

PCCS GROUP BERHAD

[Registration No. 199301026191 (280929-K)]

(Incorporated in Malaysia)

MINUTES OF THE TWENTY-NINTH ANNUAL GENERAL MEETING ("29TH AGM" OR "THE MEETING") OF PCCS GROUP BERHAD ("THE COMPANY" OR "PCCS") HELD AT PCCS' CORPORATE OFFICE, LOT 1376, GM127, MUKIM SIMPANG KANAN, JALAN KLUANG, 83000 BATU PAHAT, JOHOR DARUL TAKZIM ON MONDAY, 28 AUGUST 2023 AT 10:00 A.M.

- DIRECTORS PRESENT** : Mr. Piong Yew Peng (Chairman)
Mr. Chan Wee Kiang (*via tele-conference*)
Mr. Chan Wee Boon
Mr. Chan Chow Tek
Dato' Chan Chor Ngiak
Mr. Chan Chor Ang
Ms. Joyce Wong Ai May
Ms. Goh Wen Ling
- MEMBERS PRESENT** : As per Attendance List
- PROXYHOLDERS PRESENT** : As per Attendance List
- BY INVITATION** : As per Attendance List
- IN ATTENDANCE** : Mr. Lim Lih Chau (*Representing the Company Secretary*)

CHAIRMAN

Mr. Piong Yew Peng ("**the Chairman**") was in the Chair. The Chairman welcomed all present to the 29th AGM of the Company and called the Meeting to order at 10:00 a.m.

The Chairman then proceeded to introduce the Directors, the representative of the Company Secretary and invitee to the shareholders.

QUORUM

The requisite quorum being present pursuant to Clause 94 of the Company's Constitution, the Chairman declared the Meeting duly convened.

PROCEEDINGS

The Chairman informed all present that only members whose names appeared in the Record of Depositors on 21 August 2023 were eligible to attend the Meeting.

The Chairman informed that the Main Market Listing Requirements of Bursa Malaysia Securities Berhad has mandated poll voting for the resolutions set out in the notice of the Meeting.

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The Chairman thereafter exercised his rights as the Chairman of the Meeting pursuant to Section 330 of the Companies Act 2016, demanded for poll be conducted for the resolution which were put forth for voting at the Meeting to demonstrate shareholder democracy of one-share one-vote.

Mr. Lim Lih Chau ("**Mr. Lim**"), the representative of the Company Secretary briefed all present on the proceedings of the Meeting. The voting process for all the resolutions set out in the Notice of the Meeting would be carried out after the discussion of all agenda items of the Meeting.

The Meeting noted that the Share Registrar of the Company, Securities Services (Holdings) Sdn. Bhd. was appointed as the Poll Administrator and Commercial Quest Sdn. Bhd. was appointed as the Independent Scrutineer to verify the results of the poll voting.

NOTICE

The Notice convening the Meeting dated 28 July 2023, having been circulated within the prescribed period, was with the permission of the Meeting, taken as read.

LETTER RECEIVED FROM MINORITY SHAREHOLDERS WATCH GROUP ("MSWG")

The Chairman informed that the Company had received the questions from MSWG via its letter dated 18 August 2023, seeking clarification or information on several issues raised pertaining to the operational, financial and corporate governance matters of the Company and its subsidiaries ("**the Group**").

Dr. Tang Lai Huat ("**Dr. Tang**"), the *Corporate Controller*, presented the questions received from MSWG as well as the Company's responses to MSWG and the Meeting noted the same as tabled. The questions from MSWG and corresponding replies from the Company to MSWG were annexed hereto as **Annexure "A"** respectively.

The Chairman thanked MSWG for the questions raised and invited questions from the floor in respect of the MSWG's questions.

Mr. Lee Chee Meng ("**Mr. Lee**"), the corporate representative of MSWG enquired the following: -

(a) *What is the advanced hanging system?*

Mr. Chan Wee Kiang ("**Mr. David**"), the *Group Managing Director* informed that the advanced hanging system is a system that is able to manage the process of production to be smoother, identify the quality problem earlier, increase the efficiency and quality of the products.

Mr. David added that the advanced hanging system has a frame on the top which delivers the cut pieces and with the latest Artificial Intelligence technology, the system is able to identify historical data of sewer and will conduct the distribution thereafter.

