Note 11)	822	5,408	1,885	686	8,801
- Discontinued operations (Note 26)	-	269	74	12	355
	822	5,677	1,959	698	9,156

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

	* Land and buildings RM'000	Plant and machinery, air-conditioners, factory equipment and electrical installation RM'000	Renovation, furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Disposals	-	(13,398)	(833)	(1,359)	(15,590)
Impairment charge for the year (Note 11)	-	416	-	-	416
Written off	-	(32,507)	(12,899)	(584)	(45,990)
Reclassification	113	-	-	-	113
Exchange differences	134	6,514	2,567	308	9,523
At 31 March and 1 April 2017	9,355	62,665	31,176	4,742	107,938
Depreciation charge for the year					
- Continuing operations (Note 11)	816	4,778	1,331	651	7,576
- Discontinued operation (Note 26)	-	-	-	-	-
	816	4,778	1,331	651	7,576
Reclassification to asset held for sale (Note 24)	(2,542)	-	-	-	(2,542)
Disposals	-	(2,147)	(569)	(944)	(3,660)
Written off	-	(494)	(1,733)	-	(2,227)
Reclassification	-	-	(2)	(1)	(3)
Exchange differences	(143)	(2,044)	(970)	(188)	(3,345)
At 31 March 2018	**7,486**	**62,758**	**29,233**	**4,260**	**103,737**
Analyse as:					
Accumulated depreciation	7,486	62,342	29,233	4,260	103,321
Accumulated impairment loss	-	416	-	-	416
	7,486	62,758	29,233	4,260	103,737
Net carrying amount:					
At 31 March 2017	35,403	25,420	6,038	1,895	68,756
At 31 March 2018	**30,413**	**21,191**	**5,047**	**2,325**	**58,976**

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

* Land and buildings

	Freehold land RM'000	Buildings RM'000	Capital work in progress RM'000	Total RM'000
Cost				
At 1 April 2016	4,584	38,712	-	43,296
Reclassification	-	297	-	297
Exchange differences	-	1,165	-	1,165
At 31 March and 1 April 2017	4,584	40,174	-	44,758
Additions	-	83	257	340
Reclassification to asset held for sale (Note 24)	-	(5,959)	-	(5,959)
Exchange differences	-	(1,240)	-	(1,240)
At 31 March 2018	**4,584**	**33,058**	**257**	**37,899**
Accumulated depreciation				
At 1 April 2016	-	8,286	-	8,286
Depreciation charge for the year	-	822	-	822
Reclassification	-	113	-	113
Exchange differences	-	134	-	134
At 31 March and 1 April 2017	-	9,355	-	9,355
Depreciation charge for the year		816	-	816
Reclassification to asset held for sale (Note 24)	-	(2,542)	-	(2,542)
Exchange differences	-	(143)	-	(143)
At 31 March 2018	**-**	**7,486**	**-**	**7,486**
Net carrying amount				
At 31 March 2017	4,584	30,819	-	35,403
At 31 March 2018	**4,584**	**25,572**	**257**	**30,413**

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

	Air-conditioners RM'000	Computer and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company				
Cost				
At 1 April 2016	41	81	47	169
Additions	-	4	-	4
Written off	-	(32)	-	(32)
At 31 March and 1 April 2017	41	53	47	141
Additions	-	13	-	13
At 31 March 2018	**41**	**66**	**47**	**154**
Accumulated depreciation				
At 1 April 2016	13	56	30	99
Depreciation charge for the year (Note 11)	4	8	8	20
Written off	-	(30)	-	(30)
At 31 March and 1 April 2017	17	34	38	89
Depreciation charge for the year (Note 11)	4	7	8	19
At 31 March 2018	**21**	**41**	**46**	**108**
Net carrying amount				
At 31 March 2017	24	19	9	52
At 31 March 2018	**20**	**25**	**1**	**46**

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

(a) Net carrying amounts of property, plant and equipment held under finance lease arrangements are as follows:

	Group 2018 RM'000	Group 2017 RM'000
Plant and machinery	**682**	408
Motor vehicles	**3,688**	4,006
	4,370	4,414

(b) During the financial year, the Group acquired property, plant and equipment with an aggregate costs of RM5,018,000 (2017: RM7,317,000) of which RM665,000 (2017: RM3,344,000) were acquired by means of finance lease arrangements.

(c) The Group's certain land and buildings with net carrying amounts of RM4,044,000 (2017: RM5,146,000) are pledged to secure the Group's bank borrowings as disclosed in Note 27. Certain property, plant and equipment of the Group with net carrying amounts of RM12,622,000 (2017: RM16,017,000) were subject to negative pledges in relation to banking facilities granted to the Group as disclosed in Note 27.

(d) During the financial year, an impairment loss of NIL (2017: RM416,000) was recognised in profits or loss based on the recoverable amounts using value-in-use ("VIU"). The key assumptions used in determining the value in use are disclosed in Note 7.2(f).

17. INVESTMENT PROPERTIES

	Group 2018 RM'000	Group 2017 RM'000
Cost		
At 1 April	**12,423**	11,893
Exchange differences	**(353)**	530
At 31 March	**12,070**	12,423
Accumulated depreciation		
At 1 April	**1,442**	1,139
Depreciation charge for the year (Note 11)	**257**	253
Exchange differences	**(39)**	50
At 31 March	**1,660**	1,442
Net carrying amount	**10,410**	10,981

17. INVESTMENT PROPERTIES (CONT'D)

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2018 RM'000	**2017 RM'000**
Rental income	**605**	656
Direct operating expenses		
- income generating investment properties	**108**	108

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The fair value of the investment property as at 31 March 2018 is approximately RM15,524,000 (2017: RM16,175,000) as disclosed in Note 35.

Certain investment properties of the Group with net carrying amounts of RM698,000 (2017: RM710,000) were subject to negative pledges in relation to banking facilities granted to the Group as disclosed in Note 27.

18. LAND USE RIGHTS

	Group	
	2018 RM'000	**2017 RM'000**
Cost		
At 1 April	**3,670**	3353
Reclassification to asset held for sale (Note 24)	**(780)**	-
Exchange differences	**(341)**	317
At 31 March	**2,549**	3,670
Accumulated depreciation		
At 1 April	**529**	432
Depreciation charge for the year (Note 11)	**69**	71
Reclassification to asset held for sale (Note 24)	**(264)**	-
Exchange differences	**(35)**	26
At 31 March	**299**	529
Net carrying amount	**2,250**	3,141

Short-term leasehold land of the Group with net carrying amount of NIL (2017: RM530,000) was subject to negative pledge in relation to banking facilities granted to the Group as described in Note 27. The land use rights have a remaining tenure ranging from 33 years to 44 years (2017: 34 years to 45 years).

