



## **PCCS GROUP BERHAD**

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



# **Annual Report 2006**

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## Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Twelfth 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, 21 August 2006 at 11:00 a.m. for the following purposes: -

### AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 March 2006 together with the Reports of the Directors and the Auditors thereon.
2. To approve the declaration of the First and Final Tax Exempt Dividend of 5.0% for the financial year ended 31 March 2006. **Resolution 1**
3. To approve the Directors' fees for the financial year ended 31 March 2006. **Resolution 2**
4. To re-elect the following Directors who retire pursuant to Article 94 of the Company's Articles of Association, and being eligible, have offered themselves for re-election: -
  - (a) Mr. Chan Chor Ang **Resolution 3**
  - (b) Mr. Cha Peng Koi  
@ Chia Peng Koi **Resolution 4**
5. To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 5**
6. As Special Business

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

**ORDINARY RESOLUTION NO. 1**  
- **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

"THAT pursuant to Section 132D of the Companies Act, 1965, and 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 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 issued and paid-up share capital of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the 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 6**

### ORDINARY RESOLUTION NO. 2

- **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE PURSUANT TO PARAGRAPH 10.09 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

"THAT pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), a shareholders' mandate be and is hereby granted to PCCS Group Berhad and its subsidiary companies (PCCS Group) to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for PCCS Group's day-to-day operations in respect of the recurrent related party transactions as set out in the circular to shareholders dated 26 July 2006 (the Circular) with the related parties mentioned therein PROVIDED THAT:

- (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are on terms not to the detriment of the minority shareholders; and

(b) disclosure is made in the annual report breakdown of the aggregate value of transactions conducted during the financial year pursuant to the approval hereby given;

AND THAT the authority conferred by such mandate shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting (AGM) of the Company following this AGM, at which the approval hereby given will lapse, unless by a resolution passed at an AGM whereby the approval is renewed;

(b) the expiration of the period within which the next AGM of the Company after this AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the Act) (but such period shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

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

**Resolution 7**

7. To transact any other ordinary business of which due notice shall have been given.

**NOTICE OF DIVIDEND ENTITLEMENT**

**NOTICE IS HEREBY GIVEN** that the First and Final Tax Exempt Dividend of 5.0% will be payable on 9 October 2006 to depositors who are registered in the Record of Depositors at the close of business on 11 September 2006, if approved by members at the forthcoming Twelfth Annual General Meeting.

A Depositor shall qualify for entitlement only in respect of:-

(a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 11 September 2006 in respect of ordinary transfers; and

(b) Shares bought on Bursa Malaysia Securities Berhad (Bursa Securities) on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board  
CHUA SIEW CHUAN  
MAICSA 0777689  
Company Secretary

Johor Darul Takzim  
26 July 2006

**Explanatory Notes To Special Business:**

1. *Authority pursuant to Section 132D of the Companies Act, 1965*

The proposed adoption of the Ordinary Resolution No. 1 is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting.

2. *Proposed Renewal of Shareholders' mandate for recurrent related party transactions of a revenue or trading nature*

The proposed adoption of the Ordinary Resolution No. 2 is to obtain the Shareholders' Mandate to enable the Group to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.



#### Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Sections 149(1) (a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.

Shareholders' attention is hereby drawn to the Listing Requirements of Bursa Malaysia Securities Berhad which came into force on 1 June 2001 which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991, to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

2. Where a holder appoints two or more proxies, he shall specify the proportions of his shareholdings to be represented by each proxy.
3. 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.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at PLO 10, Kawasan Perindustrian Parit Raja, 86400 Batu Pahat, Johor Darul Takzim not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

#### Statement Accompanying Notice of Annual General Meeting

##### 1. *Details of Annual General Meeting*

The Twelfth Annual General Meeting of PCCS Group Berhad will be held on Monday, 21 August 2006 at 11.00 a.m. at PCCS Group Berhad's Corporate Office, Lot 1376, GM127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim.

##### 2. *Directors standing for re-election*

The Directors who are standing for re-election at the Twelfth Annual General Meeting of PCCS Group Berhad are as follows:-

- i. Mr. Chan Chor Ang (Article 94 of the Company's Articles of Association)
- ii. Mr. Cha Peng Koi @ Chia Peng Koi (Article 94 of the Company's Articles of Association)

Their particulars can be found on pages 6 and 7 of the Annual Report. Their shareholdings in the Company are stated on Page 78 of the Annual Report.

##### 3. *Information on Board Meetings*

The information on Board Meetings and attendance of the Directors can be found on Page 9 of the Annual Report.

## Profile Of Directors



### Chan Choo Sing

CHAN CHOO SING (Non-Independent Executive Chairman and Group Managing Director), a Malaysian, aged 52 was appointed to the Board of PCCS on 21 June 1995. 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"), which is primarily involved in the manufacturing of garments. Mr. Chan's entrepreneurial skills and his ability to recognise business and expansion opportunities have led to successful business ventures which include the forming of a number of companies actively involved in the garment industry. PCCSSB and its associate companies were successfully listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 August 1995 as PCCS Group Berhad ("PCCS"). He was appointed as the Group Managing Director of PCCS in 1995.

In 1990, Mr. Chan ventured into the packaging business by founding Harta Packaging Industries Sdn Bhd ("Harta"). His sharp business acumen led to successful business ventures through the acquisition of shares in Harta Packaging Industries (Perak) Sdn Bhd in 1992, Fibre Pak (Malaysia) Sdn Bhd in 1994 and Harta Packaging Industries (Malacca) Sdn Bhd in 1998. Harta was successfully listed on the Second Board of Bursa Securities on 30 May 1997 as HPI Resources Berhad ("HRB"). Mr. Chan is also the Executive Chairman of HRB since 8 April 1997.

He has been an exco-member of the Malaysian Textile Manufacturer Association since 1992, an exco-member of the Chinese Chamber of Commerce in Batu Pahat since 1994 and Chairman of the Chinese Association in Parit Raja, Batu Pahat. He also sits on the board of several private limited companies.

Mr. Chan is a member of the Audit Committee and Remuneration Committee of PCCS.



### Chan Chow Tek

CHAN CHOW TEK (Non-Independent Executive Director), a Malaysian, aged 49 was appointed to the Board of PCCS on 21 June 1995. He leads all the marketing activities in the Group and has more than 30 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 the company 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. He was appointed to the Board of HRB on 8 April 1997 and also sits on the board of several private limited companies.



### Chan Chor Ngiak

CHAN CHOR NGIK (Non-Independent Non-Executive Director), a Malaysian, aged 44 was appointed to the Board of PCCS on 21 June 1995. He started his career in 1980 assisting his father and his brother in marketing the products of Chan Trading to local departmental stores. He is currently the Managing Director of HRB and was appointed to the Board of HRB on 8 April 1997. He joined Harta in 1991 as Marketing Manager. During his employment with Harta, his determination and enthusiasm had driven Harta to become a leader of packaging business in Peninsular Malaysia within a short period of time. He was subsequently promoted to the position of Managing Director of HRB in May 1999. He oversees the Group's packaging business, as well as being responsible for identification and penetration of new and potential markets for the Group. His vast experience in marketing coupled with his good inter-personal and negotiating skills enable him to aggressively penetrate and secure new customers from different types of industries. He is the Vice-Chairman of the Chinese Chamber of Commerce in Batu Pahat and Treasurer of the Chinese Association in Parit Raja, Batu Pahat. He also sits on the board of several private limited companies.



### Chan Chor Ang

CHAN CHOR ANG (Non-Independent Non-Executive Director), a Malaysian, aged 43, was appointed to the Board of PCCS on 21 June 1995. He joined PCCSSB in 1981 and was transferred to Jusca Garments Sdn Bhd as the Factory Manager in 1985. He has more than 25 years of experience in the textile and garment industry. He is currently the Executive Director of HRB and was appointed to the Board of HRB on 8 April 1997. He joined Harta as the Factory Manager in 1990. He was later placed to be incharge of the total maintenance and machinery upkeep for the packaging group of companies. He has undergone training on production management, machine maintenance and productivity enhancement under various expatriate factory managers from Hong Kong, Taiwan and China. He is currently the Purchasing Director of Harta and also oversees the daily operation of Chiga Light Industries Sdn Bhd. He also sits on the board of several private limited companies.





**Cha Peng Koi @ Chia Peng Koi**

CHA PENG KOI @ CHIA PENG KOI (Senior Independent Non-Executive Director), a Malaysian, aged 55 was appointed to the Board of PCCS on 21 June 1995. He has more than 20 years of experience in the fields of Finance and Operations Management. He graduated with Bachelor of Science (Hons) from University of Malaya in 1977, Post Graduate Diploma in Public Administration (INTAN) in 1981 and Masters in Business Administration (MBA) from the University of California, Los Angeles (UCLA) in 1986. In 1990, he set up his own business consulting firm specialising in Productivity and Quality Management. Prior to setting up his own businesses, he was a government officer with the Administrative and Diplomatic Services and has served in various Ministries and Departments including The Public Enterprises Ministry and the Public Services Department. He also sits on the board of Orisoft Technology Berhad, a public listed company listed on the MESDAQ market of Bursa Securities.

He is the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of PCCS.



**Tan Chuan Hock**

TAN CHUAN HOCK (Independent Non-Executive Director), a Malaysian, aged 45 was appointed to the Board of PCCS on 4 November 1998. He is the executive proprietor and also the founder of William C. H. Tan & Associates ("WTA"), a Chartered Accountants firm. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Taxation and a Fellow Member of the Association of Chartered Certified Accountants.

Mr. Tan has over 20 years of experience particularly in financial reporting, auditing, taxation and planning, company secretarial as well as corporate management and advisory. He was appointed as director of several private limited companies and public listed companies. He is presently the Non-Executive Chairman of Orisoft Technology Berhad. He also sits on the board of Grand-Flo Solution Berhad and Supportive Resources Berhad. Both Orisoft Technology Berhad and Grand-Flo Solution Berhad are listed on Bursa Securities.

He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of PCCS.



### Tey Ah Tee @ Teo Ah Tee

TEY AH TEE @ TEO AH TEE (Independent Non-Executive Director), a Malaysian, aged 61, was appointed to the Board of PCCS on 15 June 2001. He holds a Diploma in Education from the Technical Teacher's College. Being a responsible and dedicated educationist with the teaching profession spanning over 34 years, he has extensive experience in the teaching of technical subjects and English Language. A self motivated person, he presently also sits on the board of a registered credit private limited company and manages it with full commitment.

He is a member of the Audit Committee and Nomination Committee of PCCS.



#### Note:

- 1) Chan Choo Sing, Chan Chow Tek, Chan Chor Ngiak and Chan Chor Ang are brothers. They are all substantial shareholders of PCCS.
- 2) None of the Directors have any conviction for offences within the past ten (10) years other than traffic offences, if any.
- 3) None of the Directors have any conflict of interest with the Company.

## Directors Standing For Re-Election

Directors standing for re-election at the 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, 21 August, 2006 at 11.00 a.m.

### Directors standing for re-election

- Chan Chor Ang
- Cha Peng Koi @ Chia Peng Koi

Details of attendance at Board Meetings held during the financial year ended 31 March, 2006 (Total of four (4) meetings held)

| Name of Director             | Date of appointment | No. of Meetings attended |
|------------------------------|---------------------|--------------------------|
| Chan Choo Sing               | 21/06/1995          | 4/4                      |
| Chan Chow Tek                | 21/06/1995          | 3/4                      |
| Chan Chor Ngiak              | 21/06/1995          | 4/4                      |
| Chan Chor Ang                | 21/06/1995          | 3/4                      |
| Cha Peng Koi @ Chia Peng Koi | 21/06/1995          | 4/4                      |
| Tan Chuan Hock               | 04/11/1998          | 4/4                      |
| Tey Ah Tee @ Teo Ah Tee      | 15/06/2001          | 3/4                      |

Details of the Board Meetings held during the financial year ended 31 March, 2006.