(b) *What are the international brands that the Company supplies to in view of the Company's current production capacity in Cambodia primarily caters to international orders?*

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Mr. David informed that the Company has supplied to the international brands, i.e. Puma for Europe countries, Adidas and Li-Ning for China market. Mr. David added that the Company has covered the top players in Europe countries and China and wishes to supply to the top three (3) players in United States as well.

1.0 AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 ("AFS 2023") TOGETHER WITH THE REPORTS OF THE DIRECTORS AND THE AUDITORS THEREON

The Chairman informed that the first item on the agenda was to receive the AFS 2023 together with the Reports of the Directors and the Auditors thereon.

The Meeting noted that this agenda was meant for discussion only pursuant to Section 340(1)(a) of the Companies Act 2016, the AFS 2023 did not require formal approval by the shareholders. Hence, it was not put forward for voting.

There being no question from the floor, the Chairman declared that the AFS 2023 together with the Reports of the Directors and the Auditors thereon, be received.

2.0 RE-ELECTION OF MS. GOH WEN LING, THE DIRECTOR OF THE COMPANY, WHO RETIRED PURSUANT TO CLAUSE 115 OF THE COMPANY'S CONSTITUTION, AND BEING ELIGIBLE, HAD OFFERED HERSELF FOR RE-ELECTION

The Chairman informed that the second item on the agenda was to re-elect Ms. Goh Wen Ling, the Director of the Company, who was retiring at the Meeting pursuant to Clause 115 of the Company's Constitution and being eligible, had offered herself for re-election.

There being no question from the floor, the Chairman proceeded to next item on the agenda.

3.0 RE-ELECTION OF THE FOLLOWING DIRECTORS, WHO RETIRE PURSUANT TO CLAUSE 117 OF THE COMPANY'S CONSTITUTION AND BEING ELIGIBLE, HAD OFFERED THEMSELVES FOR RE-ELECTION: -
(A) MR. CHAN CHOR ANG; AND
(B) MR. PIONG YEW PENG

The Chairman informed that the next item on the agenda was to re-elect Mr. Chan Chor Ang and himself, who were retiring at the Meeting pursuant to Clause 117 of the Company's Constitution and being eligible, had offered themselves for re-election. The Meeting noted that each re-election would be voted on individually.

At this juncture, the Chairman declared his interest with regards to this agenda item and on his proposal, Mr. David took over as the chairman for this segment of the agenda.

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- (a) Re-election of Mr. Chan Chor Ang pursuant to Clause 117 of the Company's Constitution

There being no question from the floor, Mr. David proceeded to next item on the agenda.

- (b) Re-election of Mr. Piong Yew Peng pursuant to Clause 117 of the Company's Constitution

There being no question from the floor, Mr. David proceeded to next item on the agenda.

Mr. David hereafter handed back the chair to the Chairman. The Chairman thanked Mr. David for chairing this segment of the agenda.

4.0 APPROVAL OF THE PAYMENT OF DIRECTORS' FEES AMOUNTING TO RM561,855/- FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

The Chairman informed that the next item on the agenda was to approve the payment of Directors' fees amounting to RM561,855/- (Ringgit Malaysia: Five Hundred Sixty-One Thousand and Eight Hundred and Fifty-Five only) for the financial year ended 31 March 2023.

There being no question from the floor, the Chairman proceeded to next item on the agenda.

5.0 APPROVAL OF THE BENEFITS PAYABLE TO THE INDEPENDENT NON-EXECUTIVE DIRECTORS UP TO RM30,000/- FOR THE PERIOD FROM 28 AUGUST 2023 UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY PURSUANT TO SECTION 230(1)(b) OF THE COMPANIES ACT 2016

The Chairman informed that the next item on the agenda was to approve the benefits payable to the Independent Non-Executive Directors up to RM30,000/- (Ringgit Malaysia: Thirty Thousand only) for the period from 28 August 2023 until the next Annual General Meeting of the Company pursuant to Section 230(1)(b) of the Companies Act 2016.

There being no question from the floor, the Chairman proceeded to next item on the agenda.

6.0 RE-APPOINTMENT OF MESSRS. BAKER TILLY MONTEIRO HENG PLT AS AUDITORS OF THE COMPANY UNTIL THE CONCLUSION OF NEXT ANNUAL GENERAL MEETING AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION

The Chairman informed that the next item on the agenda was to re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration.