19. INVESTMENT IN SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares, at cost	**80,824**	80,824
Less: Accumulated impairment losses	**(36,131)**	(31,651)
	44,693	49,173

(a) Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2018	Proportion (%) of ownership interest 2017
Subsidiaries of the Company				
Perusahaan Chan Choo Sing Sdn. Bhd.	Malaysia	Manufacturing and sale of apparels	**100**	100
Beauty Electronic Embroidering Centre Sdn. Bhd.	Malaysia	Temporarily ceased operations	**100**	100
Jusca Garments Sdn. Bhd.	Malaysia	Temporarily ceased operations	**100**	100
Keza Sdn. Bhd.*	Malaysia	Property holding	**100**	100
Mega Labels & Stickers Sdn. Bhd.	Malaysia	Temporarily ceased operations	**100**	100
Mega Label (Malaysia) Sdn. Bhd.	Malaysia	Printing and sale of labels and stickers	**100**	100
Thirty Three Trading Sdn. Bhd.*	Malaysia	Temporarily ceased operations	**100**	100
PCCS Garments Limited **	Cambodia	Temporarily ceased operations	**100**	100
JIT Textiles Limited **	Cambodia	Manufacturing of apparels and providing sub-contracting services	**100**	100
PCCS Garments (Suzhou) Ltd. *	The People's Republic of China	Manufacturing and sale of apparels	**100**	100

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2018	2017
Subsidiaries of the Company (Cont'd)				
PCCS (Hong Kong) Limited *	Hong Kong	Trading of apparels	**100**	100
Beauty Apparels (Cambodia) Ltd. **	Cambodia	Temporarily ceased operations	**100**	100
Thirty Three (Hong Kong) Ltd.*	Hong Kong	Investment holding	**100**	100
Perfect Seamless Garments (Cambodia) Ltd. **	Cambodia	Manufacturing of seamless bonding	**51**	51
Subsidiary of Beauty Electronic Embroidering Centre Sdn. Bhd.				
JIT Embroidery Limited **	Cambodia	Temporarily ceased operations	**100**	100
Subsidiary of Thirty Three Trading Sdn. Bhd.				
Beauty Silk Screen (M) Sdn. Bhd.*	Malaysia	Temporarily ceased operations	**100**	100
Subsidiary of Beauty Silk Screen (M) Sdn. Bhd.				
Beauty Silk Screen Limited **	Cambodia	Embroidering of logos, emblems and printing of silk screen products	**100**	100
Subsidiary of PCCS Garments (Suzhou) Ltd.				
PCCS Garments Wuhan Ltd. *	The People's Republic of China	Property holding	**100**	100
Yuxing Apparel Suqian Limited. ***	The People's Republic of China	Winded up	**-**	100
Subsidiary of PCCS (Hong Kong) Limited				
Ample Apparels Limited *	Hong Kong	Trading of apparels	**60**	-

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2018	2017
Subsidiaries of the Company (Cont'd)				
Subsidiary of Thirty Three (Hong Kong) Ltd.				
Thirty Three (Shanghai) Ltd. *	The People's Republic of China	Trading of brand apparels and provide design service	**100**	100
Subsidiary of Mega Labels & Stickers Sdn. Bhd.				
Mega Labels & Stickers (Cambodia) Co., Ltd. **	Cambodia	Printing and sale of labels and stickers and manufacturing of elastic bands and related products	**100**	100
Subsidiary of Keza Sdn. Bhd.				
Keza (Cambodia) Limited **	Cambodia	Temporarily ceased operations	**100**	100

* Audited by firms other than Ernst & Young, Malaysia and member firm of Ernst & Young Global in Cambodia

** Audited by member firm of Ernst & Young Global in Cambodia

*** These companies are not audited. For consolidation purposes, the companies are consolidated based on management financial statements which are reviewed by Ernst & Young.

(b) Winding up of subsidiary

On 24 November 2017, the subsidiary of the Company, PCCS Garments (Suzhou) Limited, wound up a wholly-owned subsidiary company in China,namely Yuxing Apparel Suqian Limited ("YASL").

(c) Acquisition of non-controlling interests

On 21 June 2017, PCCS (Hong Kong) Limited ("PHKL"), a wholly owned subsidiary of the Company, acquired additional 20% equity interest in Ample Apparels Limited ("AAL") from its non-controlling interests for a total cash consideration of HKD20,000. As a result from this acquisition, AAL becomes a 60% subsidiary of PHKL. The principal activity of AAL is trading of apparels.

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Impairment loss on investment in subsidiaries

During the financial year, an impairment loss of RM4,480,000 (2017: RM17,162,000) was recognised in statement of comprehensive income based on the recoverable amounts using value-in-use ("VIU"). The key assumptions used in determining the value in use are disclosed in Note 7.2(f).

Reversal of impairment loss on investment in a subsidiary, PCCS Garments (Suzhou) Ltd., of NIL (2017: RM6,989,000) was made.

20. INVESTMENT IN ASSOCIATE

	Group 2018 RM'000	Group 2017 RM'000
Unquoted shares, at cost:		
- Outside Malaysia	-	21

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2018	Proportion (%) of ownership interest 2017
Held through PCCS (Hong Kong) Limited				
Ample Apparels Limited	Hong Kong	Trading of apparels	-	40

On 21 June 2017, Ample Apparels Limited became a subsidiary of PCCS (Hong Kong) Limited subsequent to the acquisition of additional 20% equity interest as mentioned in Note 19(c).

21. INVENTORIES

	Group 2018 RM'000	Group 2017 RM'000
Cost		
Raw materials	**15,679**	27,487
Work-in-progress	**8,448**	12,572
Finished goods	**24,499**	20,761
	48,626	60,820
Net realisable value		
Raw materials	**-**	359
Finished goods	**567**	440
	49,193	61,619

The amount of inventories recognised as an expense in cost of sales of the Group is RM361,538,000 (2017: RM402,851,000).

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Trade receivables				
Third parties	**90,854**	118,166	**-**	-
Less: Allowance for impairment	**(5)**	(5)	**-**	-
Trade receivables, net	**90,849**	118,161	**-**	-
Other receivables				
Due from subsidiaries	**-**	-	**31,972**	22,074
Refundable deposits	**943**	1,335	**-**	6
Sundry receivables	**10,943**	2,758	**3**	-
	11,886	4,093	**31,975**	22,080
Less: Allowance for impairment	**(625)**	(810)	**(23,419)**	(19,134)
	11,261	3,283	**8,556**	2,946
	102,110	121,444	**8,556**	2,946
Total trade and other receivables	**102,110**	121,444	**8,556**	2,946
Add: Cash and bank balances (Note 25)	**51,160**	36,127	**19,229**	5,760
Total loans and receivables	**153,270**	157,571	**27,785**	8,706

(a) Trade receivables

The Group's normal trade credit term ranges from 15 to 120 (2017: 15 to 120) days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

22. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group 2018 RM'000	Group 2017 RM'000
Neither past due nor impaired	**55,620**	84,112
1 to 30 days past due not impaired	**26,868**	29,823
31 to 60 days past due not impaired	**4,709**	3,126
61 to 90 days past due not impaired	**1,840**	783
91 to 120 days past due not impaired	**1,058**	144
More than 121 days past due not impaired	**754**	173
	35,229	34,049
Impaired	**5**	5
	90,854	118,166

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM35,229,000 (2017: RM34,049,000) that are past due at the reporting date but not impaired. The directors are of the opinion that the receivables are collectible in view of long term business relationships with the customers. These receivables are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group 2018 RM'000	Group 2017 RM'000
Trade receivable - nominal amounts	**5**	5
Less: Allowance for impairment	**(5)**	(5)
	-	-

22. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

Movement in allowance accounts:

	Group 2018 RM'000	Group 2017 RM'000
At 1 April	**5**	48
Charge for the year (Note 11)	**5**	5
Written off	**(5)**	(54)
Exchange difference	**-**	6
At 31 March	**5**	5

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Related party balances

Amounts due from subsidiaries are non-interest bearing, unsecured and repayable on demand.