Place : PCCS Group Berhad, PLO 10, Kawasan Perindustrian Parit Raja, 86400 Parit Raja, Batu Pahat, Johor Darul Takzim.

Date : 23 May, 2005

Time : 2.10 p.m.

Place : PCCS Group Berhad's Corporate Office, Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim.

Date : 17 August, 2005

Time : 12.15 p.m.

Place : PCCS Group Berhad's Corporate Office, Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim.

Date : 22 November, 2005

Time : 1.15 p.m.

Place : PCCS Group Berhad's Corporate Office, Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim.

Date : 22 February, 2006

Time : 12.15 p.m.

## Audit Committee Report

### 1. Membership

The present members of the Audit Committee of the Company are:-

**Cha Peng Koi @ Chia Peng Koi (Chairman)**

*Senior Independent Non-Executive Director*

**Chan Choo Sing**

*Executive Chairman and Group Managing Director*

**Tan Chuan Hock**

*Independent Non-Executive Director*

**Tey Ah Tee @ Teo Ah Tee**

*Independent Non-Executive Director*

### 2. Composition of members

The Board shall elect the Audit Committee members from amongst themselves, comprising no fewer than three (3) directors, where the majority shall be independent directors. The term of office of the Audit Committee is two (2) years and may be re-nominated and appointed by the Board of Directors.

In this respect, the Board adopts the definition of "independent Director" as defined under the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements.

At least one (1) member of the Audit Committee must be:-

- (a) a member of the Malaysian Institute of Accountant ("MIA"); or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and:
  - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) fulfils such other requirements as prescribed by the Exchange.

No alternate Director of the Board shall be appointed as a member of the Audit Committee.

### Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

### 3. Chairman

The Chairman of the Audit Committee, elected from amongst the Audit Committee members, shall be an independent Director. The Chairman of the Committee shall be approved by the Board of Directors.

### 4. Secretary

The Secretary of the Audit Committee shall be the Company Secretary.

The Secretary shall be responsible for drawing up the agenda with concurrence of the Chairman and circulating it, supported by explanatory documentation to members of the Audit Committee prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, circulating them to members of the Audit Committee and to the other members of the Board of Directors and for following up outstanding matters.

### 5. Meetings

The Audit Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Details of attendance at Audit Committee meetings held during the financial year ended 31 March 2006. (Total of four (4) meetings held)

| <b>Name of Director</b>         | <b>Date of appointment</b> | <b>No. of Meetings attended</b> |
|---------------------------------|----------------------------|---------------------------------|
| Cha Peng Koi<br>@ Chia Peng Koi | 21/06/1995                 | 4/4                             |
| Chan Choo Sing                  | 21/06/1995                 | 4/4                             |
| Tan Chuan Hock                  | 04/11/1998                 | 4/4                             |
| Tey Ah Tee<br>@ Teo Ah Tee      | 21/06/2001                 | 3/4                             |

In the absence of the Chairman, the other independent Director shall be the Chairman for that meeting.

The members of the Audit Committee, General Manager (Corporate Affairs, Finance and Administration), Finance Manager and the head of internal audit will normally be in attendance at the meetings. Representatives of the external auditors are to be in attendance at meeting where matters relating to the audit of the statutory accounts and/or external auditors are to be discussed.

Other Directors, officers and employees of the Company and/or Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Audit Committee. However, at least once a year the Audit Committee shall meet with the external auditors without any executive Board member present.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and also to the other members of the Board of Directors. The Audit Committee Chairman shall report on each meeting to the Board of Directors.

#### **6. Quorum**

The quorum for the Audit Committee meeting shall be the majority of members present whom must be independent Directors.

#### **7. Reporting**

The Audit Committee shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Audit Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

#### **8. Objectives**

The principal objectives of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information presented by management is relevant, reliable and timely;
- oversee compliance with laws and regulations and observance of a proper code of conduct; and
- determine the quality, adequacy and effectiveness of the Group's control environment.

#### **9. Authority**

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company,

- (a) authorise to investigate any activity within its terms of reference. All employees shall be directed to co-operate as requested by members of the Audit Committee.
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.



- (c) obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- (d) be able to convene meetings with the external auditors, without the attendance of the executive members of the Audit Committee, whenever deemed necessary.
- (e) be able to make relevant reports when necessary to the relevant authorities if a breach of the Listing Requirements occurred.

#### 10. Review of the Audit Committee

The Board must review the term of office and performance of the Audit Committee and each of its members at least once every two (2) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

#### 11. Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:-

- To review the maintenance and control of an effective accounting system;
- To review the Group's public accountability and compliance with the law;
- To ensure the adequacy of internal and external audit procedures;
- To evaluate the quality of external auditors and make recommendations concerning their appointment and remuneration and to consider the nomination of a person or persons as external auditors;
- To review any appraisal or assessment of the performance of members of the Internal Audit Function;

- To review any appointment or termination of senior staff members of the Internal Audit Function; provide the resigning staff member an opportunity to submit his/her reasons for resigning, if necessary;
- To provide liaison between the external auditors, the management and the Board of Directors and also to review the assistance given by the management to the external auditors;
- To review the findings of the internal and external auditors;
- To review the quarterly results and financial statements and annual report prior to submission to the Board of Directors;
- To monitor any related party transactions that may arise within the Group and to report, if any, transactions between the Group and any related party outside the Group which are not based on arms-length terms and on terms which are disadvantageous to the Group;
- To report its findings on the financial and management performance, and other material matters to the Board of Directors;
- To verify the allocation of Employees' Share Option Scheme ("ESOS") in compliance with the criteria as stipulated in the By Laws of ESOS of the Company;
- To act in line with the directions of the Board of Directors; and
- To consider and examine such other matters as the Audit Committee considers appropriate.

#### Summary of Activities

The activities of the Audit Committee were primarily in accordance with its duties, as set out in its terms of

reference. The main activities undertaken by the Audit Committee during the financial year were as follows:

- (i) Reviewed the quarterly results and financial statements prior to submission to the Board of Directors;
- (ii) Reviewed the internal auditor's scope of work and audit plan for the year;
- (iii) Reviewed the findings of the internal and external auditors and reported to the Board of Directors;
- (iv) Reviewed any related party transactions that may arise within the Group and to report, if any, transactions between the Group and any related party outside the Group which are not based on arms-length terms and on terms which are not favourable to the Group;
- (v) Reviewed the extent of the Group's compliance with the Listing Requirements of Bursa Securities on Corporate Governance and recommendations made to the Board on action plan to address the identified gaps between the Group's existing corporate governance practices and the prescribed corporate governance principles and best practices under the Malaysian Code on Corporate Governance; and
- (vi) Established and formalised Risk Management Framework and action plan to manage the risk identified on an ongoing process.

#### Internal Audit Function

The Group has also established the Internal Audit function in order to assist the Audit Committee in discharging its duties in regards to the adequacy and integrity of the system of internal control. Functions of the Internal Audit include few 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. This does not include associated company where the Group has no control over the management of the Company.
- Conduct investigations on specific areas or issues directed by the Audit Committee.
- Review the risk management processes.

Audit plan for the Group is presented to the Audit Committee for approval. All adverse findings and weaknesses noted during the audit visit are forwarded to management for its attention and further action. The report on the audit findings together with management's comments are reported to the Audit Committee on a quarterly basis. In this regard, the Board is pleased to report that there were no significant adverse findings during the financial year ended 31 March 2006 that adversely affect the Group's reputation or financial position.



PCCS Garments (Suzhou) Ltd.



## Corporate Information

### BOARD OF DIRECTORS

Chan Choo Sing  
*Executive Chairman and Group Managing Director*

Chan Chow Tek  
*Executive Director*

Chan Chor Ngjak  
Chan Chor Ang  
Cha Peng Koi @ Chia Peng Koi  
Tan Chuan Hock  
Tey Ah Tee @ Teo Ah Tee

### AUDIT COMMITTEE

Cha Peng Koi @ Chia Peng Koi (Chairman)  
*Senior Independent Non-Executive Director*

Chan Choo Sing  
*Executive Chairman and Group Managing Director*

Tan Chuan Hock  
*Independent Non-Executive Director*

Tey Ah Tee @ Teo Ah Tee  
*Independent Non-Executive Director*

### COMPANY SECRETARY

Chua Siew Chuan (MAICSA 0777689)

### REGISTERED OFFICE

PLO 10, Kawasan Perindustrian Parit Raja,  
86400 Batu Pahat, Johor Darul Takzim  
Tel No: 07-454 8888 Fax No: 07-454 1320

### REGISTRAR

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

### AUDITORS

Ernst & Young  
Chartered Accountants  
Lot 1, 6th Floor, Menara Pertam,  
Jalan BBP 2, Taman Batu Berendam Putra,  
Batu Berendam,  
75350 Melaka

### SOLICITORS

Enoil Loo  
Advocates & Solicitors  
Unit 1627 Block A, Damansara Intan,  
No.1, Jalan SS20/27,  
47400 Petaling Jaya,  
Selangor Darul Ehsan

### PRINCIPAL BANKERS

Citibank Berhad (297089-M)  
HSBC Bank Malaysia Berhad (127776-V)  
Malayan Banking Berhad (3813-K)  
OCBC Bank (Malaysia) Berhad (295400-W)  
Standard Chartered Bank Malaysia Berhad (115793 P)

### SUBSIDIARY COMPANIES

Perusahaan Chan Choo Sing Sdn Bhd (70765-W)  
Jusca Garments Sdn Bhd (135950-M)  
Beauty Electronic Embroidering Centre Sdn Bhd (102438-U)  
Mega Labels & Stickers Sdn Bhd (190144-X)  
Mega Labels & Stickers (Selangor) Sdn Bhd (533197-U)  
Keza Sdn Bhd (138288-U)  
Shern Yee Garments Sdn Bhd (206960-W)  
PCCS Garments Limited  
E. M. I. Embroidery Sdn Bhd (411070-V)  
PCCS Capital Sdn Bhd (382952-M)  
Jusca Development Sdn Bhd (391830-P)  
Beauty Silk Screen (M) Sdn Bhd (583304-X)  
Beauty Silk Sreen Limited  
Jusca Garments (Cambodia) Limited  
Blopak China Private Limited  
China Roots Packaging Pte Ltd  
PCCS (Hong Kong) Limited  
PCCS Garments (Suzhou) Ltd

### STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad Main Board

### HOME PAGE:

<http://www.pccsgroup.net/>

## Statement On Corporate Governance

### The Code

The Board of Directors of PCCS is pleased to report on the manner in which the Principles and Best Practices of Corporate Governance are applied and the extent of compliance thereof as set out in Part I and Part 2 of the Malaysian Code on Corporate Governance (the Code) pursuant to paragraph 15.26 of the Listing Requirements (LR) of Bursa Malaysia Securities Berhad (Bursa Securities).

The policy of the Company is to achieve best practice in its standard of business integrity in all its activities.

The Board recognises the importance of practising the highest standards of corporate governance throughout the Group as a basis of discharging their fiduciary duties and responsibilities to protect and enhance shareholder value and performance of the Group.

In preparing this report, the Board has considered the manner in which it has applied the Principles of the Code and the extent of its compliance with the Best Practices of the Code.

### The Board of Directors

#### Board Composition

The Board currently has seven (7) members comprising five (5) Non-Executive Directors (three (3) of whom are independent) and two (2) Executive Directors.

All Directors possess a wide range of business expertise, commercial and financial experience that is relevant to their roles in providing leadership and direction to the Group. A brief description on the background of the Directors are presented separately in this Annual Report.

The Executive Directors have direct responsibilities for business operations whereas the Non-Executive Directors have a responsibility to bring independent and objective judgement on Board decisions.

Mr. Cha Peng Koi @ Chia Peng Koi is the Senior Independent Non-Executive Director to whom concerns may be conveyed where it could be inappropriate for the concerns to be dealt with by the Chairman and Group Managing Director.