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The Meeting noted that Messrs. Baker Tilly Monteiro Heng PLT had indicated their willingness to continue in office as Auditors of the Company.

There being no question from the floor, the Chairman proceeded to the next item on agenda.

7.0 SPECIAL BUSINESS

ORDINARY RESOLUTION

- AUTHORITY TO ISSUE SHARES PURSUANT THE COMPANIES ACT 2016

The Chairman informed that the next item on the Agenda was a special business to approve the Ordinary Resolution in respect of the authority to issue shares pursuant to the Companies Act 2016.

The Meeting further noted that the proposed adoption of this Ordinary Resolution was primarily to give flexibility to the Board of Directors to issue and allot shares at any time to such persons in their absolute discretion, for the purpose of funding future investment projects, working capital and acquisition without convening a general meeting as it would be both time and cost-consuming to organise a general meeting. The authority unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.

There being no question from the floor, the Chairman proceeded to next item on the agenda.

8.0 SPECIAL BUSINESS

ORDINARY RESOLUTION

- PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The Chairman informed that the next item on the agenda was a special business to approve the Ordinary Resolution in respect of the proposed renewal of share buy-back authority.

The Meeting was informed that the proposed adoption of this Ordinary Resolution was to renew the share buy-back authority granted by the shareholders of the Company at the Twenty-Eighth Annual General Meeting held on 29 August 2022.

The Meeting further noted that the proposed renewal of share buy-back authority would empower the Board of Directors of the Company to purchase the Company's ordinary shares up to 10% of the total number of issued shares of the Company at any time within the period stipulated in Bursa Malaysia Securities Berhad Main Market Listing Requirements.

There being no question from the floor, the Chairman proceeded to next item on the agenda.

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9.0 SPECIAL BUSINESS

ORDINARY RESOLUTION

- PROPOSED ALLOCATION OF EMPLOYEES' SHARE OPTION SCHEME ("ESOS") OPTIONS TO MS. GOH WEN LING

The Chairman informed that the next item on the agenda was the special business to approve the Ordinary Resolution in respect of the proposed allocation of ESOS options to Ms. Goh Wen Ling.

The Meeting was informed that the proposed adoption of this Ordinary Resolution was to allow the Board of Directors to authorise the ESOS Options Committee to offer and grant ESOS Options to Ms. Goh Wen Ling, the Independent Non-Executive Director of the Company to participate in the ESOS Options in accordance with the By-Laws of the ESOS Options of the Company.

The interested Director, Ms. Goh Wen Ling has abstained and would continue to abstain from deliberation and voting in respect of this Ordinary Resolution.

Ms. Goh Wen Ling has undertaken to ensure that persons connected to her would abstain from voting on this Ordinary Resolution.

Mr. Lee enquired on the expiry date of the ESOS. Dr. Tang responded that the date of expiry of ESOS would be at the end of five (5) years from the effective date, i.e. 16 December 2024.

There being no further question from the floor, the Chairman proceeded to next item on the agenda.

10.0 ANY OTHER BUSINESS

The Meeting noted that no notice had been received to transact any other ordinary business.

POLLING PROCESS

The Chairman declared that the registration for attendance at the Meeting be closed at 10:48 a.m. to facilitate the conduct of a poll. The Meeting was briefed on the procedure on the conduct of a poll and all shareholders, proxies and corporate representatives were requested to cast their votes.

After all votes have been cast, the Meeting was adjourned at 10:51 a.m. to facilitate the tabulation of votes and verification for the declaration of poll results.

ANNOUNCEMENT OF POLL RESULTS

The Meeting resumed at 11:03 a.m. and the Chairman invited Mr. Lim to announce the results of the poll voting which had been verified by the Independent Scrutineer, Commercial Quest Sdn. Bhd.

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Based on the report from Independent Scrutineer, Mr. Lim announced the results of the poll voting as follows: -