(c) Other receivables

Other receivables that are impaired

Movement in allowance accounts:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
At 1 April	**810**	1,659	**19,134**	19,454
Charge for the year (Note 11)	**6**	16	**4,285**	-
Written off	**(103)**	(935)	**-**	(320)
Exchange difference	**(88)**	70	**-**	-
At 31 March	**625**	810	**23,419**	19,134

23. OTHER CURRENT ASSETS

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Prepaid operating expenses	**4,521**	3,506	**27**	28
Value added tax recoverable	**3,500**	3,267	**-**	-
	8,021	6,773	**27**	28

24. ASSET HELD FOR SALE

On 5 February 2018, a subsidiary of the Company, Perusahaan Chan Choo Sing Sdn Bhd entered into a sales and purchase agreement with Harta Packaging Industries Sdn Bhd ("the Purchaser") to dispose off a factory building and land use rights ("the Property'"). The property is located at PLO 10, No. 8, 8-1, 8-2, Jalan Padi Ria, Kawasan Perindustrian Parit Raja, 86400 Parit Raja, Johor Darul Takzim.

The sales was made with a consideration of RM8,500,000 and signed with a special condition, where risk of the property shall be transferred to the Purchaser upon full payment date, i.e 3 months from the day the Purchaser's solicitors receive the original State Authority's Consent. As the risk of the property was not transferred to the Purchaser as at year end, the Property is classified as asset held for sale. The carrying amount of the asset held for sale is as below:

	Group 2018 RM'000
Cost	
Reclassification from property, plant and equipment (Note 16)	**5,959**
Reclassification from land use rights (Note 18)	**780**
	6,739
Accumulated depreciation	
Reclassification from property, plant and equipment (Note 16)	**2,542**
Reclassification from land use rights (Note 18)	**264**
	2,806
Net carrying amount	**3,933**

25. CASH AND BANK BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash on hand and at banks	**51,160**	33,348	**19,229**	3,487
Deposits with banks	**-**	2,779	**-**	2,273
Cash and bank balances	**51,160**	36,127	**19,229**	5,760
Bank overdrafts (Note 27)	**(199)**	(1,286)	**-**	-
Cash and cash equivalents	**50,961**	34,841	**19,229**	5,760

Deposit with a licensed bank amounting to NIL (2017: RM5,000) is held in trust by a director.

Bank balances of the Group amounting to RM9,000 (2017: RM9,000) are held in trust by managerial staff of the Group.

25. CASH AND BANK BALANCES (CONT'D)

The weighted average effective interest rates and average maturities of deposits at the reporting date were as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Weighted average effective interest rates (%)	-	3.12	-	3.20
Average maturities (days)	-	31	-	31

26. DISCONTINUED OPERATIONS

In financial year ended 31 March 2017, the Company disposed of its subsidiaries, Shern Yee Garments Sdn. Bhd. ("SY") and Global Apparels Limited ("GAL") for a consideration of RM1. The assets and liabilities of SY and GAL have been de-consolidated and the results from these subsidiaries are presented separately on the statements of comprehensive income as discontinued operations.

The results of the disposal companies are disclosed under discontinued operations in the current financial year and the comparative results have been restated accordingly.

Statements of comprehensive income disclosures

The results of the disposal companies for the year ended 31 March are as follows:

	Note	Group 2017 RM'000
Revenue	26(a)	27,776
Cost of sales		(28,014)
Gross loss		(238)
Other income	26(b)	219
Administrative expenses		(6,776)
Selling and distribution expenses		(1,470)
Loss from operations		(8,265)
Finance costs	26(c)	(333)
Loss before tax from discontinued operations	26(d)	(8,598)
Income tax expenses	26(g)	(1,751)
Loss from discontinued operations, net of tax		(10,349)

(a) Revenue

	Group 2017 RM'000
Sales of goods	27,776

26. DISCONTINUED OPERATIONS (CONT'D)

Statements of comprehensive income disclosures (Cont'd)

(b) Other income

	Group 2017 RM'000
Sales of stock lots	7
Sundry income	212
	219

(c) Finance costs

	Group 2017 RM'000
Interest expense on:	
- bank loans and bank overdrafts	333

(d) Loss before tax from discontinued operations

The following items have been included in arriving at loss before tax:

	Group 2017 RM'000
Auditors' remuneration	
- Statutory audit	
Company's auditors	22
Employee benefits expense (Note 26(e))	8,595
Depreciation of property, plant and equipment (Note 16)	355
Loss on foreign exchange	
- Unrealised	117
Minimum operating lease payments:	
- Land and buildings	681
Property, plant and equipment written off	2,277

26. DISCONTINUED OPERATIONS (CONT'D)

Statements of comprehensive income disclosures (Cont'd)

(e) Employee benefits expense

The details of remuneration receivable by directors of the disposed companies during the year are as follows:

	Group 2017 RM'000
Executive directors (Note 26(f))	
Executive directors of the disposed companies	375
Other staff	
Wages and salaries	7,931
Other related costs	289
	8,220
	8,595

(f) Directors' remuneration

The details of remuneration receivable by directors of the disposed companies during the year are as follows:

	Group 2017 RM'000
Directors of the disposed companies	
Executive (Note 26(e)):	
- Salaries and other emoluments	375

(g) Income tax expense

Reconciliation between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the year ended 31 March are as follows:

	Group 2017 RM'000
Loss before tax	(8,598)
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(2,064)
Different tax rates in other countries	(262)
Adjustments:	
Effect of expenses not deductible for tax purposes	575
Income tax expense recognised in profit or loss	(1,751)

26. DISCONTINUED OPERATION (CONT'D)

Statements of cash flows disclosures

The cash flows attributable to the disposal companies are as follows:

	Group 2017 RM'000
Operating activities	(1,467)
Investing activities	2,424
Financing activities	(2,936)
Net cash outflows from discontinued operations	(1,979)

Effects of disposal on financial position

	Company 2017 RM'000
Trade and other receivables	5,380
Cash and bank balances	99
Trade and other payables	(2,435)
Current tax payable	(3,044)
Net assets disposed	-
Total disposal proceeds	-*
Loss on disposal	-
Disposal proceeds settled by:	
Cash	-*
Cash inflow arising on disposals:	
Cash consideration	-*
Cash and cash equivalents of subsidiaries disposed	(99)
Net cash outflows on disposal	(99)

*The Group disposed off the subsidiaries for a total consideration of RM1.00.