All Directors can have full access to information and are also entitled to obtain full disclosure by management on matters that are put forward to the Board for decisions to ensure that they are being discussed and examined in an impartial manner that takes into consideration the long term interests of shareholders, employees, customers, suppliers, and many communities in which the Group conducts its business.

The Directors have access to independent professional advice as well as the advice and services of the Company Secretary, who is responsible for ensuring the Board Meeting procedures are followed and that applicable rules and regulations are complied with.

#### Directors' Training

All the Directors have attended the Mandatory Accreditation Training Programme (MAP) prescribed by Bursatra Sdn Bhd, the training arm of Bursa Securities. Directors are also aware of their duty to attend continuous education programmes. The Directors have attended seminars to keep themselves updated on the expectations of their roles and other market developments. These seminars include seminar on globalization conducted by International renowned buyers, Market Update conducted by bankers and seminar on Tax Audit conducted by Inland Revenue Board of Malaysia.

#### Board Meetings

During the financial year ended 31 March 2006, a total of four (4) Board Meetings have been held and were attended by most of the Directors. Details of attendance are provided on page 9 of this Annual Report. Additional meetings are held as and when required.



All Board members, with their extensive knowledge and experience in various fields exercise an independent judgement on issues of strategy, performance, resources and standard of conduct.

All Directors are provided with written reports together with supporting information before the Meetings and within sufficient time period to enable the Directors to obtain further explanations, where applicable, for them to be well-informed before the date of holding the Meeting. During the Meetings, the Board reports and tables, among others, the following:

- Minutes of previous Meeting
- Financial reports and review of Group operations
- The Group's latest business developments and any other matters arising.

#### *Audit Committee*

The Audit Committee currently comprises four (4) members, with Mr. Cha Peng Koi @ Chia Peng Koi, the Senior Independent Non-Executive Director, in the Chair. One of the remaining members is a member of the Malaysian Institute of Accountants. Fuller details of the composition of the Committee are found on page 10 of this Annual Report.

The Audit Committee met four (4) times during the year. A majority of the Committee members attended all meetings. Details of their attendance are provided on page 10 of this Annual Report.

The terms of reference which have been revised to comply with the Best Practices of the Code and details of the Audit Committee are set out on pages 10 to 13 of this Annual Report.

#### *Nomination Committee*

The Nomination Committee was set up on 7 February 2002 with its terms of reference adopted on 20 August 2002. Mr. Cha Peng Koi @ Chia Peng Koi was appointed as the Chairman and its other members are Mr. Tey Ah Tee @ Teo Ah Tee and Mr. Tan Chuan Hock.

The Nomination Committee is responsible for making recommendations for any appointments to the Board. In making these recommendations, the Nomination Committee will consider the required mix of skills and experience which the Directors should bring to the Board.

The Committee also regularly reviews the Board Structure, Size and Composition as well as consider the Board Succession Plan.

#### *Remuneration Committee*

The Remuneration Committee was set up on 7 February 2002, with its terms of reference adopted on 20 August, 2002. Mr. Cha Peng Koi @ Chia Peng Koi was appointed as the Chairman and its other members are Mr. Chan Choo Sing and Mr. Tan Chuan Hock.

The duties and responsibilities of the Committee are to set up a policy framework and to make recommendations to the Board on remuneration packages and benefits extended to the Executive Directors. Remuneration package of 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.

Fees payable to Non-Executive Directors is determined by the Board with the approval from the shareholders at the Annual General Meeting (AGM).

#### *Re-election*

In accordance with the Memorandum and Articles of Association of the Company, an election of Directors shall take place each year. At the AGM in every year one-third of the Directors for the time being, or the number nearest to one-third shall retire from office provided always that all Directors shall retire from office at least once every three (3) years in compliance with the LR of Bursa Securities. For the forthcoming AGM, Mr. Chan Chor Ang and Mr. Cha Peng Koi @ Chia Peng Koi have volunteered themselves for re-election.

### Directors' Remuneration

The details of the remuneration for the Directors during the year are as follows:

Aggregate remuneration for Directors of the Group categorized into appropriate components:

|                         | Salaries and     |        |        |        |
|-------------------------|------------------|--------|--------|--------|
|                         | Other emoluments | Bonus  | Fees   | Total  |
|                         | RM'000           | RM'000 | RM'000 | RM'000 |
| Executive Directors     | 1,314            | 270    | 125    | 1,709  |
| Non-Executive Directors | -                | -      | 165    | 165    |

The number of Directors of the Company whose total remuneration fall within the following bands:

| Range of Remuneration  | Number of Directors |               |
|------------------------|---------------------|---------------|
|                        | Executive           | Non-Executive |
| Below RM50,000         | -                   | 5             |
| RM50,001 to RM100,000  | -                   | -             |
| RM100,001 to RM150,000 | -                   | -             |
| RM150,001 to RM200,000 | 1                   | -             |
| RM200,001 to RM250,000 | -                   | -             |
| RM250,001 to RM300,000 | -                   | -             |
| RM300,001 to RM350,000 | -                   | -             |
| RM350,001 to RM400,000 | -                   | -             |
| RM400,001 to RM450,000 | -                   | -             |
| RM450,001 to RM500,000 | -                   | -             |
| RM500,001 to RM550,000 | -                   | -             |
| RM550,001 to RM600,000 | -                   | -             |
| RM600,001 to RM650,000 | -                   | -             |
| RM650,001 to RM700,000 | 1                   | -             |
| RM700,001 to RM750,000 | -                   | -             |
| RM750,001 to RM800,000 | 1                   | -             |

### Shareholders

#### Disclosure Between the Company and Analyst / Investors

Regular discussions were held among the Company's Executive Chairman and Group Managing Director, the Executive Directors, the Group General Manager and analyst/investors on the Group's performance and major developments. Price sensitive and any information that may be regarded as undisclosed material information about the Group is not disclosed until after the prescribed announcement had been submitted to Bursa Securities.

In addition, any other extensive information about the Company are available on <http://www.pccsgroup.net/>.



#### *Annual General Meeting*

The AGM is the principal form for dialogue with shareholders. Notice of the AGM and Annual Reports are sent out to shareholders at least 21 days before the date of the meeting.

At the AGM, besides the normal agenda, shareholders may raise questions pertaining to the business activities of the Group. The Executive Chairman and Group Managing Director will respond to shareholders' questions during the meeting.

For re-election of Directors, the Board ensures that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected. Each item of special business included in the notice of meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

#### **Accountability and Audit**

##### *Financial Reporting*

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim to

present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy and adequacy.

##### *Internal Control*

Information on the Group's internal control is presented in the Statement on Internal Control laid out on page 19 of this Annual Report.

##### *Relationship with the Auditors*

The Company maintains a professional and transparent relationship with the Auditors in seeking professional advice to ensure compliance with the accounting standards.

The Auditors will from time to time brief the Audit Committee and the Board on all relevant matters requiring the Audit Committee's and the Board's attention.

##### *Compliances Statement*

The only area of non-compliance with the Code is the recommended disclosure of details of the remuneration of each Director. At this point, the Board is of the view that the disclosure of the remuneration bands of the Directors is sufficient to meet the objectives of the Code.



China Roots Packaging Pte. Ltd.

## Statement On Internal Control

### INTRODUCTION

It is the requirement of the Malaysian Code on Corporate Governance that the Board of Directors should maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Board is committed to the Listing Requirements of Bursa Malaysia Securities Berhad and Statement on Internal Control: Guidance for Directors of Public Listed Companies, and is pleased to set out below its Statement on Internal Control which outlines the nature and scope of internal control of the Group during the year.

### BOARD RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity, including financial and operational controls, compliance with relevant law and regulations, and risk management to safeguard shareholders' investments and the Group's assets.

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 loss.

### CONTROL ENVIRONMENT AND STRUCTURE

The Board confirms that the Group has an adequate and conducive control environment for it to accomplish its business objectives. The Group's internal control system encompasses the Board and its various Board Committees with its specific terms of reference, executive management that is accountable for all its actions and also various monitoring and review procedures that is embedded in the Group's processes. The Board reviews these control processes regularly to ensure that an effective system of internal control is maintained within the Group.

The key elements of the Group's internal control system are described below:

- The Group has a well-defined organisational structure

that is aligned to its business and operation requirement. 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.

- Authority charts are established within the Group to provide a functional framework of authority in approving revenue and capital expenditure.
- The Group's performance is monitored through an integrated budgeting system which requires all material variances to be identified, discussed and resolved by management on a scheduled and ad-hoc basis.
- The Board reviews the Group's financial and operational performance quarterly, which analyses the Group performance with comparison against previous quarter and previous corresponding quarter.
- 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 by all employees in performing their duties. The manual is regularly review to incorporate the changes that will enhance working efficiency.
- "Health and Safety Manual" is developed to assist in maintaining a safe working environment for all employees.
- Regular Internal Quality Audit as specified by ISO 9001:2000 Quality Management System on certain subsidiaries.

### RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group's business operations and that the identification and management of risks will affect the achievement of the Group's business objectives. To this end the Board has formalised for the Group a Risk Management Framework by implementing an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives and has taken into account the guidance of the Malaysian Code on Corporate Governance.





During the financial year, Corporate Risk Profiling Exercise is carried out to re-affirm existing risks, identify new risk which may impact the key business processes; evaluate current controls and determine appropriate management action plans to manage the said risks.

Going forward, on-going process shall be carried out to ensure consistent application, effective functioning of the Risk Management Framework, continued relevance of the risk profile developed and completion of the management action plan.

#### INTERNAL AUDIT FUNCTION

The Group Internal Audit Division performed regular and systematic review of the internal control system of the Group and its subsidiaries. The Audit Committee acknowledges that an independent and adequately resourced internal audit function is required to provide assurance on the effectiveness of the system of the internal control in addressing the risks identified. The Group Internal Audit Division reports directly to the Audit Committee on a quarterly basis. The Audit Committee is chaired by an Independent Non-Executive Director and its members

comprise a majority of Independent Non-Executive Directors.

The Group Internal Audit Division primarily acts as an assurance unit highlighting significant audit findings, areas for improvement, management comment on the audit findings and subsequently monitors the implementation of its recommended corrective actions. In discharging its responsibilities, the Group Internal Audit Division develops a risk-based plan to cover key operational and financial activities that are significant to the overall performance of the Group.

#### CONCLUSION

For the financial year under review, the Board is of the opinion that the existing system of internal control is adequate to achieve the Group's business objectives so as to safeguard shareholders' investment and the Group's assets. The Board will continuously assess the adequacy of the Group's system of internal control and make improvements and enhancement to the system as and when necessary.



PCCS Group Bhd, Corporate Office

## Statement Of Directors' Responsibility In Relation To The Financial Statements

This statement is prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required to prepare 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 year then ended.

The Directors consider that in preparing the financial statements:-

- the Group and the Company have used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Company maintains accounting records that 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 Companies Act, 1965.

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

## Other Information Required By The Listing Requirements Of Bursa Securities

### Share Buy-backs

During the financial year, the Company did not enter into any share buy-back transactions.

### Options or Warrants

Other than as disclosed in Note 20 to the Financial Statements for the year ended 31 March 2006 on page 63, no options or warrants were exercised during the financial year.

### American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

### Imposition of Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

### Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Group and by the Company for the financial year ended 31 March 2006 amounted to RM46,000 and RM13,000 respectively.

### Material Contracts Involving Directors and Substantial Shareholders

Other than the recurrent related party transactions disclosed in Note 27 to the Financial Statements for the financial year ended 31 March 2006 on page 67, none of the Directors have any material contracts with the Company and/or its subsidiaries during the financial year under review.