Resolutions	Voted for		Voted against	
	No. of shares	%	No. of shares	%
<u>Resolution 1</u> To re-elect Ms. Goh Wen Ling as Director (Clause 115)	137,034,096	100.00	0	0.00
<u>Resolution 2</u> To re-elect Mr. Chan Chor Ang as Director (Clause 117)	137,034,096	100.00	0	0.00
<u>Resolution 3</u> To re-elect Mr. Piong Yew Peng as Director (Clause 117)	137,034,096	100.00	0	0.00
<u>Resolution 4</u> To approve the payment of Directors' fees for the financial year ended 31 March 2023	137,034,096	100.00	0	0.00
<u>Resolution 5</u> To approve the benefits payable to the Independent Non-Executive Directors pursuant to Section 230(1)(b) of the Companies Act 2016	137,034,096	100.00	0	0.00
<u>Resolution 6</u> To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration	137,034,096	100.00	0	0.00
<u>Resolution 7</u> Authority to Issue Shares pursuant to the Companies Act 2016	137,034,096	100.00	0	0.00
<u>Resolution 8</u> Proposed Renewal of Share Buy-Back Authority	137,034,096	100.00	0	0.00

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Resolutions	Voted for		Voted against	
	No. of shares	%	No. of shares	%
<u>Resolution 9</u>				
Proposed Allocation of ESOS Options to Ms. Goh Wen Ling	136,162,196	99.3637	871,900	0.6363

Based on the results of the poll voting, the Chairman declared the following resolutions be **CARRIED:-**

RESOLUTION 1

"That Ms. Goh Wen Ling, being eligible for re-election, be re-elected as a Director of the Company."

RESOLUTION 2

"That Mr. Chan Chor Ang, being eligible for re-election, be re-elected as a Director of the Company."

RESOLUTION 3

"That Mr. Piong Yew Peng, being eligible for re-election, be re-elected as a Director of the Company."

RESOLUTION 4

"That the Directors' Fees amounting to RM561,855/- (Ringgit Malaysia: Five Hundred Sixty-One Thousand and Eight Hundred and Fifty-Five only) for the financial year ended 31 March 2023, be and is hereby approved."

RESOLUTION 5

"That the benefits payable to the Independent Non-Executive Directors of up to RM30,000/- (Ringgit Malaysia: Thirty Thousand only) for the period from 28 August 2023 until the next Annual General Meeting of the Company pursuant to Section 230(1)(b) of the Companies Act 2016, be and is hereby approved."

RESOLUTION 6

"That Messrs. Baker Tilly Monteiro Heng PLT be and are hereby re-appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to fix their remuneration."

RESOLUTION 7

ORDINARY RESOLUTION

- AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016

"THAT pursuant to the Companies Act 2016 and the Constitution of the Company 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

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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 (excluding Treasury Shares, if any) for the time being as stipulated under Paragraph 6.03(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

AND THAT 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 pursuant to Section 85 of the Companies Act 2016 to read together with Clause 14 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of new shares in the Company pursuant to the Companies Act 2016;

AND FURTHER 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 8

ORDINARY RESOLUTION

- PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

*"THAT subject to the provisions of the Companies Act 2016, the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and all other relevant authority, approval be and is hereby given for the Company, to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad, upon such terms and conditions as the Directors of the Company may in their absolute discretion deem fit and expedient in the interest of the Company ("**Share Buy-Back Mandate**"), provided that:-*

- (i) the aggregate number of ordinary shares in the Company which may be purchased and/or held by the Company at any point of time pursuant to the Share Buy-Back Mandate shall not exceed ten per centum (10%) of the total number of issued ordinary shares of the Company for the time being;*
- (ii) the maximum amount of funds to be allocated by the Company for the purpose of purchasing its own ordinary shares shall not exceed the Company's retained profits at the time of purchase(s);*
- (iii) the authority conferred by this resolution will be effective immediately upon the passing of this ordinary resolution and will continue to be in force until:-*
 - (a) the conclusion of the next Annual General Meeting of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at the general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;*
 - (b) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; or*
 - (c) revoked or varied by an ordinary resolution passed by the shareholders in general meeting, whichever is the earlier;*

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- (iv) *the shares so purchased by the Company pursuant to the Share Buy-Back Mandate be retained as treasury shares which may be distributed as dividends and/or resold on Bursa Malaysia Securities Berhad and/or cancelled and/or transfer for the purposes of or under an employees' share scheme and/or be dealt with by the Directors of the Company in the manners allowed by the Companies Act 2016;*

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to implement, finalise and give full effect to the aforesaid with full powers to assent to any condition, modification, variation and/or amendment, if any, as may be imposed by the relevant authorities and to do all such acts and things as the Directors of the Company may deem fit and expedient in the interests of the Company.