27. LOANS AND BORROWINGS

	Interest rates per annum 2018	Interest rates per annum 2017	Maturity	Group 2018 RM'000	Group 2017 RM'000
Current					
Unsecured:					
Bank overdrafts (Note 25)	**8.40%**	8.15%	On demand	**199**	1,286
Revolving credit	**6.44%**	6.08%	2019	**13,493**	21,760
Bankers' acceptances	**4.59%-5.09%**	4.56%-4.76%	2019	**4,820**	3,006
Trade loan	**3.21%**	2.41%	2019	**3,434**	6,050
Trust receipts	**6.47%**	5.23%	2019	**29,063**	35,648
RM bank loan	**5.00%**	5.00%	2019	**316**	276
				51,325	68,026
Secured:					
Obligations under finance lease (Note 34(c))	**2.32%-3.45%**	2.58-3.45%	2019	**1,181**	1,131
Revolving credit	**6.44%**	6.08%	2019	**1,923**	2,215
Bill financing	**3.50%**	3.50%	2019	**1,757**	24,179
Trust receipts	**6.47%**	5.23%	2019	**2,205**	1,616
				7,066	29,141
				58,391	97,167
Non-current					
Unsecured:					
RM bank loan	**5.00%**	5.00%	2020	**198**	514
				198	514
Secured:					
Obligations under finance lease (Note 34(c))	**2.32%-3.45%**	2.58-3.45%	2020-2022	**2,184**	2,736
				2,382	3,250
Total loans and borrowings				**60,773**	100,417

27. LOANS AND BORROWINGS (CONT'D)

The remaining maturities of the loans and borrowings at reporting date are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
On demand or within one year	**58,391**	97,167
More than 1 year and less than 2 years	**1,141**	1,316
More than 2 years and less than 5 years	**1,241**	1,934
	60,773	100,417

Obligations under finance leases

Those obligations are secured by a charge over the leased assets (Note 16).

Bank overdrafts

Bank overdrafts denominated in RM.

The secured and unsecured loans and borrowings of the Group are guaranteed by the Company and with negative pledges over certain assets of the Group as disclosed in Note 16, Note 17 and Note 18.

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current				
Trade payables				
Third parties	**47,982**	67,922	**-**	-
Other payables				
Due to subsidiaries	**-**	-	**2,828**	8,445
Sundry payables and accruals	**37,686**	40,325	**5,232**	8,458
	37,686	40,325	**8,060**	16,903
Total trade and other payables	**85,668**	108,247	**8,060**	16,903
Add: Loans and borrowings (Note 27)	**60,773**	100,417	**-**	-
Total financial liabilities carried at amortised cost	**146,441**	208,664	**8,060**	16,903

(a) Trade payables

Trade payables are non-interest bearing and the normal trade terms granted to the Group ranges from 30 to 90 (2017: 30 to 90) days.

(b) Other payables

Other payables are non-interest bearing and the normal trade terms granted to the Group and the Company ranges from 30 to 90 (2017: 30 to 90) days.

(c) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest free and are repayable on demand.

29. DEFERRED TAXATION

	Group 2018 RM'000	Group 2017 RM'000
At 1 April	**549**	(89)
Recognised in profit or loss (Note 14)	**(440)**	638
At 31 March	**109**	549

Presented after appropriate offsetting as follows:

	Group 2018 RM'000	Group 2017 RM'000
Deferred tax assets	**(2,265)**	(2,512)
Deferred tax liabilities	**2,374**	3,061
	109	549

The components and movements of deferred tax (assets)/liabilities during the financial year are as follows:

	Unutilised reinvestment allowances, allowance for increased exports, tax losses and unabsorbed capital allowances RM'000	Others RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 April 2016	(1,794)	(208)	1,913	(89)
Recognised in profit or loss	8	(518)	1,148	638
At 31 March 2017	(1,786)	(726)	3,061	549
Recognised in profit or loss	289	(42)	(687)	(440)
At 31 March 2018	**(1,497)**	**(768)**	**2,374**	**109**

Deferred tax assets have not been recognised in respect of the following items:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Unutilised tax losses	**7,668**	4,059	**2,518**	643
Unutilised reinvestment allowances	**1,525**	1,525	**-**	-
Unabsorbed capital allowances	**2,055**	835	**-**	-
Unutilised allowance for increased exports	**7,971**	7,971	**-**	-
Others	**2,027**	865	**-**	-

30. SHARE CAPITAL

	Number of ordinary shares '000	Amount RM'000
At 1 April 2017, 31 March 2017 and 1 April 2018		
Issued and fully paid	60,012	60,012
Issuance of share via rights issue	150,030	23,622
Transition to no-par value regime	-	4
At 31 March 2018	**210,042**	**83,638**

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

Effective from 31 January 2017, the Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit balance of share premium become a part of the Company's share capital persuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(4) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of the member as a result of this transition.

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM60,012,002 to RM83,638,472 by way of rights issue of 150,030,005 ordinary share. The shares are issued on the basis of 5 right shares for every 2 existing shares at an issue price of RM0.20 per right share, together with 90,017,957 free detachable warrants on the basis of three (3) warrants for every five (5) right shares subscribed for.

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

31. OTHER RESERVES

(a) Warrants reserve

The warrants are issued at no cost to the entitled shareholders who subscribed for the rights shares. The exercise price of the warrants is RM0.60, and the warrants are constituted by the Deed Poll.

Salient terms of the warrants are as follow:

(i) Each warrants carries the entitlement to subscribe for 1 new share at any time during the exercise period at the exercise price (subject to adjustments in accordance with the provisions of the Deed Poll).

(ii) The warrants may be exercised at any time within 5 years commencing on and including the date of issuance of the warrants until 5.00 p.m. on the expiry date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

31. OTHER RESERVES (CONT'D)

(a) Warrants reserve (Cont'd)

(iii) The expiry date of the warrants is the day falling 5 years from and including the date of issue of the warrants, and if such date is not a market day, then on the preceding market day.

(iv) For the purpose of trading on Bursa Securities, 1 board lot of warrants shall comprise 100 warrants carrying the rights to subscribe for 100 new shares at any time during the exercise period, or such other denomination as determined by Bursa Securities from time to time.

(v) The new shares issued pursuant to the exercise of the warrants are not entitled to any dividends, rights, allotments and/or distributions. The warrant holders are not entitled to vote in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless and until the warrant holders become shareholders of the Company by exercising their warrants into new shares.

(vi) The Deed Poll and accordingly the warrants, are governed by and shall be construed in accordance with the laws of Malaysia.

The movements in the Company's number of shares under warrants during the financial year are as follows:

	Number of warrants of RM0.60 each			
	1.4.2017 '000	Issued '000	Exercised '000	31.3.2018 '000
Number of unissued shares under warrants	-	90,018	-	**90,018**

(b) Foreign exchange reserve

The foreign exchange reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Legal reserve fund

This represents a general reserve provided for in respect of subsidiaries incorporated in Cambodia and The People's Republic of China.

Under the Company Statute of subsidiaries in Cambodia, 5% of the net profit after taxation in each financial year must be credited to this reserve, until it reaches 10% of the paid up capital.

In The People's Republic of China, a portion of the profit must be credited to this reserve, until the amount of reserve funds equals to 50% of the registered capital of the subsidiaries.

32. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings under the single tier system.

33. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

Subsidiaries:
- Perusahaan Chan Choo Sing Sdn. Bhd. ("PCCSSB")
- Mega Label (Malaysia) Sdn. Bhd. ("MEGAM")
- Beauty Silk Screen Limited. ("BSSL")
- JIT Textiles Limited ("JTL")
- PCCS (Hong Kong) Limited ("PHKL")
- Beauty Electronic Embroidering Centre Sdn. Bhd. ("BEEC")
- Keza Sdn. Bhd. ("Keza")
- Mega Labels & Stickers Sdn. Bhd. ("Mega")

	Company	
	2018	**2017**
	RM'000	**RM'000**
Transactions with subsidiaries:		
Management fees received from:		
- PCCSSB	-	600
- MEGAM	-	750
- BSSL	-	160
- JTL	-	160
- PHKL	-	120
Dividend received from:		
- BEEC	**2,000**	-
- Keza	**1,630**	-
- Mega	**2,046**	-

(b) Compensation of key management personnel

The remuneration of key management personnel comprising solely executive directors is disclosed in Note 13.

34. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
In respect of capital expenditure:		
- Approved and but not contracted for	**4,435**	266

34. COMMITMENTS (CONT'D)

(b) Operating lease commitments - as lessee

The Group has entered into a non-cancellable operating lease agreement for the use of land and buildings. The lease is for a period of 2 to 5 years with a renewal option included in the contract. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Future minimum rentals payables:		
Not later than 1 year	**3,805**	3,757
Later than 1 year and not later than 2 years	**2,737**	3,226
Later than 2 years and not later than 5 years	**6,723**	7,309
Later than 5 years	**7,918**	8,158
	21,183	22,450

(c) Finance lease commitments

	Group	
	2018 RM'000	**2017 RM'000**
Minimum lease payments:		
Not later than 1 year	**1,342**	1,288
Later than 1 year and not later than 2 years	**1,074**	1,144
Later than 2 years and not later than 5 years	**1,423**	2,001
	3,839	4,433
Less: Amounts representing finance charges	**(474)**	(566)
Present value of minimum lease payments	**3,365**	3,867
Present value of payments:		
Not later than 1 year	**1,181**	1,131
Later than 1 year and not later than 2 years	**943**	1,001
Later than 2 years and not later than 5 years	**1,241**	1,735
	3,365	3,867
Analysed as:		
Due within 12 months (Note 27)	**1,181**	1,131
Due after 12 months (Note 27)	**2,184**	2,736
	3,365	3,867

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	22
Trade and other payables (current)	28
Loans and borrowings (current)	27

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Inputs that are based on observable market data, either directly or indirectly

Level 3: Inputs that are not based on observable market data

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Fair value hierarchy (Cont'd)

	Total RM'000	Quoted prices in active market (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Group				
As at 31 March 2018				
Assets for which fair values are disclosed:				
Investment properties (Note 17)	**15,524**	**-**	**-**	**15,524**
As at 31 March 2017				
Assets for which fair values are disclosed:				
Investment properties (Note 17)	16,175	-	-	16,175

For investment properties under Level 3, the Company used the fair value which has been determined based on valuation performed during the year. The valuation techniques is based on open market value basis.

During the reporting period ended 31 March 2018 and 2017, there were no transfers between the various fair value measurements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks and ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and foreign exchange currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade and other receivables and trade and other payables.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates. Exposure to the risk of changes in market interest rates relates primarily to the long-term debt obligations with floating interest rates.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

Interest rate risk arises primarily from interest-bearing borrowings. Interest rate exposure is managed by maintaining a balanced mix of fixed and floating rate borrowings and regular reviews of its debt portfolio.

Information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates based on the utilisation of floating rate loans and borrowings throughout the reporting period. With all other variables held constant, the Group's profit/(loss) before tax is affected through the impact on floating rate borrowings, as follows:

	Effect on Group's profit/(loss) before tax	
	2018	**2017**
	RM'000	**RM'000**
Increase in 10 basis points	**(61)**	(100)
Decrease in 10 basis points	**61**	100

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Exposure to the risk of changes in foreign exchange rates relates primarily to the operating activities when revenue or expense is denominated in a foreign currency other than the functional currency of the operations to which they relate.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (Cont'd)

(ii) Foreign currency risk (Cont'd)

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	Net financial assets/(liabilities) held in non-functional currencies		
	Ringgit Malaysia RM'000	United States Dollars RM'000	Total RM'000
Functional currency of the Group			
Group			
At 31 March 2018			
Ringgit Malaysia	**-**	**(2,595)**	**(2,595)**
Chinese Renminbi	**-**	**4,206**	**4,206**
United States Dollars	**(21)**	**-**	**(21)**
Hong Kong Dollars	**-**	**7,824**	**7,824**
	(21)	**9,435**	**9,414**
At 31 March 2017			
Ringgit Malaysia	-	2,711	2,711
Chinese Renminbi	-	9,317	9,317
United States Dollars	41	-	41
Hong Kong Dollars	-	(10,490)	(10,490)
	41	1,538	1,579

	United States Dollars RM'000	Chinese Renminbi RM'000	Total RM'000
Functional currency of Company			
Company			
At 31 March 2018			
Ringgit Malaysia	**1,648**	**7,946**	**9,594**
At 31 March 2017			
Ringgit Malaysia	4,669	6,786	11,456

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (Cont'd)

(ii) Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
	Profit/(loss) before tax		**Loss before tax**	
USD/RM				
- strengthened 5%	**(130)**	136	**82**	233
- weakened 5%	**130**	(136)	**(82)**	(233)
USD/RMB				
- strengthened 5%	**210**	466	**-**	-
- weakened 5%	**(210)**	(466)	**-**	-
USD/HKD				
- strengthened 5%	**391**	(524)	**-**	-
- weakened 5%	**(391)**	524	**-**	-
RM/USD				
- strengthened 5%	**(1)**	2	**-**	-
- weakened 5%	**1**	(2)	**-**	-
RMB/RM				
- strengthened 5%	**-**	-	**397**	339
- weakened 5%	**-**	-	**(397)**	(339)

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy 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 with the result that the Group's exposure to bad debts is not significant.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (Cont'd)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position, with positive fair values.

- A nominal amount of RM56,893,000 (2017: RM95,792,000) relating to a corporate guarantee provided by the Company to financial institutions for credit facilities granted to subsidiaries.

Credit risk concentration profile

At the reporting date, the Group has significant concentration of credit risk that may arise from exposure three (2017: three) customers who accounted for 72% (2017: 73%) of total trade receivables. The directors believe that this will not create significant credit risk for the Group in view of the length of relationship with these customers and the Group works closely with its customers to provide customer satisfaction through timely delivery and the provision of high quality products and services at competitive cost.

At the reporting date, the Company has significant concentration of credit risk that may arise from exposures to amounts due from its subsidiaries which account for 100% (2017: 100%) of the gross receivables of the Company. The directors believe that this does not create significant impact for the Company in view of the fact that the directors have direct participation and influential power in the management of these counterparties.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company raise committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2018 RM'000		
	On demand or within one year	One to five years	Total
Group			
Financial liabilities:			
Trade and other payables	**85,668**	**-**	**85,668**
Loans and borrowings	**58,552**	**2,695**	**61,247**
Total undiscounted financial liabilities	**144,220**	**2,695**	**146,915**
Company			
Financial liabilities:			
Other payables	**8,060**	**-**	**8,060**
Financial guarantee contracts *	**168,910**	**-**	**168,910**
Total undiscounted financial liabilities	**176,970**	**-**	**176,970**

	2017 RM'000		
	On demand or within one year	One to five years	Total
Group			
Financial liabilities:			
Trade and other payables	108,247	-	108,247
Loans and borrowings	97,324	3,659	100,983
Total undiscounted financial liabilities	205,571	3,659	209,230
Company			
Financial liabilities:			
Other payables	16,903	-	16,903
Financial guarantee contracts *	301,704	-	301,704
Total undiscounted financial liabilities	318,607	-	318,607

* Based on the maximum amount that can be called for under financial guarantee contract.