### Profit Estimate, Forecast or Projection

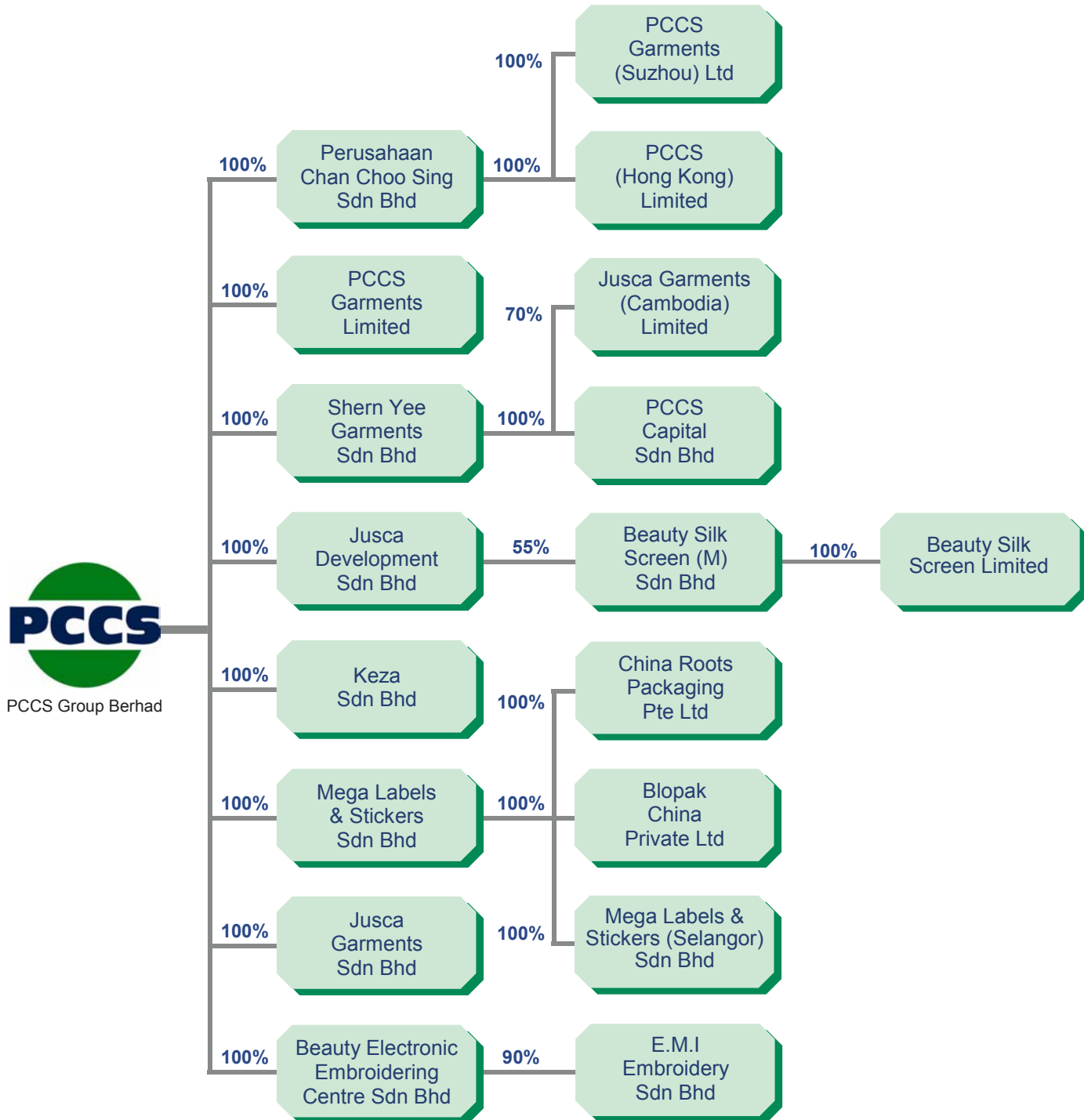
The Company did not issue any profit estimate, forecast or projection for the financial year ended 31 March 2006. There were no variances of 10% or more between the results for the financial year ended 31 March 2006 and the unaudited results previously announced.

### Profit Guarantee

During the financial year, there were no profit guarantee given by the Company.



## Corporate Structure



## Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 March 2006.

### FINANCIAL REVIEW

The Group recorded a higher turnover of RM448.763 million in the financial year ended 31 March 2006 over the previous year of RM408.131 million. Pre-tax profit of the Group increased from RM13.486 million to RM17.292 million. Net earnings per share for the Group stood at RM0.238.

### DIVIDEND

The Board is pleased to recommend a first and final tax-exempt dividend of 5% for the financial year ended 31 March 2006 subject to the shareholders' approval at the forthcoming Annual General Meeting.

### CORPORATE DEVELOPMENTS

As at 1 July 2006, PCCS Group Berhad ("PCCS") has undertaken and completed the following transactions:

1. On 15 July 2005, PCCS through its wholly-owned subsidiary, Mega Labels & Stickers Sdn. Bhd. ("MEGA"), had invested additional USD689,000/- or approximately RM2,618,200/- in China Roots Packaging Pte. Ltd. ("CRPL"). With the additional investment, the issued and paid-up share capital of CRPL is USD8,000,000/-.



2. During 19 July 2005 to 28 March 2006, PCCS through its wholly-owned subsidiary, Perusahaan Chan Choo Sing Sdn. Bhd. ("PCCSSB"), had invested additional USD2,680,000/- or approximately RM10,098,800/- in PCCS Garments (Suzhou) Ltd. ("SGL"). With the additional investment, the issued and paid-up share capital of SGL is USD3,180,000/-.



3. On 27 September 2005, PCCS had invested additional USD2,000,000/- or approximately RM7,540,000/- in PCCS Garments Limited ("PGL"), a wholly-owned subsidiary of PCCS. With the additional investment, the registered and paid-up share capital of PGL is USD5,500,000/-.

4. During 21 November 2005 to 19 May 2006, PCCS through its wholly-owned subsidiary, PCCSSB, had invested additional HKD6,239,000/- or approximately RM2,944,200/- in PCCS (Hong Kong) Limited ("PCCSHK"). With the additional investment, the issued and paid-up share capital of PCCSHK is HKD6,240,000/-.



## REVIEW OF GROUP PERFORMANCE

### APPAREL DIVISION



On 31 December 2004, quotas were eliminated under the Agreement of Textiles and Clothing (ATC) and trade in textiles and clothing was thus reintegrated into the world trade system. Early expectation from quota elimination was that there would be a massive migration of orders favoring producers from low wage and populous Asian countries especially China, leading the way in terms of styles, volume and value. However, the outcome was moderate as the EU and the US governments imposed the China textile safeguard to protect their markets in the early stage of post-quota era.



During the financial year, the apparel division faced challenges in the form of unfavorable factors such as shortage of sewing workers, increasing costs of material and oil price as well as the appreciation of Ringgit Malaysia.

Nevertheless, the division continued to perform better with a higher turnover of RM382,707,760/- up 14.53% year-on-year, representing a share of 85.28% of the Group's turnover.

Through out the financial year, we have invested approximately RM12.07 million worth of advance machines and technological innovation. Characterized by intense competition and market complexity, there is no doubt that we would continue to sharpen our competitive edge in respect of product quality, variety, lead-time and pricing, calling for strategies, restructuring and replacing old machines for operational efficiency.

For the financial year 2007, it is incumbent upon the apparel division to further strengthen its competitive position in the global market place. We will continue to seek better performance in the US and EU markets while seeking opportunities in the China domestic market. Leveraging from our presence in China, namely our marketing office in Shanghai and production facility in Suzhou, the domestic apparel market in China offers a new horizon for expansion.

### NON-APPAREL DIVISION

Revenue for the non-apparel division was relatively flat on the year-on-year basis, reduced by a slight 10.74%. Profit from operations dropped by RM0.54 million.

The operation for the Fabric Knitting (FK) division has achieved a turnaround. On a year-to-year basis, the FK division grew 12.10% in terms of revenue and recorded a net profit of RM1.18 million compared to a loss of RM477,000/- in the previous corresponding financial year. The FK division successfully consolidated its business operation, introduced new products and secured additional customers.



Growing competition has led to greater complexity in end user preferences, resulting in smaller order sizes, intense pressure on prices and profit margin for both embroidery and labeling business.

Our strategies in better input sourcing management, productivity improvement and cost reduction initiatives have been able to contribute to our current level of competitiveness.

Revenue from our newly established CRPL was 40% lower than budgeted. However, we noted the performance was weak mainly due to the strong sentiment on the uncertainty in the new law to be imposed on Multi Level Marketing (MLM) companies. It took the Chinese Authorities quite a while to clarify several structural issues in the MLM industry.



Nevertheless, CRPL has demonstrated consistent ability to enhance the productivity and operational efficiency, develop new products and source for new customers. We expect continued moderate rebound and increase in the revenue and profit contribution from CRPL over the next few months with the clarity on the implementation of the new law on MLM in China.



Fixed assets written-off during the financial year ended 31 March 2006 amounted to RM472,000/-. In order to complement the packaging activities, Management has decided to set-up the labels and stickers operation by end of year 2006. CRPL is expected to further strengthen its performance with the setting up of labels and stickers operation.



Last but not least, the performance of Beauty Silk Screen Limited ("BSSL") in Cambodia had further improved since the previous corresponding financial year with higher turnover and pre-tax profit.

Currently, Cambodia is experiencing a sustainable growth in the apparel industry. Demand for silk-screen printing services is expected to improve in the coming year. We believe BSSL can take advantage of this situation to improve its earnings. In addition, with its strong market position in the local bare silk-screen services, there is a potential for stronger-than-expected increase in earnings over the next 12 to 18 months.





## PROSPECT

We have committed to become sufficiently diversified and well poised to take advantage of the business opportunities available from time to time against the background of increased market dynamism and challenges of globalization.

Looking forward, revenue from our core business of garment manufacturing is expected to grow further with the setting up of the new sample room facility in Suzhou, China. The new investment in CRPL is expected to contribute significantly to the Group in the years to come.



Barring any unforeseen circumstances, the Board anticipates a better performance ahead.

## APPRECIATION

On behalf of the Board, I would like to express our sincere appreciation and gratitude to the bankers for their support, to the shareholders for their confidence and to the business associates and regulatory authorities for their supports and assistance.

My sincere appreciation is also extended to Management, staff and all employees of the Group for their invaluable contribution, commitment, loyalty and hard work. I am also grateful to the distinguished members of the Board for their invaluable advice and guidance.

Indeed, our success has been the success of our employees, business associates and other stakeholders. Our growth could not be enumerated without the contribution of our people, both past and present. For these reasons, it gives me great honour and excitement to accept the challenges as the Executive Chairman of the Group.

## CHAN CHOO SING

*Chairman*

26 July 2006

# Financial Statements

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## 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 2006.

### 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 11 to the financial statements.

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

### RESULTS

|                         | Group<br>RM'000 | Company<br>RM'000 |
|-------------------------|-----------------|-------------------|
| Profit after taxation   | 14,693          | 71                |
| Minority interests      | (430)           | -                 |
| Net profit for the year | 14,263          | 71                |

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

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

The amount of dividend paid by the Company since 31 March 2005 was as follow:

|   | RM'000 |
|---|--------|
| In respect of the financial year ended 31 March 2005    |        |
| Final tax exempt dividend of 4% paid on 13 October 2005 | 2,400  |

At the forthcoming Annual General Meeting, a first and final tax exempt dividend in respect of the current financial year ended 31 March 2006 of 5% on 60,012,002 ordinary shares amounting to a total dividend of RM3,000,600 (5 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 March 2007.

### DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Chan Choo Sing  
 Chan Chow Tek  
 Chan Chor Ngiak  
 Chan Chor Ang  
 Cha Peng Koi @ Chia Peng Koi  
 Tan Chuan Hock  
 Tey Ah Tee @ Teo Ah Tee

## Directors' Report (cont'd)

### 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 acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options granted pursuant to the Employee Share Options Scheme.