RESOLUTION 9

ORDINARY RESOLUTION

- PROPOSED ALLOCATION OF ESOS OPTIONS TO MS. GOH WEN LING

"THAT subject to the approvals of all the relevant regulatory authorities being obtained, the approval be and is hereby given to the Board of Directors to authorise the ESOS Committee to offer, from time to time throughout the duration of the ESOS, ESOS Options to subscribe for such number of new ordinary shares in the Company under the ESOS to Ms. Goh Wen Ling, the Independent Non-Executive Director of the Company, provided that not more than 10% of the new ordinary shares in the Company made available under the ESOS and any other employee share schemes which may be implemented from time to time by the Company is allocated to her if she, either singly or collectively through persons connected with her, holds 20% or more of the total number of issued ordinary shares in the Company (excluding treasury shares, if any), subject always to such terms and conditions of the By-Laws and/or any adjustments which may be made in accordance with the provisions of the By-Laws and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, or any prevailing guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authorities, as amended from time to time."

CONCLUSION

The Chairman concluded the Meeting and thanked all present for their attendance.

The Meeting was concluded at 11:12 a.m. with a vote of thanks to the Chair.

SIGNED AS A CORRECT RECORD

- duly signed -

PIONG YEW PENG
CHAIRMAN

Dated: 28 August 2023



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23 August 2023

BY EMAIL/POST

Devanesan Evanson
Chief Executive Officer
MINORITY SHAREHOLDERS WATCH GROUP
Level 23, Unit 23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

Dear Devanesan Evanson,

Re: 29th Annual General Meeting (AGM) of PCCS Group Berhad ("PCCS" or "the Group") to be held on Monday, 28th August 2023

On behalf of the Board of Directors, we thank you for and hereby respond to your letter dated 18 August 2023.

Operational & Financial Matters

1. The era of windfall profits from the Apparel Division is coming to an end due to intensified competition, which has led to a decrease in prices. Additionally, there are rising labor costs associated with this trend (page 30 of Annual Report (AR) 2023).

Despite heightened competition and evolving market dynamics, does the Group continue to hold a positive outlook on the potential of the Apparel Division? If yes, how do you plan to strategize to enhance profitability in the upcoming years?

Despite these challenges, we remain optimistic about the potential of our Apparel Division. We believe that by adapting to evolving market dynamics and implementing strategic measures, we can enhance profitability in the upcoming year.

To achieve this, we have outlined several key areas of focus:

1. Differentiation: We plan to invest in research and development to create unique products that stand out from competitors. By offering innovative designs or incorporating sustainable materials, we aim to attract customers who value quality and ethical practices.

2. Cost optimization: Given the escalating labor costs, it is imperative for us to streamline operations and enhance efficiency across the entire supply chain. This may entail exploring automation technologies, such as our advanced hanging system implemented in most of our production floors, or optimizing production processes through enhanced industrial engineering. Additionally, we have adopted a customized Enterprise Resource Planning (ERP) system that is up to date while ensuring product quality remains uncompromised. The management will also prioritize monitoring the ratio of employees with access to sewers compared to those who are non-sewers as well as optimize land utilization at the Shandong factory in order to improve operating profit ratios.

3. Market expansion: While competition has increased domestically, there are still opportunities for growth internationally. We will explore new markets where demand for apparel is growing rapidly or where our brand has untapped potential.



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4. Customer-centric approach: Understanding customer preferences and trends is vital in a competitive landscape. Through market research and data analysis, we will strive to accurately anticipate consumer needs and tailor our offerings accordingly.

5. Marketing strategies: In order to maintain a strong market presence amidst intensified competition, we will develop comprehensive marketing campaigns that effectively highlight our unique selling points and reach target audiences through various channels, including social media platforms and collaborations with influential individuals. Furthermore, the group's future growth and diversification in the apparels business will be further enhanced through strengthened collaboration with local brands in China. This is because our current production capacity in Cambodia primarily caters to international orders, while China's production capacity can be more strategically focused on meeting domestic demand within the country.

By adopting these strategies along with continuous monitoring of market trends, consumer behavior patterns, and competitor analysis, businesses can stay ahead in the ever-evolving marketplace.

One important aspect to consider is staying updated on market trends. This involves keeping a close eye on emerging technologies, industry developments, and changing customer preferences. By understanding these trends, companies can adapt their products or services accordingly and ensure they remain relevant to their target audience.