37. CAPITAL MANAGEMENT

The main objective of the Group's capital management is to ensure that it maintains a healthy capital ratio to support its operations and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 March 2018 and 31 March 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances.

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loans and borrowings	27	**60,773**	100,417	**-**	-
Trade and other payables	28	**85,668**	108,247	**8,060**	16,903
Less: - Cash and bank balances	25	**(51,160)**	(36,127)	**(8,060)***	(5,760)
Net debt		**95,281**	172,537	**-**	11,143
Equity attributable to owners of the Company		**125,210**	86,513	**63,629**	41,135
Capital and net debt		**220,491**	259,050	**63,629**	52,278
Gearing ratio		**43%**	67%	**0%**	21%

* Restricted to cash and bank balances

38. SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i) Apparel - manufacturing and marketing of apparels.
(ii) Labelling - printing of labels and stickers.
(iii) Others - investment holding and provision for management services, manufacturing of seamless bonding embroidering of logos and emblems, printing and marketing of silk screen printing products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal ordinary course of business and have been established on negotiated and mutually agreed basis.

38. SEGMENTAL INFORMATION (CONT'D)

	← Continuing Operations →			Discontinued Operation	Adjustments and elimination	Notes	Per consolidated financial statements
	Apparel RM'000	Labelling RM'000	Others RM'000	Apparel RM'000	RM'000		RM'000
31 March 2018							
Revenue:							
External sales	448,992	60,877	19,095	-	-		528,964
Inter-segment sales	90,698	3,062	10,893	-	(104,653)	A	-
Total revenue	539,690	63,939	29,988	-	(104,653)		528,964
Results:							
Interest income	484	242	82	-	(687)		121
Finance cost	4,712	691	-	-	(687)		4,716
Depreciation and amortisation:							
- Property, plant and equipment	3,265	3,547	848	-	(84)		7,576
- Investment properties	252	-	3	-	2		257
- Land use rights	21	48	-	-	-		69
Segment profit/(loss)	14,215	4,174	(6,804)	-	(1,608)	B	9,977
Assets:							
Additions to non-current assets	2,623	1,916	534	-	(55)	C	5,018
Segment assets	211,878	88,483	103,039	-	(117,347)	D	286,053
Segment liabilities	193,530	49,604	30,659	-	(115,186)	E	158,607

38. SEGMENTAL INFORMATION (CONT'D)

	Continuing Operations			Discontinued Operation	Adjustments and		Per consolidated financial
	Apparel RM'000	Labelling RM'000	Others RM'000	Apparel RM'000	elimination RM'000	Notes	statements RM'000
31 March 2017							
Revenue:							
External sales	418,029	48,688	17,636	-	-		484,353
Inter-segment sales	155,237	4,615	12,973	27,776	(200,601)	A	-
Total revenue	573,266	53,303	30,609	27,776	(200,601)		484,353
Results:							
Interest income	1,361	204	79	-	(1,451)		193
Finance cost	6,078	568	1	333	(1,567)		5,413
Depreciation and amortisation:							
- Property, plant and equipment	4,761	3,271	947	355	(178)		9,156
- Investment properties	248	-	3	-	2		253
- Land use rights	22	-	49	-	-		71
Segment profit/(loss)	(1,112)	3,118	(37,674)	(8,265)	48,467	B	4,534
Assets:							
Additions to non-current assets	2,340	7,382	3,517	250	(6,172)	C	7,317
Segment assets	260,422	87,515	98,120	5,479	(142,674)	D	308,862
Segment liabilities	256,684	49,569	44,392	5,479	(135,774)	E	220,350

38. SEGMENTAL INFORMATION (CONT'D)

A Inter-segment revenues are eliminated on consolidation.

B The following items are added to/(deducted from) segment profit/(loss) to arrive at "profit/(loss) before tax" presented in the consolidated statement of comprehensive income.

	2018 RM'000	2017 RM'000
Impairment loss on investment in subsidiaries	**4,480**	18,317
Impairment loss on trade and other receivables	**4,285**	30,125
Reversal of allowance for impairment of investment in subsidiaries	**-**	(6,989)
Reversal of impairment loss on trade and other receivables	**(3,220)**	(3,178)
Segment results of discontinued operation	**-**	8,265
Profit from inter-segment sales	**(7,153)**	(1,149)
	(1,608)	45,391

C Inter-segment addition to non-current assets are deducted from addition to non-current assets.

Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment	**5,018**	7,317

D Inter-segment assets are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position.

E Inter-segment liabilities are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	**109,149**	111,978	**27,976**	33,982
Cambodia	**72,397**	70,535	**19,467**	24,050
The People's Republic of China	**281,250**	240,871	**24,141**	24,737
Hong Kong	**66,168**	60,969	**52**	130
	528,964	484,353	**71,636**	82,899

38. SEGMENTAL INFORMATION (CONT'D)

Geographical information (Cont'd)

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2018 RM'000	2017 RM'000
Property, plant and equipment	**58,976**	68,756
Investment properties	**10,410**	10,981
Land use rights	**2,250**	3,141
Investment in associates	**-**	21
	71,636	82,899

Information about a major customer

Revenue from one major customer amounted to RM216,640,000 (2017: RM146,210,000), arising from sales by the apparel segment.

39. SUBSEQUENT EVENTS

On 20 June 2018, a wholly-owned subsidiary of the Company, Keza Sdn Bhd, incorporated a wholly-owned subsidiary company in Cambodia, known as Wan He Da Manufacturing Company Limited ("WHD"), with a registered capital of USD2,200,000 divided into 2,200 shares of USD1,000 per share. The principal activity of WHD is manufacturing of garments.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors on 23 July 2018.