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 as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

|                            | Number of Ordinary Shares of RM1 Each              |           |           | 31.3.2006  |
|----------------------------|--|-----------|-----------|------------|
|                            | 1.4.2005   | Bought    | Sold      |            |
| <b>Direct interest -</b>   |  |           |           |            |
| Chan Choo Sing             | 1,530,153  | 302,500   | -         | 1,832,653  |
| Chan Chow Tek              | 1,543,583  | 1,274,500 | 652,500   | 2,165,583  |
| Chan Chor Ang              | 1,009,550  | -         | 200,000   | 809,550    |
| Chan Chor Ngiak            | 329,550  | -         | 10,000    | 319,550    |
| <b>Indirect interest -</b> |  |           |           |            |
| Chan Choo Sing             | 26,731,117   | 10,000    | -         | 26,741,117 |
| Chan Chow Tek              | 24,000,078   | -         | -         | 24,000,078 |
| Chan Chor Ngiak            | 24,000,078   | -         | -         | 24,000,078 |
| Chan Chor Ang              | 24,040,078   | -         | -         | 24,040,078 |
|                            | Number of Options over Ordinary Shares of RM1 Each |           |           | 31.3.2006  |
|                            | 1.4.2005   | Granted   | Exercised |            |
| Chan Choo Sing             | 200,000  | -         | -         | 200,000    |
| Chan Chow Tek              | 200,000  | -         | -         | 200,000    |

Chan Choo Sing, Chan Chow Tek, 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 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.



## Directors' Report (*cont'd*)

### EMPLOYEE SHARE OPTION SCHEME

The PCCS Group Berhad Employee Share Options Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 27 September 2001 and became effective on 7 November 2001.

The salient features and other terms of the ESOS are disclosed in Note 20 to the financial statements.

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

### OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets 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 value 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 debt or the amount of the provision for doubtful debts 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 Company which has arisen since the end of the financial year.

## Directors' Report (*cont'd*)

(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 their 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.

### SIGNIFICANT EVENTS

The significant events are as disclosed in Note 11 and Note 28 to the financial statements.

### SUBSEQUENT EVENT

The subsequent event is as disclosed in Note 29 to the financial statements.

### AUDITORS

The auditors, Ernst & Young, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors

CHAN CHOO SING

CHAN CHOW TEK

Melaka, Malaysia

Date: 13 July 2006





## Statement By Directors

### Pursuant To Section 169(15) Of The Companies Act, 1965

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 34 to 74 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

CHAN CHOO SING

CHAN CHOW TEK

Melaka, Malaysia  
Date:13 July 2006

## Statutory Declaration

### Pursuant To Section 169(16) Of The Companies Act, 1965

I, CHAN CHOO SING, 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 34 to 74 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 CHOO SING at )  
Melaka in the State of Melaka )  
On 13 July 2006 ) CHAN CHOO SING

Before me,  
A. Supramaniam PIS(MO18)  
Commissioner for Oaths

## Report Of The Auditors To The Members Of PCCS Group Berhad (Incorporated In Malaysia)

We have audited the accompanying financial statements set out on pages 34 to 74. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 March 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 11 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and, in respect of subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174 (3) of the Act.

ERNST & YOUNG  
AF: 0039  
Chartered Accountants

Melaka, Malaysia  
Date: 13 July 2006

LEE AH TOO  
No. 2187/09/07(J)  
Partner

## Income Statements

### For The Year Ended 31 March 2006

|                                | Note | Group            |                | Company        |                |
|--------------------------------|------|------------------|----------------|----------------|----------------|
|                                |      | 2006<br>RM'000   | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Revenue                        | 3    | <b>448,763</b>   | 408,131        | <b>2,925</b>   | 748            |
| Cost of sales                  |      | <b>(368,700)</b> | (341,681)      | -              | -              |
| Gross profit                   |      | <b>800,063</b>   | 66,450         | <b>2,925</b>   | 748            |
| Other operating income         |      | <b>1,466</b>     | 1,429          | -              | -              |
| Administrative expenses        |      | <b>(39,830)</b>  | (30,763)       | <b>(2,845)</b> | (445)          |
| Selling and marketing expenses |      | <b>(20,752)</b>  | (21,082)       | -              | -              |
| Profit from operations         | 4    | <b>20,947</b>    | 16,034         | <b>80</b>      | 303            |
| Interest expense               |      | <b>(3,928)</b>   | (2,646)        | -              | -              |
| Interest income                |      | <b>273</b>       | 98             | -              | -              |
| Profit before taxation         |      | <b>17,292</b>    | 13,486         | <b>80</b>      | 303            |
| Taxation                       | 7    | <b>(2,599)</b>   | (2,017)        | <b>(9)</b>     | (57)           |
| Profit after taxation          |      | <b>14,693</b>    | 11,469         | <b>71</b>      | 246            |
| Minority interests             |      | <b>(430)</b>     | (383)          | -              | -              |
| Net profit for the year        |      | <b>14,263</b>    | 11,086         | <b>71</b>      | 246            |
| Earnings per share (sen)       |      |                  |                |                |                |
| Basic                          | 8    | <b>23.8</b>      | 18.5           |                |                |

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

## Balance Sheets

As At 31 March 2006

|                               | Note | Group          |                | Company        |                |
|-------------------------------|------|----------------|----------------|----------------|----------------|
|                               |      | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| <b>NON-CURRENT ASSETS</b>     |      |                |                |                |                |
| Property, plant and equipment | 10   | 138,081        | 112,405        | -              | -              |
| Investment in subsidiaries    | 11   | -              | -              | 51,574         | 44,034         |
| Other investment              |      | 100            | -              | -              | -              |
|                               |      | <b>138,181</b> | 112,405        | <b>51,574</b>  | 44,034         |
| <b>CURRENT ASSETS</b>         |      |                |                |                |                |
| Inventories                   | 12   | 38,545         | 33,252         | -              | -              |
| Trade receivables             | 13   | 56,856         | 42,278         | -              | -              |
| Other receivables             | 14   | 7,099          | 11,147         | 38,818         | 47,155         |
| Tax recoverable               |      | -              | 121            | 92             | 98             |
| Cash and bank balances        | 15   | 34,264         | 29,705         | 24             | 46             |
|                               |      | <b>136,764</b> | 116,503        | <b>38,934</b>  | 47,299         |
| <b>CURRENT LIABILITIES</b>    |      |                |                |                |                |
| Short term borrowings         | 16   | 73,467         | 52,610         | -              | -              |
| Trade payables                | 18   | 27,136         | 21,527         | -              | -              |
| Other payables                | 19   | 14,938         | 11,490         | 9,314          | 7,818          |
| Tax payable                   |      | 688            | -              | -              | -              |
| Dividend payable              |      | 8              | -              | 8              | -              |
|                               |      | <b>116,237</b> | 85,627         | <b>9,322</b>   | 7,818          |
| <b>NET CURRENT ASSETS</b>     |      |                |                |                |                |
|                               |      | <b>20,527</b>  | 30,876         | <b>29,612</b>  | 39,481         |
|                               |      | <b>158,708</b> | 143,281        | <b>81,186</b>  | 83,515         |
| <b>FINANCED BY:</b>           |      |                |                |                |                |
| Share capital                 | 20   | 60,012         | 60,012         | 60,012         | 60,012         |
| Reserves                      |      | 64,497         | 53,239         | 21,174         | 23,503         |
| Shareholders' equity          |      | <b>124,509</b> | 113,251        | <b>81,186</b>  | 83,515         |
| Minority interests            |      | 956            | 752            | -              | -              |
| Negative goodwill             | 22   | 9,940          | 9,921          | -              | -              |
|                               |      | <b>135,405</b> | 123,924        | <b>81,186</b>  | 83,515         |
| Long term borrowings          | 16   | 18,385         | 14,308         | -              | -              |
| Deferred taxation             | 23   | 4,918          | 5,049          | -              | -              |
| Non-current liabilities       |      | <b>23,303</b>  | 19,357         | -              | -              |
|                               |      | <b>158,708</b> | 143,281        | <b>81,186</b>  | 83,515         |

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

## Statements Of Changes In Equity For The Year Ended 31 March 2006

|   | ← Non-distributable →      |                            |  | Distributable                      |                               | Total<br>RM'000 |
|---|----------------------------|----------------------------|--|------------------------------------|-------------------------------|-----------------|
|   | Share<br>Capital<br>RM'000 | Share<br>Premium<br>RM'000 | Foreign<br>Exchange<br>Reserve<br>RM'000 | Legal<br>Reserve<br>Fund<br>RM'000 | Retained<br>Profits<br>RM'000 |                 |
| <b>Group</b>                                |                            |                            |  |                                    |                               |                 |
| At 1 April 2004                             | 60,012                     | 4                          | -  | 215                                | 41,890                        | 102,121         |
| Net profit for the year                     | -                          | -                          | -  | -                                  | 11,086                        | 11,086          |
| Transfer to legal reserve<br>fund (Note 24) | -                          | -                          | -  | 225                                | (225)                         | -               |
| Currency translation<br>differences *       | -                          | -                          | 44                                       | -                                  | -                             | 44              |
| At 31 March 2005                            | 60,012                     | 4                          | 44                                       | 440                                | 52,751                        | 113,251         |
| Net profit for the year                     | -                          | -                          | -  | -                                  | 14,263                        | 14,263          |
| Transfer to legal reserve<br>fund (Note 24) | -                          | -                          | -  | 456                                | (456)                         | -               |
| Currency translation<br>differences *       | -                          | -                          | (605)                                    | -                                  | -                             | (605)           |
| Dividends                                   | -                          | -                          | -  | -                                  | (2,400)                       | (2,400)         |
| At 31 March 2006                            | <b>60,012</b>              | <b>4</b>                   | <b>(561)</b>                             | <b>896</b>                         | <b>64,158</b>                 | <b>124,509</b>  |

\* Representing net gain/(loss) not recognised in income statement.

|                         | Non-distributable          |                            | Distributable                              | Total<br>RM'000 |
|-------------------------|----------------------------|----------------------------|--|-----------------|
|                         | Share<br>Capital<br>RM'000 | Share<br>Premium<br>RM'000 | Retained<br>Profits<br>(Note 21)<br>RM'000 |                 |
| <b>Company</b>          |                            |                            |  |                 |
| At 1 April 2004         | 60,012                     | 4                          | 23,253                                     | 83,269          |
| Net profit for the year | -                          | -                          | 246  | 246             |
| At 31 March 2005        | 60,012                     | 4                          | 23,499                                     | 83,515          |
| Net profit for the year | -                          | -                          | 71   | 71              |
| Dividends (Note 9)      | -                          | -                          | (2,400)                                    | (2,400)         |
| At 31 March 2006        | <b>60,012</b>              | <b>4</b>                   | <b>21,170</b>                              | <b>81,186</b>   |