Additionally, monitoring consumer behavior patterns is crucial for businesses looking to meet the needs and expectations of their customers. This includes analyzing purchasing habits, preferences, and feedback from consumers. By gaining insights into what drives consumer decision-making processes, companies can tailor their marketing strategies and product offerings to better resonate with their target market.

Furthermore, conducting regular competitor analysis allows businesses to identify potential threats as well as opportunities within the market. By studying competitors' strengths and weaknesses in terms of pricing strategies, product quality or innovation efforts among others; companies can position themselves strategically by differentiating themselves from competitors or even learning from successful practices implemented by rivals.

Moreover, continuous monitoring enables businesses to make timely adjustments based on real-time data rather than relying solely on assumptions or outdated information. It helps them identify any gaps in the market that could be exploited for growth opportunities while also allowing them to address any issues promptly before they escalate.

In conclusion by adopting these strategies along with continuous monitoring of market trends, consumer behavior patterns and competitor analysis businesses are able not only keep up with but also stay ahead in today's dynamic business environment.

2. The Label and Packaging Division faced an 89.17% drop in external revenue to RM0.59 million from RM5.45 million in FY2022. Market challenges, competition, and



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strategic shifts led to a loss of RM0.71 million compared to a RM1.53 million profit in FY2022 (page 30 of AR 2023).

Given the division's current state, what specific measures or initiatives are being considered to turn around its financial performance and achieve profitability soon?

The group has divested Mega Label (Malaysia) Sdn. Bhd., which was primarily engaged in the labels and packaging business. Therefore, this classification will be excluded from future financial statements as the group is no longer involved in this line of business.

3. The Group is actively exploring opportunities to expand into new industries beyond apparel, used car credit financing, and medical devices with the aim of strengthening the resilience of the business and mitigating risks associated with market volatility (page 33 of AR 2023).

- a. Given the Group's primary focus on the apparel industry, what factors and capabilities prompted the Group to venture into the used car credit financing and medical devices sectors?***
- b. How will the Group's experience in the apparel industry be leveraged to establish credibility and trust in the new ventures of used car credit financing and medical devices?***

In response to the information provided, the Group's decision to venture into the used car credit financing and medical devices sectors can be attributed to several factors and capabilities. Firstly, diversifying into new industries allows the Group to reduce its reliance on a single sector, such as apparel, which may be susceptible to market volatility. By expanding into different sectors, the Group aims to strengthen its overall business resilience.

Furthermore, entering these new industries presents opportunities for growth and potential profitability. The used car credit financing sector offers a significant market with demand for financial services related to vehicle purchases. Similarly, the medical devices industry is experiencing continuous advancements and increasing demand due to technological innovations and an aging population.

The Group's experience in the apparel industry can be leveraged effectively in establishing credibility and trust in these new ventures. Over time, they have likely developed strong relationships with suppliers, customers, and other stakeholders within their existing industry network. This established reputation can help facilitate partnerships or collaborations when entering unfamiliar territories like used car credit financing or medical devices.

Additionally, the knowledge gained from operating in the apparel industry could offer valuable insights applicable across various sectors. For instance, expertise in supply chain management acquired through dealing with global sourcing of materials could prove advantageous when navigating complex supply chains associated with medical device manufacturing. Moreover, the company's management and founder possess a profound understanding of the Chinese market and its products, resulting in a strategic focus on the medical industry that is expected to yield significant results within a few years.



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Overall, by leveraging their existing capabilities while exploring new industries beyond apparel through strategic expansion efforts like used car credit financing and medical devices ventures; it is expected that this will enhance business resilience while capitalizing on growth opportunities outside their primary focus area.

4. The Group's trade receivables and contract assets credit impaired that were past due more than 120 days have increased significantly from RM0.1 million in FYE2022 to RM1.6 million in FYE2023 (page 219-220 of AR2023).

a. What were the difficulties faced by the Group in the collection of the trade receivables that were past due more than 120 days as the outstanding amount increased?

In the field of apparel, we are engaged with globally renowned brands and their extensive supply chain. However, due to the need for verification of bill details by the other party and time differences across various locations, this often results in our company receiving payments beyond the indicated payment period on the invoice. Nevertheless, a significant portion of our payments is already secured through factoring.

b. Who are the customers and who make up this category (past due 120 days) of the Group's receivables on FYE2023 and what are their profiles?