GROUP PROPERTIES

As at 31 March 2018

No.	Location	Description and Existing Use	Tenure	Land Area (build-up area) sq. ft.	Age of Building No. of Years	Net Book Value RM'000	Date of Acquisition/ Revaluation*
	Perusahaan Chan Choo Sing Sdn Bhd						
1	No. 18, Jalan Keris Naga, Taman Pasifik Selatan, 83000 Batu Pahat, Johor, Malaysia.	4 Storey Building Complex	Freehold	6,056 (13,946)	25	698	04/04/1994*
2	Plo 10, Kawasan Perindustrian Parit Raja, 86400 Parit Raja, Batu Pahat, Johor, Malaysia. ø	3 Blocks Office and Factory Buildings	Leasehold expiring 10/09/2051	114,127 (82,720)	22	3,933	21/04/1995
3	Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor, Malaysia.	Office and Factory Building	Freehold	185,130# (88,000)	20	7,734	12/12/1997
4	Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor, Malaysia.	2 Blocks of Hostel Building	Freehold	74,104 (148,844)	15	3,413	31/03/2004
	ø Asset held for sale - Item 2						
	# Including 74,104 sq ft for Hostel - Item 4						
	Keza Sdn Bhd						
5	No. 11A, Jalan 3, Taman Perindustrian Sinaran, 86000 Kluang, Johor, Malaysia.	Factory Building	Freehold	2,002 (2,000)	19	110	04/09/2007
	Mega Label (Malaysia) Sdn Bhd						
6	No. 4, Jalan Palam 34/18A, Seksyen 34, 40470 Shah Alam, Selangor Darul Ehsan, Malaysia.	2 Storey Office cum 1 Storey Factory	Freehold	22,593 (14,936)	7	4,044	28/12/2010

Group Properties
As at 31 March 2018

No.	Location	Description and Existing Use	Tenure	Land Area (build-up area) sq. ft.	Age of Building No. of Years	Net Book Value RM'000	Date of Acquisition/ Revaluation*
	PCCS Garments (Suzhou) Ltd						
7	North Side of Road 318, Jin Xing Village, Zhen Ze Town Development Zone, 215231 Zhen Ze ,Wu Jiang City, Jiang Su Province, China.	Office and Factory Building	Leasehold expiring 3/11/2052	162,497 (128,325)	16	8,185	28/08/2008
		1 Block of Dormitory	Leasehold expiring 27/7/2058	23,509 (28,710)	10	1,711	21/08/2008
8	Room 203,205 & 206, 2nd Floor, Shanghai Western Business District C-2, No.31, Lot 1555, Jing Sha Jiang Xi Road, Jia Ding Area, Shanghai, China 201803	3 units Office Lot cum 3 units car park	Leasehold expiring 13/9/2056	10,570 (9,462)	5	7,370	30/04/2013
	PCCS Garments Wuhan Ltd						
9	Room 3, 28th Floor, 1st Block, Time Square, Yan Jiang Road No. 159, Jiang An Area, Wuhan City, Hubei Province, China.	1 unit Office Lot	Leasehold expiring 1/3/2053	1,939 (1,939)	14	2,232	09/09/2010
	Mega Labels & Stickers (Cambodia) Co., Ltd.						
10	P2-067, Phnom Penh Special Economic Zone, Sangkat Kantouk, Sangkat Phleung Chhe Rotes, and Sangkat Beung Thom, Khan Por Senchey, Phnom Penh, Cambodia.	2 Blocks of 2 Storey Office and Factory Building	Leasehold expiring 22/7/2062	61,785 (42,614)	6	4,940	23/07/2012
11	P2-068, Phnom Penh Special Economic Zone, Sangkat Kantouk, Sangkat Phleung Chhe Rotes, and Sangkat Beung Thom, Khan Por Senchey, Phnom Penh, Cambodia.	Factory Building	Leasehold expiring 12/9/2062	56,145 (25,663)	3	2,379	12/09/2012

ANALYSIS OF SHAREHOLDINGS

As at 29 June 2018

Total Issued Share Capital	:	210,042,007 shares
Class of Shares	:	Ordinary Shares
Voting rights	:	One (1) vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	266	9.68	12,894	0.01
100 – 1,000	189	6.88	138,419	0.07
1,001 – 10,000	1,405	51.13	5,749,032	2.73
10,001 – 100,000	758	27.58	26,885,572	12.80
100,001 – 10,502,099 (*)	128	4.66	68,270,984	32.50
10,502,100 and above (**)	2	0.07	108,985,106	51.89
TOTAL	**2,748**	**100.00**	**210,042,007**	**100.00**

REMARK: * Less than 5% of issued holdings
** 5% and above of issued holdings

LIST OF SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of PCCS (holding 5% or more of the capital) based on the Register of Substantial Shareholders of the Company are as follows:

	Direct Interest		Indirect Interest	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Chan Choo Sing	-	-	108,985,106 (1)	51.89
Chan Chow Tek	5,222,750	2.49	24,000,078 (2)	11.43
Tan Kwee Kee	-	0.00	108,985,106 (3)	51.89
Setia Sempurna Sdn. Bhd.	24,000,078	11.43	-	-
CCS Capital Sdn. Bhd.	84,985,028	40.46	-	-
Chan Wee Kiang	-	-	84,985,028 (4)	40.46

Notes:

(1) Deemed interested by virtue of his direct interest of 34.4% in the equity of Setia Sempurna Sdn. Bhd. and 40% in the equity of CCS Capital Sdn. Bhd.

(2) Deemed interested by virtue of his direct interest of 24.4% in the equity of Setia Sempurna Sdn. Bhd.

(3) Deemed interested by virtue of her spouse, Mr. Chan Choo Sing's direct interest of 34.4% in the equity of Setia Sempurna Sdn. Bhd. and by virtue of her direct interest of 20% in the equity of CCS Capital Sdn. Bhd.

(4) Deemed interested by virtue of his direct interest of 30% in the equity of CCS Capital Sdn. Bhd.

LIST OF DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings of PCCS based on the Register of Directors' Shareholdings of the Company are as follows:

Directors	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
Chan Choo Sing	-	-	108,985,106 (1)	51.89
Chan Chow Tek	5,222,750	2.49	24,000,078 (2)	11.43
Dato' Chan Chor Ngiak	1,189,359	0.57	4,665 (3)	negligible
Chan Chor Ang	1,898,225	0.90	140,000 (4)	0.07
Julian Lim Wee Liang	-	-	-	-
Piong Yew Peng	-	-	-	-

Notes:

(1) Deemed interested by virtue of his direct interest of 34.4% in the equity of Setia Sempurna Sdn. Bhd. and 40% in the equity of CCS Capital Sdn. Bhd.

(2) Deemed interested by virtue of his direct interest of 24.4% in the equity of Setia Sempurna Sdn. Bhd.

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

(4) Deemed interested by virtue of his spouse, Madam Chia Lee Kean's shareholdings in the Company.

Analysis of Shareholdings
As at 29 June 2018

THIRTY (30) LARGEST SHAREHOLDERS

No.	Shareholders	Number of Shares	%
1.	CCS Capital Sdn. Bhd.	84,985,028	40.46
2.	Setia Sempurna Sdn. Bhd.	24,000,078	11.43
3.	Pam Yoon Eng	7,303,094	3.48
4.	Chan Chow Tek	5,222,750	2.49
5.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Looi Boon Han	4,582,600	2.18
6.	Siow Kok Chian	3,517,500	1.67
7.	Tan Lee Hwa	1,990,000	0.95
8.	Tan Yue Teck	1,960,600	0.93
9.	Ching Gek Lee	1,900,000	0.90
10.	Chan Chor Ang	1,898,225	0.90
11.	Lim Woon Sze	1,600,000	0.76
12.	Low Hing Noi	1,225,000	0.58
13.	Go Hout Hing	1,214,400	0.58
14.	CIMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tay Ley Chee	1,193,200	0.57
15.	Lim Poh Teot	1,146,866	0.55
16.	Dato' Chan Chor Ngiak	1,118,425	0.53
17.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ooi Chin Hock	1,063,350	0.51
18.	Ooi Chin Hock	894,400	0.43
19.	Gek Lee Enterprise Sdn. Bhd.	875,000	0.42
20.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Looi Boon Han	806,100	0.38
21.	Tan Yue Teck	800,000	0.38
22.	Ban Hock Seng Sdn. Bhd.	780,000	0.37
23.	Au Yong Mun Yue	720,000	0.34
24.	Syarikat Rimba Timur (RT) Sdn. Bhd.	700,000	0.33
25.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for See Kok Wah	664,700	0.32
26.	Maybank Nominees (Tempatan) Sdn. Bhd. Ng Yeow Boo	651,000	0.31
27.	Ho, Wei-Hua	615,600	0.29
28.	SJ Sec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Francis Ho Ik Sing	605,500	0.29
29.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ku Tien Sek	600,000	0.29
30.	Tung Liang Hee	600,000	0.29
		155,233,416	**73.91**