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

## Cash Flow Statements For The Year Ended 31 March 2006

|  | Group           |                | Company        |                |
|--|-----------------|----------------|----------------|----------------|
|  | 2006<br>RM'000  | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>            |                 |                |                |                |
| Profit before taxation                                 | <b>17,292</b>   | 13,486         | <b>80</b>      | 303            |
| Adjustments for :                                      |                 |                |                |                |
| Depreciation   | <b>14,342</b>   | 12,999         | -              | -              |
| Provision for doubtful debts                           | <b>1,103</b>    | 10             | -              | -              |
| Bad debts written off                                  | <b>2</b>        | -              | -              | -              |
| Dividend income  | -               | -              | <b>(2,488)</b> | (597)          |
| Impairment losses on property, plant and equipment     | -               | 650            | -              | -              |
| Loss on disposal of investment in subsidiaries         | <b>1,909</b>    | -              | <b>2,387</b>   | -              |
| Net unrealised foreign exchange losses                 | <b>554</b>      | -              | -              | -              |
| Property, plant and equipment written off              | <b>610</b>      | 14             | -              | -              |
| Inventories written off                                | -               | 10             | -              | -              |
| Interest expense                                       | <b>3,928</b>    | 2,646          | -              | -              |
| Gain on disposal of property, plant and equipment      | <b>(209)</b>    | (555)          | -              | -              |
| Interest income  | <b>(273)</b>    | (98)           | -              | -              |
| Operating profit/(loss) before working capital changes | <b>39,258</b>   | 29,162         | <b>(21)</b>    | (294)          |
| (Increase)/decrease in receivables                     | <b>(17,073)</b> | 2,801          | -              | -              |
| (Increase)/decrease in inventories                     | <b>(7,834)</b>  | 2,458          | -              | -              |
| Increase/(decrease) in payables                        | <b>12,939</b>   | (3,246)        | <b>(33)</b>    | (5)            |
| Cash generated from/(used in) operations               | <b>27,290</b>   | 31,175         | <b>(54)</b>    | (299)          |
| Interest paid  | <b>(3,928)</b>  | (2,646)        | -              | -              |
| Tax (paid)/refunded                                    | <b>(1,921)</b>  | (1,639)        | <b>(3)</b>     | 84             |
| Net cash generated from/(used in) operating activities | <b>21,441</b>   | 26,890         | <b>(57)</b>    | (215)          |





## Cash Flow Statements (cont'd)

### For The Year Ended 31 March 2006

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |                |                |                |                |
| Additional investment in subsidiary                       | -              | -              | (7,540)        | -              |
| Net cash inflow on acquisition of subsidiary (Note 11(a)) | 920            | -              | -              | -              |
| Net cash inflow on disposal of subsidiaries (Note 11(b))  | 1,025          | -              | 700            | -              |
| Purchase of property, plant and equipment                 | (41,658)       | (32,063)       | -              | -              |
| Interest received   | 273            | 98             | -              | -              |
| Investment in unit trust                                  | (100)          | -              | -              | -              |
| Additional placement of deposits                          | (2)            | (1)            | -              | -              |
| Proceeds from disposal of property, plant and equipment   | 1,530          | 1,584          | -              | -              |
| Net cash used in investing activities                     | (38,012)       | (30,382)       | (6,840)        | -              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |                |                |                |                |
| Advances to subsidiaries                                  | -              | -              | -              | (4,507)        |
| Repayment from subsidiaries                               | -              | -              | 9,267          | -              |
| Dividends paid  | (2,392)        | (26)           | (2,392)        | (26)           |
| Drawdown of hire purchase and lease financing             | -              | 1,589          | -              | -              |
| Repayment of hire purchase and lease financing            | (1,183)        | (2,543)        | -              | -              |
| Drawdown of term loans                                    | 17,721         | 9,469          | -              | -              |
| Repayment of term loans                                   | (6,806)        | (3,861)        | -              | -              |
| Increase in short term borrowings                         | 12,344         | 5,114          | -              | -              |
| Net cash generated from/(used in) financing activities    | 19,684         | 9,742          | 6,875          | (4,533)        |
| <b>NET INCREASE/(DECREASE) IN</b>                         |                |                |                |                |
| <b>CASH AND CASH EQUIVALENTS</b>                          | <b>3,113</b>   | <b>6,250</b>   | <b>(22)</b>    | <b>(4,748)</b> |
| <b>EFFECT OF EXCHANGE RATE CHANGES</b>                    | <b>(124)</b>   | <b>44</b>      | <b>-</b>       | <b>-</b>       |
| <b>CASH AND CASH EQUIVALENTS</b>                          |                |                |                |                |
| <b>AT BEGINNING OF YEAR</b>                               | <b>29,206</b>  | <b>22,912</b>  | <b>46</b>      | <b>4,794</b>   |
| <b>CASH AND CASH EQUIVALENTS</b>                          |                |                |                |                |
| <b>AT END OF YEAR (NOTE 15)</b>                           | <b>32,195</b>  | <b>29,206</b>  | <b>24</b>      | <b>46</b>      |

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

## Notes To The Financial Statements

### 31 March 2006

#### 1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 11. There have been no significant changes in the nature of principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Plo 10, Kawasan Perindustrian Parit Raja, 86400 Batu Pahat, Johor.

The number of employees in the Group at the end of the year was 10,121 (2005 : 8,596).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 July 2006.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

##### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits from there activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

#### (c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associate is included within the carrying amount of investment in associates.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Goodwill and negative goodwill are not amortised.

#### (d) Investments in Subsidiaries

The Company's investments in subsidiaries is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

#### (e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective leases which range from 20 years to 60 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each assets to its residual value over the estimated useful life at the following annual rates:

|  |           |
|--|-----------|
| Buildings                                | 2% - 5%   |
| Plant and machinery                      | 10%       |
| Air conditioners                         | 10%       |
| Factory equipment                        | 10%       |
| Electrical installation                  | 10%       |
| Renovation                               | 10%       |
| Furniture, fittings and office equipment | 10% - 20% |
| Motor vehicles                           | 20%       |

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### (f) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

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

#### (g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

#### (h) Hire Purchase and Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

#### (i) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation 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 of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

#### (j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.



## Notes To The Financial Statements (*cont'd*)

31 March 2006

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an assets or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the assets is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

### (k) Revenue Recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

#### (i) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

#### (ii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

#### (iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

#### (iv) Rental income

Rental income is recognised on accrual basis.

#### (v) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### (l) Foreign Currencies

##### (i) Foreign currency transactions

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

##### (ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the date of the transactions with respect to the income statement. All resulting translation differences are recognised in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

|                       | 2006<br>RM'000 | 2005<br>RM'000 |
|-----------------------|----------------|----------------|
| Hong Kong Dollars     | 0.48           | 0.49           |
| United States Dollars | 3.71           | 3.80           |
| Singapore Dollars     | 2.29           | 2.30           |
| Chinese Renminbi      | 0.46           | 0.46           |
| Sterling Pound        | 6.45           | 7.14           |
| Euro                  | 4.40           | 4.91           |

#### (m) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.



## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### (n) Employee Benefits

##### (i) 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 of the Group. 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.

##### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

##### (iii) Equity compensation benefits

The PCCS Group Berhad ESOS allows the Group's employees to acquire ordinary share of the Company. No compensation cost or obligation is recognised when the options are exercised, equity is increased by the amount of the proceeds received.

#### (o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

##### (i) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

##### (ii) Trade Payable

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

##### (iii) Interest-Bearing Borrowings

Interest-bearing loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset.

For borrowing made specially for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawn down from that borrowing facility.

All other borrowing costs are recognised as an expense in the income statement as an expense in that period in which they are incurred.

#### (iv) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

#### (v) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements on inception.

#### Forward foreign exchange contracts

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains or losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

### 3. REVENUE

|                   | Group          |                | Company        |                |
|-------------------|----------------|----------------|----------------|----------------|
|                   | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Sales of goods    | 448,763        | 403,594        | -              | -              |
| Commission income | -              | 4,537          | -              | -              |
| Dividend income   | -              | -              | 2,488          | 597            |
| Management fee    | -              | -              | 437            | 145            |
| Interest income   | -              | -              | -              | 6              |
|                   | <b>448,763</b> | <b>408,131</b> | <b>2,925</b>   | <b>748</b>     |



## Notes To The Financial Statements (*cont'd*)

31 March 2006

### 4. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting) :

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Staff costs (Note 5)                                  | 82,823         | 73,008         | 290            | 254            |
| Auditors' remuneration                                |                |                |                |                |
| -Statutory audit                                      |                |                |                |                |
| Company's auditors                                    | 94             | 83             | 27             | 27             |
| Other auditors  | 38             | 32             | -              | -              |
| -Other services                                       |                |                |                |                |
| Company's auditors                                    | 40             | 44             | 13             | 18             |
| Other auditors  | 6              | 5              | -              | -              |
| Depreciation  | 14,342         | 12,999         | -              | -              |
| Impairment losses on property,<br>plant and equipment | -              | 650            | -              | -              |
| Property, plant and equipment<br>written off          | 610            | 14             | -              | -              |
| Bad debts written off                                 | 2              | -              | -              | -              |
| Provision for doubtful debts                          | 1,103          | 10             | -              | -              |
| Rental expenses                                       | 3,397          | 3,017          | -              | -              |
| Net foreign exchange losses/ (gains) :                |                |                |                |                |
| -Realised   | 933            | (43)           | -              | -              |
| -Unrealised   | 554            | -              | -              | -              |
| Gain on disposal of property, plant<br>and equipment  | (209)          | (555)          | -              | -              |
| Loss on disposal of investment<br>in subsidiaries     | 1,909          | -              | 2,387          | -              |
| Dividend income                                       | -              | -              | (2,488)        | (597)          |
| Management fee  | -              | -              | (437)          | (145)          |
| Rental income   | (249)          | (169)          | -              | -              |

### 5. STAFF COSTS

|                            | Group          |                | Company        |                |
|----------------------------|----------------|----------------|----------------|----------------|
|                            | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Wages and salaries         | 75,752         | 65,957         | 290            | 254            |
| Annual leave               | 294            | -              | -              | -              |
| Social security costs      | 377            | 362            | -              | -              |
| Pension costs              |                |                |                |                |
| -defined contribution plan | 2,710          | 2,994          | -              | -              |
|                            | 82,283         | 73,008         | 290            | 254            |

\* Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,693,000 (2005 : RM882,000) and RM125,000 (2005 : RM125,000) respectively as further disclosed in Note 6.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### 6. DIRECTORS' REMUNERATION

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| <b>Directors of the company</b>                                    |                |                |                |                |
| Executive:   |                |                |                |                |
| Salaries and other emoluments                                      | 1,098          | 542            | -              | -              |
| Fees   | 125            | 125            | 125            | 125            |
| Bonus  | 270            | 40             | -              | -              |
|  | <b>1,509</b>   | <b>736</b>     | <b>125</b>     | <b>125</b>     |
| Non-Executive :  |                |                |                |                |
| <b>Directors of Subsidiaries</b>                                   |                |                |                |                |
| Executive :  |                |                |                |                |
| Salaries and other emoluments                                      | 200            | 163            | -              | -              |
| Bonus  | -              | 12             | -              | -              |
|  | <b>200</b>     | <b>175</b>     | <b>-</b>       | <b>-</b>       |
| <b>Analysis excluding benefits-in-kind:</b>                        |                |                |                |                |
| Total executive directors' remuneration excluding benefits-in-kind | 1,693          | 882            | 125            | 125            |
| Total non-executive director's remuneration                        | 165            | 129            | 165            | 129            |
| Total excluding benefits-in-kind                                   | <b>1,858</b>   | <b>1,011</b>   | <b>290</b>     | <b>254</b>     |

#### 7. TAXATION

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Income tax :  |                |                |                |                |
| Malaysian income tax                                | 2,618          | 1,871          | 16             | 121            |
| Foreign tax   | 322            | 110            | -              | -              |
| Real property gains tax                             | 2              | -              | -              | -              |
|   | <b>2,942</b>   | <b>1,981</b>   | <b>16</b>      | <b>121</b>     |
| (Over)/underprovided in prior years in respect of : |                |                |                |                |
| Malaysian income tax                                | (212)          | 60             | (7)            | (64)           |
| Foreign tax   | -              | (37)           | -              | -              |
|   | <b>2,730</b>   | <b>2,004</b>   | <b>9</b>       | <b>57</b>      |



## Notes To The Financial Statements (*cont'd*)

31 March 2006

### 7. TAXATION (*cont'd*)

|                                  | Group          |                | Company        |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Deferred tax (Note 23) :         |                |                |                |                |
| Relating to origination and      |                |                |                |                |
| reversal of temporary difference | (276)          | 13             | -              | -              |
| Underprovided in prior years     | 145            | -              | -              | -              |
|                                  | (131)          | 13             | -              | -              |
|                                  | 2,599          | 2,017          | 9              | 57             |