The primary reason is that one of the less significant buyers receives bulk orders through sight letters of credit, while sample orders are processed with Open Account/ telegraphic transfer terms for a 30-day payment period. However, it is common for the buyer to pay by check. Therefore, in order to align with the accounting period ending on March 31st, it becomes categorized in such a way as to represent the debtors aging. Nevertheless, we have already received payment for the goods after March 31st.

c. To-date, how much of the overdue amount has been collected?

The entirety of the debt mentioned above has been successfully collected up to the present date.

5. The allowance for impairment losses on lease receivables increased substantially from RM241,000 in FYE2022 to RM2.16 million in FYE2023 (page 184 of AR2023).

a. What was the reason for the substantial increase in impairments?

At the end of the reporting period, Southern Auto Capital Sdn. Bhd. (SAC), one of the subsidiaries engaged in hire-purchase financing business, evaluates whether there has been a significant increase in credit risk for financial assets by comparing the probability of default occurring over their expected life with that since initial recognition under MFRS 9 accounting standard. As of 31.03.2023, SAC is required to recognize a 12-month Expected Credit Loss (ECL) resulting from potential defaults within 12 months after the reporting date. Consequently, a provision for 12-month ECL is recognized in profit or loss and an impairment allowance is established,



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leading to an increase in credit loss charge from RM241,000 to RM2.16 million. However, this provision can be reversed upon any indication of improvement in collection performance over time.

b. How much of these impairments have been recovered to-date?

The collection trends from April to July 2023 have shown promising signs. However, given the current uncertainties, it is challenging to predict our impairment and non-performing loan (NPL) trends accurately. Nevertheless, we anticipate that there will not be a persistent increase in impairment or elevated NPL levels. The recovery of written-off receivables would be minimal.

c. What percentage of these impairments are expected to be non-recoverable?

An estimated 5.47% of impairment losses are recognized by SAC, highlighting the crucial importance of ensuring prompt repayment from our hirers. It has been observed that the substantial increase in impairments is primarily attributed to a majority of SAC hirers belonging to the B40 segment as borrowers. Consequently, our strategic approach entails prioritizing credit recovery and fortifying our credit management policy while closely monitoring repayments throughout the year.

As of 31.03.2023, total cars of SAC: 1588
 $118,256.90 / (1,198,994.91 + 122,864 + 11,841 + 826,351) = 5.47\%$
[10 auctioned cars / (total auctioned & ELC cars :due aging more than 3 months + ECL-due interest + ECL-postage & overdue interest + 12 months ECL)]

d. Are impairments expected to increase going forward?

Management has had to exercise significant judgment in assessing the likelihood of default for hire purchase receivables, based on comprehensive analysis of the financing portfolio data, including repayment patterns and historical delinquency rates of non-performing loans. This assessment also incorporates forward-looking information, considering the substantial increase in credit risk and estimated recoverable cash flows under worst-case scenarios. Furthermore, impairment losses are determined by estimating recoveries from repossessed vehicles net of outstanding balances owed by the receivables. Moving forward into FYE2024, our objective is to gradually minimize additional impairments while actively engaging in repossession activities that will enable SAC to recoup asset value through auctions.

Corporate Governance Matters

1. The Group recognizes its non-adherence to Practice 4.4 of the MCCG, which mandates the assessment of Board and senior management performance, encompassing their handling of the Group's significant sustainability risks and opportunities (page 26 of Corporate Governance (CG) Report 2023).

When does the Group intend to integrate relevant sustainability Key Performance Indicators into the performance evaluation framework?

We acknowledge that the Group has not adhered to Practice 4.4 of the MCCG, which requires the assessment of Board and senior management performance, including their handling of significant sustainability risks and opportunities (as stated on page



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26 of the Corporate Governance Report 2023).

We understand your concern regarding the integration of relevant sustainability Key Performance Indicators (KPIs) into our performance evaluation framework. We are actively working towards incorporating these KPIs into our evaluation process.

While we do not have a specific timeline at this moment, we assure you that it is a priority for us to align with best practices in corporate governance and sustainable development. Our aim is to ensure that sustainability considerations are adequately reflected in evaluating both Board and senior management performance.

2. The current Board composition lacks diversity, having only two female Directors, constituting a mere 25% of the entirety. This falls short of the suggested 30% benchmark in Practice 5.9 of the MCGG, which underscores the significance of substantial women representation (page 42 of CG Report 2023).