ANALYSIS OF WARRANTHOLDINGS

As at 29 June 2018

Description	:	Warrants
Total Outstanding Warrants	:	90,017,957 Warrants
Maturity Date	:	25 December 2022

ANALYSIS BY SIZE OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 – 99	30	4.36	1,606	0.00
100 – 1,000	18	2.62	7,682	0.01
1,001 – 10,000	297	43.17	1,485,153	1.65
10,001 – 100,000	280	40.69	10,159,718	11.29
100,001 – 4,500,896 (*)	61	8.87	26,039,996	28.93
4,500,897 and above (**)	2	0.29	52,323,802	58.12
TOTAL	**688**	**100.00**	**90,017,957**	**100.00**

REMARK: * Less than 5% of issued holdings
** 5% and above of issued holdings

LIST OF DIRECTORS' WARRANTHOLDINGS

The Directors' Warrantholdings of PCCS are as follows:

Directors	Direct Interest No. of Warrants	Direct Interest %	Indirect Interest No. of Warrants	Indirect Interest %
Chan Choo Sing	-	-	46,707,902 (1)	51.89
Chan Chow Tek	2,250,000	2.50	-	0.00
Dato' Chan Chor Ngiak	509,725	0.57	1,999 (2)	negligible
Chan Chor Ang	813,525	0.90	60,000 (3)	0.07
Julian Lim Wee Liang	-	-	-	-
Piong Yew Peng	-	-	-	-

Notes:
(1) Deemed interested by virtue of his direct interest of 40% in the equity of CCS Capital Sdn. Bhd.
(2) Deemed interested by virtue of his spouse, Datin Mok Gwa Nang's warrantholding in the Company.
(3) Deemed interested by virtue of his spouse, Madam Chia Lee Kean's warrantholding in the Company.

Analysis of Warrantholdings

As at 29 June 2018

THIRTY (30) LARGEST WARRANTHOLDERS

No.	Warrantholders	Number of Warrants	%
1.	CCS Capital Sdn. Bhd.	46,707,902	51.89
2.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Looi Boon Han	5,615,900	6.24
3.	Pam Yoon Eng	3,583,956	3.98
4.	Chan Chow Tek	2,250,000	2.50
5.	Siow Kok Chian	1,507,500	1.67
6.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Looi Boon Han	1,118,700	1.24
7.	Maybank Nominees (Tempatan) Sdn. Bhd. Ng Yeow Boo	1,091,000	1.21
8.	Chan Chor Ang	813,525	0.90
9.	Tan Yue Teck	800,000	0.89
10.	Ching Gek Lee	750,000	0.83
11.	Teo Ah Seng	670,000	0.74
12.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ooi Chin Hock	637,650	0.71
13.	Go Hout Hing	599,000	0.67
14.	Ch'ng Yam Hock	553,600	0.61
15.	Low Hing Noi	525,000	0.58
16.	Dato' Chan Chor Ngiak	479,325	0.53
17.	Ng Siaw Hwa	461,000	0.51
18.	Lim Poh Teot	420,000	0.47
19.	Tang Hoi Yee	400,000	0.44
20.	Gek Lee Enterprise Sdn. Bhd.	375,000	0.42
21.	Tang Boon Heng	368,400	0.41
22.	Vythinathan Donald Thaver	365,500	0.41
23.	CIMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tay Ley Chee	358,020	0.40
24.	Kong Sau Hiong	330,000	0.37
25.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mazlan bin Ahmad	327,350	0.36
26.	Amhami bin Amiludin	300,000	0.33
27.	Ban Hock Seng Sdn. Bhd.	300,000	0.33
28.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yong Chew Keat	300,000	0.33
29.	Rosalind Goh Lee Ling	300,000	0.33
30.	Syarikat Rimba Timur (RT) Sdn. Bhd.	300,000	0.33
		72,608,328	**80.63**

PCCS

PCCS GROUP BERHAD

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

FORM OF PROXY

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

*I/We, ______________________________ Company No./NRIC No. ____________________
(Full Name as per NRIC/Certificate of Incorporation in Capital Letters)

of ____
(Full Address)

being a *Member/Members of PCCS GROUP BERHAD, do hereby appoint ____________________

____ NRIC No. ____________________
(Full Name as per NRIC in Capital Letters)

of ____
(Full Address)

or failing *him/her, ______________________________ NRIC No. ____________________
(Full Name as per NRIC in Capital Letters)

of ____
(Full Address)

or failing *him/her, the CHAIRMAN OF THE MEETING, as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Twenty-Fourth **("24th")** Annual General Meeting of the Company to be held at PCCS Group Berhad's Corporate Office, Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim on Monday, 27 August 2018 at 10:30 a.m. or at any adjournment thereof.

Please indicate with an "X" in the spaces provided below how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

	Resolutions		**For**	**Against**
1.	To re-elect Mr. Julian Lim Wee Liang as Director *(Article 94)*	(Resolution 1)		
2.	To re-elect Mr. Piong Yew Peng as Director *(Article 94)*	(Resolution 2)		
3.	To appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young and to authorise the Directors to fix their remuneration.	(Resolution 3)		
	As Special Business			
4.	Ordinary Resolution - Payment of Directors' Fees	(Resolution 4)		
6.	Ordinary Resolution - Authority to Issue Shares pursuant to the Companies Act 2016	(Resolution 5)		

* Strike out whichever not applicable

Signed this ______________ day of ______________ 2018

____
Signature of Member/Common Seal

Notes:

1. For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 66(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 20 August 2018. Only a depositor whose name appears on the Record of Depositors as at 20 August 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
2. A member of the Company entitled to attend and vote at a meeting of a company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting. Where a holder appoints two (2) proxies, he shall specify the proportions of his shareholdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one (1) securities account (**"omnibus account"**), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or at any adjournment thereof.
7. Any Notice of Termination of Authority to act as Proxy must be received by the Company before the commencement of the General Meeting or at any adjournment thereof, failing which, the termination of the authority of a person to act as proxy will not affect the following in accordance with Section 338 of the Companies Act 2016:-

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

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AFFIX
STAMP

Securities Services (Holdings) Sdn. Bhd. (36869-T)

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

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www.pccsgroup.net

PCCS GROUP BERHAD
(Co. No. 280929-K)

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