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005 : 28%) of the estimated assessable profit for the year. Taxation of other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows :

|   | 2006<br>RM'000 | 2005<br>RM'000 |
|---|----------------|----------------|
| <b>Group</b>  |                |                |
| Profit before taxation  | 17,292         | 13,486         |
| Taxation at Malaysian statutory tax rate of 28% (2005 : 28%)                  | 4,842          | 3,776          |
| Effect of income subject to tax rate of 20%                                   | (173)          | (231)          |
| Effect of different tax rates in other countries                              | (1,983)        | (521)          |
| Effect of income subject to real property gains tax                           | 2              | -              |
| Tax exempted under tax holiday in foreign country                             | (963)          | (371)          |
| Effect of income not subject to tax   | (23)           | (203)          |
| Effect of expenses not deductible for tax purposes                            | 1,187          | 443            |
| Utilisation of current year's reinvestment allowances                         | (471)          | (262)          |
| Utilisation of previously unrecognised tax losses                             | -              | (532)          |
| Utilisation of previously unrecognised unutilised<br>reinvestment allowance   | (208)          | (566)          |
| Deferred tax assets not recognised in respect of current year's<br>tax losses | 456            | 461            |
| Underprovision of deferred tax in prior years                                 | 145            | -              |
| (Over) / under provision of tax expense in prior years                        | (212)          | 23             |
| Tax expense for the year  | 2,599          | 2,017          |
| <b>Company</b>  |                |                |
| Profit before taxation  | 80             | 303            |
| Taxation at Malaysian statutory tax rate of 28% (2005 : 28%)                  | 22             | 85             |
| Effects of income not subject to tax  | (696)          | -              |
| Effect of expenses not deductible for tax purposes                            | 690            | 36             |
| Overprovided of income tax expense in prior years                             | (7)            | (64)           |
| Tax expense for the year  | 9              | 57             |

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### 8. EARNINGS PER SHARE

##### (a) Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

|  | Group  |        |
|--|--------|--------|
|  | 2006   | 2005   |
| Net profit for the year (RM '000)                          | 14,263 | 11,086 |
| Weighted average number of ordinary shares in issue ('000) | 60,012 | 60,012 |
| Basic earnings per share (sen)                             | 23.8   | 18.5   |

##### (b) Diluted

Fully diluted earnings per share based on the assumed exercise of the option granted under the Employees' Share Option Scheme has not been disclosed as the effect is anti-dilutive.

#### 9. DIVIDENDS

|   | Amount         |                | Net Dividends per Share |             |
|---|----------------|----------------|-------------------------|-------------|
|   | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>Sen             | 2005<br>Sen |
| Group and Company   |                |                |                         |             |
| First and final tax exempt dividend<br>of 4%, paid on 13 October 2005 | -              | 2,400          | -                       | 4           |
| First and final tax exempt dividend<br>of 5%                          | 3,001          | -              | 5                       | -           |
|   | 3,001          | 2,400          | 5                       | 4           |

At the forthcoming Annual General Meeting, a first and final tax exempt dividend in respect of the current financial year ended 31 March 2006 of 5% on 60,012,002 ordinary shares amounting to a total dividend of RM 3,000,600 (5 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 March 2007.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### 10. PROPERTY, PLANT AND EQUIPMENT

| Group  | * Land and<br>buildings<br>RM'000 | Plant and<br>machinery, air-<br>conditioners,<br>factory<br>equipment<br>and<br>electrical<br>Installation<br>RM'000 | Renovation<br>Furniture,<br>fittings,<br>office<br>equipment<br>RM'000 | Motor<br>vehicles<br>RM'000 | Capital<br>work-in-<br>progress<br>RM'000 | Total<br>RM'000 |
|--|-----------------------------------|--|--|-----------------------------|---|-----------------|
| <b>Cost</b>                                  |                                   |  |  |                             |   |                 |
| At 1 April 2005                              | 35,839                            | 111,207  | 21,665   | 7,752                       | 9,132                                     | 185,595         |
| Additions                                    | 2,007                             | 13,613   | 7,642  | 2,636                       | 17,108                                    | 43,006          |
| Disposals                                    | (568)                             | (955)  | -  | (1,236)                     | -   | (2,759)         |
| Reclassification                             | 14,793                            | 6,411  | 367  | 157                         | (21,263)                                  | 465             |
| Written off                                  | -                                 | (161)  | (865)  | -                           | -   | (1,026)         |
| Acquisition of<br>subsidiary<br>(Note 11(a)) | -                                 | 47   | 82   | -                           | -   | 129             |
| Disposal of<br>subsidiaries<br>(Note 11(b))  | -                                 | (13)   | (507)  | (282)                       | -   | (802)           |
| Exchange<br>differences                      | -                                 | (631)  | (361)  | (21)                        | -   | (1,013)         |
| <b>At 31 March 2006</b>                      | <b>52,071</b>                     | <b>129,518</b>   | <b>28,023</b>  | <b>9,006</b>                | <b>4,977</b>                              | <b>223,595</b>  |
| <b>Accumulated<br/>Depreciation</b>          |                                   |  |  |                             |   |                 |
| At 1 April 2005                              | 3,384                             | 56,524   | 8,543  | 4,739                       | -   | 73,190          |
| Depreciation charge for the                  |                                   |  |  |                             |   |                 |
| Disposals                                    | (19)                              | (579)  | -  | (840)                       | -   | (1,438)         |
| Reclassification                             | 20                                | (47)   | 290  | 202                         | -   | 465             |
| Written off                                  | -                                 | (96)   | (320)  | -                           | -   | (416)           |
| Acquisition of<br>subsidiary<br>(Note 11(a)) | -                                 | 20   | 36   | -                           | -   | 56              |



## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

| Group (cont'd)                           | * Land and buildings<br>RM'000 | Plant and machinery, air-conditioners, factory equipment and electrical Installation<br>RM'000 | Renovation Furniture, fittings, office equipment<br>RM'000 | Motor vehicles<br>RM'000 | Capital work-in-progress<br>RM'000 | Total<br>RM'000 |
|--|--------------------------------|--|--|--------------------------|------------------------------------|-----------------|
| Disposal of subsidiaries<br>(Note 11(b)) | -                              | (8)  | (168)  | (119)                    | -                                  | (295)           |
| Exchange differences                     | -                              | (305)  | (72)   | (13)                     | -                                  | (390)           |
| At 31 March 2006                         | <b>4,129</b>                   | <b>65,563</b>  | <b>10,681</b>  | <b>5,141</b>             | -                                  | <b>85,514</b>   |
| Analysed as :                            |                                |  |  |                          |                                    |                 |
| Accumulated depreciation                 | 4,129                          | 64,913   | 10,681   | 5,141                    | -                                  | 84,864          |
| Accumulated impairment losses            | -                              | 650  | -  | -                        | -                                  | 650             |
|  | 4,129                          | 65,563   | 10,681   | 5,141                    | -                                  | 85,514          |
| <b>Net Book Value</b>                    |                                |  |  |                          |                                    |                 |
| At 31 March 2006                         | <b>47,942</b>                  | <b>63,955</b>  | <b>17,342</b>  | <b>3,865</b>             | <b>4,977</b>                       | <b>138,081</b>  |
| At 31 March 2005                         | 32,455                         | 54,683   | 13,122   | 3,013                    | 9,132                              | 112,405         |
| <b>Details at 1 April 2004</b>           |                                |  |  |                          |                                    |                 |
| Cost                                     | 32,231                         | 98,442   | 18,326   | 6,987                    | -                                  | 155,986         |
| Accumulated depreciation                 | 2,907                          | 47,559   | 6,548  | 4,484                    | -                                  | 61,498          |
| Depreciation charge for 2005             | 524                            | 9,371  | 2,030  | 1,074                    | -                                  | 12,999          |

## Notes To The Financial Statements (*cont'd*)

31 March 2006

| * LAND AND BUILDINGS            | Freehold     | Short term   | Buildings     | Total         |
|---------------------------------|--------------|--------------|---------------|---------------|
|                                 | land         | leasehold    |               |               |
|                                 | RM'000       | RM'000       | RM'000        | RM'000        |
| <b>Cost</b>                     |              |              |               |               |
| At 1 April 2005                 | 8,089        | 5,365        | 22,385        | 35,839        |
| Additions                       | -            | -            | 2,007         | 2,007         |
| Disposals                       | (470)        | -            | (98)          | (568)         |
| Reclassification                | 10           | 152          | 14,631        | 14,793        |
| At 31 March 2006                | <b>7,629</b> | <b>5,517</b> | <b>38,925</b> | <b>52,071</b> |
| <b>Accumulated Depreciation</b> |              |              |               |               |
| At 1 April 2005                 | -            | 464          | 2,920         | 3,384         |
| Charge for the year             | -            | 110          | 634           | 744           |
| Disposals                       | -            | -            | (19)          | (19)          |
| Reclassification                | -            | (62)         | 82            | 20            |
| At 31 March 2006                | -            | <b>512</b>   | <b>3,617</b>  | <b>4,129</b>  |
| <b>Net Book Value</b>           |              |              |               |               |
| At 31 March 2006                | <b>7,629</b> | <b>5,005</b> | <b>35,308</b> | <b>47,942</b> |
| At 31 March 2005                | 8,089        | 4,901        | 19,465        | 32,455        |
| <b>Details at 1 April 2004</b>  |              |              |               |               |
| Cost                            | 8,254        | 2,222        | 21,755        | 32,231        |
| Accumulated depreciation        | -            | 385          | 2,522         | 2,907         |
| Depreciation charge for 2005    | -            | 79           | 445           | 524           |

(a) Net book values of property, plant and equipment held under hire purchase are as follows :

|                     | Group        |        |
|---------------------|--------------|--------|
|                     | 2006         | 2005   |
|                     | RM'000       | RM'000 |
| Plant and machinery | <b>8,694</b> | 6,891  |
| Motor vehicles      | <b>894</b>   | 1,408  |
|                     | <b>9,588</b> | 8,299  |

(b) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM43,006,000 (2005 : RM32,648,000) of which RM1,348,000 (2005 : RM585,000) were acquired by means of hire purchase.

(c) The net book value of building pledged to bank for credit facilities granted to the Group is RM787,200 (2005 : RM803,600).