Considering the current Board's limited diversity, are efforts underway to identify fitting female candidates for an impending Director role within the Group? If so, when is the expected timeline for achieving this objective?

We acknowledge that there is room for improvement in terms of gender representation, as we currently have only two female Directors, which accounts for just 25% of the entire Board. This falls short of the recommended benchmark set out in Practice 5.9 of the MCGG, which emphasizes the importance of substantial women representation (refer to page 42 of CG Report 2023).

We are committed to addressing this matter and actively working towards identifying suitable female candidates for an upcoming Director role within our Group. Our aim is to enhance diversity and ensure a more balanced representation on our Board.

While we do not have an exact timeline at this moment, rest assured that efforts are underway to achieve this objective as soon as possible. We understand the significance of having diverse perspectives and experiences at decision-making levels.

3. The Group acknowledges its departure from Practice 5.10 of the MCGG, which requires the disclosure of gender diversity policies for the Board and senior management in the annual report. However, the Board has only two female directors, and there are no established gender diversity policies or targets (page 43 of CG Report 2023).

When does the Group plan to disclose in its annual report the Group's policies on gender diversity, its targets, and measures to meet those targets?

We understand the importance of gender diversity and are committed to addressing any shortcomings in our current policies. Our team is actively engaged in rectifying this situation, as we believe that a diverse workforce fosters innovation and drives success. Most of our workforce consists of women. Additionally, we have a significant number of female department heads.

In order to ensure transparency and accountability, we plan to disclose our



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comprehensive gender diversity policies in future annual reports. These policies will outline specific targets and measures that we have set for ourselves to achieve greater gender balance within our organization.

By setting clear goals and implementing targeted strategies, we aim to create an inclusive environment where everyone has equal opportunities for growth and advancement. We recognize the value of diverse perspectives, experiences, and talents in driving creativity, problem-solving, and overall business performance.

Furthermore, it is important for us not only to establish these targets but also to measure our progress towards achieving them. Regular monitoring of key metrics will enable us to assess the effectiveness of our initiatives while identifying areas that require further attention or improvement.

We firmly believe that by openly sharing our gender diversity policies with stakeholders through annual reports, we can foster trust among employees, investors, customers, and the wider community. This commitment reflects our dedication towards creating a workplace culture that embraces equality and empowers individuals from all backgrounds.

As part of this ongoing effort towards inclusivity, we remain open to feedback from various stakeholders who may offer valuable insights on how best to enhance our gender diversity initiatives. Together with their input combined with internal expertise, we strive for continuous improvement as we work towards building a more equitable future within our organization.

4. The Company has put forth a proposition to obtain shareholder approval for granting Employees' Share Option Scheme (ESOS) Options to Ms. Goh Wen Ling, an Independent Non-Executive Director of the Company (Resolution 9) (page 4 of AR2023).

The term "Employees" in ESOS explicitly signifies that the scheme is intended for the benefit and participation of employees of the company. It is crucial to acknowledge that Independent Non-Executive Directors (INEDs), who serve in a non-executive capacity, are not classified as employees of the company.

MSWG discourages the participation of INEDs in any form of share options due to their non-executive management roles and responsibilities in overseeing the allocation of share options to executive directors and employees.

The allocation of ESOS to Ms. Goh Wen Ling raises concerns regarding potential conflicts of interest, dilution of independence, impaired objectivity, and shareholder value preservation. These risks arise due to the possibility of INEDs being influenced by personal financial interests aligned with share price performance, compromising their objectivity in oversight duties and decision-making processes.

Considering that the INED does not have executive responsibilities and is already adequately compensated through director fee and other benefits, what is the compelling justification for allocating ESOS to Ms. Goh Wen Ling?

Although it is not encouraged for the independent or non-executive director to participate in the Employees' Share Option Scheme (ESOS), this resolution aims to obtain shareholders' mandate in advance, allowing the independent director to



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potentially engage in the group's future equity incentive plan. However, we understand it is crucial for the board of directors to adhere to listing regulations and ensure that any such incentive does not constitute a significant equity stake, thereby safeguarding the professional independence of the independent director. Moreover, implementation or achievement of this resolution is not necessarily obligatory after its passage.

The expression of gratitude is extended, and we eagerly anticipate your attendance at the forthcoming shareholders' meeting.

Yours sincerely,
On behalf of the Board of Directors

Dr. Tang Lai Huat
Corporate Controller
Mobile number: +6012 7940574