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### 11. INVESTMENT IN SUBSIDIARIES

|  | Company        |                |
|--|----------------|----------------|
|  | 2006<br>RM'000 | 2005<br>RM'000 |
| Unquoted shares, at cost                 | 51,839         | 44,799         |
| Less : Provision for diminution in value | (265)          | (765)          |
|  | <b>51,574</b>  | <b>44,034</b>  |

Details of the subsidiaries are as follows :

| Names of<br>Subsidiaries                           | Country of<br>incorporation | Effective Equity<br>Interest Held (%) |      | Principal Activities   |
|--|-----------------------------|---------------------------------------|------|--|
|  |                             | 2006                                  | 2005 |  |
| <b>Subsidiaries of the<br/>Company</b>             |                             |                                       |      |  |
| Perusahaan Chan<br>Choo Sing Sdn. Bhd.             | Malaysia                    | 100                                   | 100  | Manufacturing of apparels  |
| Beauty Electronic<br>Embroidering Centre Sdn. Bhd. | Malaysia                    | 100                                   | 100  | Embroidering of logos and<br>emblems                               |
| Jusca Garments<br>Sdn. Bhd.                        | Malaysia                    | 100                                   | 100  | Temporarily ceased<br>operations                                   |
| Keza Sdn. Bhd.*                                    | Malaysia                    | 100                                   | 100  | Fabric-knitting and<br>manufacturing of elastic<br>bands and socks |
| Mega Labels &<br>Stickers Sdn. Bhd.                | Malaysia                    | 100                                   | 100  | Printing of labels and<br>stickers                                 |
| Cross Creek<br>Distribution Sdn. Bhd.*             | Malaysia                    | -                                     | 100  | Marketing and retailing of<br>golf apparels                        |
| Shern Yee Garments<br>Sdn. Bhd.*                   | Malaysia                    | 100                                   | 100  | Renting of fleets and motor<br>vehicles                            |
| Jusca Development<br>Sdn. Bhd.*                    | Malaysia                    | 100                                   | 100  | Temporarily ceased<br>operations                                   |
| PCCS Garments Limited                              | Cambodia                    | 100                                   | 100  | Manufacturing of apparels  |

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

| Names of Subsidiaries  | Country of incorporation       | Effective Equity Interest Held (%) |      | Principal Activities  |
|--|--------------------------------|------------------------------------|------|---|
|  |                                | 2006                               | 2005 |   |
| <b>Subsidiaries of Perusahaan Chan Choo Sing Sdn. Bhd.</b>           |                                |                                    |      |   |
| PCCS Garments (Suzhou) Ltd.*   | The People's Republic of China | 100                                | -    | Manufacturing of apparels   |
| PCCS (Hong Kong) Limited*  | Hong Kong                      | 100                                | -    | Marketing of apparels   |
| <b>Subsidiary of Beauty Electronic Embroidering Centre Sdn. Bhd.</b> |                                |                                    |      |   |
| E.M.I. Embroidery Sdn. Bhd.*   | Malaysia                       | 90                                 | 90   | Embroidering of logos and emblems                                   |
| <b>Subsidiaries of Mega Labels &amp; Stickers Sdn. Bhd.</b>          |                                |                                    |      |   |
| Mega Labels & Stickers (Selangor) Sdn. Bhd.                          | Malaysia                       | 100                                | 100  | Printing of labels and stickers                                     |
| Blopak China Private Ltd*  | The People's Republic of China | 100                                | 100  | Manufacturing, value adding and sale of plastic packaging materials |
| China Roots Packaging Pte. Ltd.*                                     | The People's Republic of China | 100                                | 100  | Manufacturing, value adding and sale of plastic packaging materials |
| <b>Subsidiaries of Shern Yee Garments Sdn. Bhd.</b>                  |                                |                                    |      |   |
| PCCS Capital Sdn. Bhd.*  | Malaysia                       | 100                                | 100  | Dormant   |
| Jusca Garments (Cambodia) Ltd.                                       | Cambodia                       | 70                                 | 70   | Manufacturing of apparels   |

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

| Names of Subsidiaries                                     | Country of incorporation | Effective Equity Interest Held (%) |      | Principal Activities                                   |
|---|--------------------------|------------------------------------|------|--|
|   |                          | 2006                               | 2005 |  |
| <b>Subsidiaries of Cross Creek Distribution Sdn. Bhd.</b> |                          |                                    |      |  |
| PCCS Marketing Sdn. Bhd.*                                 | Malaysia                 | -                                  | 100  | Marketing and retailing of sport apparels and products |
| Top Cheer Sdn. Bhd.*                                      | Malaysia                 | -                                  | 60   | Marketing and retailing of socks                       |
| <b>Subsidiary of Jusca Development Sdn. Bhd.</b>          |                          |                                    |      |  |
| Beauty Silk Screen (M) Sdn. Bhd.*                         | Malaysia                 | 55                                 | 55   | Marketing of silk screen printing products             |
| <b>Subsidiary of Beauty Silk Screen (M) Sdn. Bhd.</b>     |                          |                                    |      |  |
| Beauty Silk Screen Limited                                | Cambodia                 | 55                                 | 55   | Printing of silk screen products                       |

\* Audited by firms of auditors other than Ernst & Young

#### (a) Acquisition of subsidiary :

On 9 June 2005, the Company through its wholly-owned subsidiary, Perusahaan Chan Choo Sing Sdn. Bhd. ("PCCSSB"), acquired 1,000 shares of HKD1 each representing 100% equity interest in PCCS (Hong Kong) Limited ("PCCSHK"), a company incorporated in Hong Kong, for a total cash consideration of HKD1,000 or approximately RM490 resulting in the Company becoming the ultimate holding company of PCCSHK.

The acquisition had the following effects on the Group's financial results for the year :

|                       | 2006    |
|-----------------------|---------|
| Revenue               | 183     |
| Loss from operations  | (1,313) |
| Net loss for the year | (1,313) |



## Notes To The Financial Statements (*cont'd*)

31 March 2006

The acquisition had the following effects on the financial position of the Group as at the end of the year :

|                                    | <b>2006</b>    |
|------------------------------------|----------------|
| Property, plant and equipment      | 261            |
| Trade and other receivables        | 141            |
| Cash and bank balances             | 160            |
| Trade and other payables           | (2,228)        |
| <b>Group's share of net assets</b> | <b>(1,393)</b> |

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary were as follows :

|  | <b>9.6.2005</b> |
|--|-----------------|
| Property, plant and equipment                          | 73              |
| Trade and other receivables                            | 106             |
| Cash and bank balances                                 | 921             |
| Trade and other payables                               | (1,099)         |
| <b>Group's share of net assets/cost of acquisition</b> | <b>1</b>        |

Purchase consideration satisfied by :

|   | <b>9.6.2005</b> |
|---|-----------------|
| Cash inflow arising from acquisition :        |                 |
| Purchase consideration satisfied by cash      | 1               |
| Cash and bank balances of subsidiary acquired | (921)           |
| <b>Net cash inflow of the Group</b>           | <b>(920)</b>    |

There were no acquisitions in the financial year ended 31 March 2005.

### (b) Disposal of subsidiaries

The Group disposed of its 100% equity interest in Cross Creek Distribution Sdn. Bhd. on 27 June 2005 for a total cash consideration of RM700,000, resulting in the following subsidiaries ceased to be subsidiaries of the Company :

- (i) Cross Creek Distribution Sdn. Bhd.
- (ii) PCCS Marketing Sdn. Bhd.
- (iii) Top Cheer Sdn. Bhd.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

The disposal had the following effects on the Group's financial results for the year :

|                         | <b>2006</b> |
|-------------------------|-------------|
| Revenue                 | 954         |
| Profit from operations  | 122         |
| Net profit for the year | 96          |

The disposals had the following effects on the financial position of the Group as at the end of the year :

|   | <b>2006</b> |
|---|-------------|
| Property, plant and equipment (Note 10)                     | 507         |
| Inventories   | 2,541       |
| Trade and other receivables                                 | 1,903       |
| Cash and bank balances                                      | 54          |
| Trade and other payables                                    | (4,843)     |
| Bank overdrafts   | (379)       |
| Borrowings  | (58)        |
| Minority interest   | (222)       |
| Net liabilities disposed                                    | (497)       |
| Attributable unamortised goodwill (Note 22)                 | 19          |
| Waiver of debts due to the Company                          | 3,087       |
|   | 2,609       |
| Total disposal proceeds                                     | (700)       |
| Loss on disposal to the Group                               | 1,909       |
| Cash inflow arising on disposals :                          |             |
| Cash consideration, representing cash inflow of the Company | 700         |
|   | 325         |
| Net cash inflow of the Group                                | 1,025       |

The disposal of subsidiaries had the following effects on the financial results of the Company :

|  | <b>2006</b> |
|--|-------------|
| Total disposal proceeds                              | 700         |
| Less: Waiver of debts due from subsidiaries disposed | (3,087)     |
| Loss on disposal of subsidiaries                     | (2,387)     |

There were no disposals in the financial year ended 31 March 2005



## Notes To The Financial Statements (*cont'd*)

31 March 2006

### 12. INVENTORIES

|                           | Group         |        |
|---------------------------|---------------|--------|
|                           | 2006          | 2005   |
|                           | RM'000        | RM'000 |
| At cost :                 |               |        |
| Raw materials             | 16,802        | 11,944 |
| Consumables               | 1,065         | -      |
| Work-in-progress          | 11,567        | 9,118  |
| Finished goods            | 2,641         | 6,906  |
|                           | <b>32,075</b> | 27,968 |
| At net realisable value : |               |        |
| Raw materials             | 1,505         | 1,724  |
| Finished goods            | 4,965         | 3,560  |
|                           | <b>38,545</b> | 33,252 |

### 13. TRADE RECEIVABLES

|                                     | Group         |        |
|-------------------------------------|---------------|--------|
|                                     | 2006          | 2005   |
|                                     | RM'000        | RM'000 |
| Trade receivables                   | 57,693        | 42,283 |
| Less : Provision for doubtful debts | (837)         | (5)    |
|                                     | <b>56,856</b> | 42,278 |

The Group's normal trade credit term ranges from 30 to 90 days. Other credits terms are assessed and approved on a case-by-case basis.

The Group's has no significant concentration of credits risk that many arise from exposures to a single debtor or to groups of debtors except for one (2005 : three) debtor which accounted for 44% (2005 : 58%) of total trade receivables as at balance sheet date.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### 14. OTHER RECEIVABLES

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Due from subsidiaries                                  | -              | -              | 38,811         | 47,148         |
| Sundry receivables                                     | 576            | 1,796          | -              | -              |
| Advance to suppliers of materials                      | -              | 3,134          | -              | -              |
| Deposits and prepayments                               | 6,789          | 5,584          | 7              | 7              |
| Deposits and prepayments for acquisition of properties | -              | 633            | -              | -              |
|  | <b>7,365</b>   | 11,147         | <b>38,818</b>  | 47,155         |
| Less : Provision for doubtful debts                    | (266)          | -              | -              | -              |
|  | <b>7,099</b>   | 11,147         | <b>38,818</b>  | 47,155         |

The amount due from subsidiaries is unsecured, interest-free and has no fixed terms of repayment.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

#### 15. CASH AND CASH EQUIVALENTS

|                                  | Group          |                | Company        |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Cash on hand and at banks        | 26,819         | 20,432         | 24             | 46             |
| Deposits with licensed banks     | 7,445          | 9,273          | -              | -              |
| Cash and bank balances           | 34,264         | 29,705         | 24             | 46             |
| Less : Bank overdrafts (Note 16) | (2,044)        | (476)          | -              | -              |
|                                  | <b>32,220</b>  | 29,229         | <b>24</b>      | 46             |
| Less : Deposits pledged to banks | (25)           | (23)           | -              | -              |
| Cash and cash equivalents        | <b>32,195</b>  | 29,206         | <b>24</b>      | 46             |

Deposits with licensed banks of the Group are pledged to banks for bank guarantee facilities granted to certain subsidiaries.

The weighted average effective interest rates and average maturities of deposits at the balance sheet date were 3.60% (2005 : 1.90%) per annum and 4 days (2005 : 10 days) respectively.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### 16. BORROWINGS

|  | Group          |                |
|--|----------------|----------------|
|  | 2006<br>RM'000 | 2005<br>RM'000 |
| <b>Short Term Borrowings</b>               |                |                |
| Unsecured :                                |                |                |
| Bank overdrafts                            | 2,044          | 476            |
| Short term revolving credit                | 13,009         | 3,809          |
| Export credit refinancing                  | 3,379          | 5,902          |
| Bankers' acceptances                       | 31,436         | 25,022         |
| Trade loans                                | 6,508          | 7,055          |
| Trust receipts                             | 4,460          | 4,660          |
| Term loans                                 | 9,642          | 2,711          |
|  | <b>70,478</b>  | <b>49,635</b>  |
| Secured :                                  |                |                |
| Term loans                                 | 131            | 128            |
| Hire purchase and lease payables (Note 17) | 2,858          | 2,847          |
|  | <b>2,989</b>   | <b>2,975</b>   |
|  | <b>73,467</b>  | <b>52,610</b>  |
| <b>Long Term Borrowings</b>                |                |                |
| Term loans - unsecured                     | 14,166         | 10,050         |
| Secured :                                  |                |                |
| Term loans                                 | 263            | 398            |
| Hire purchase and lease payables (Note 17) | 3,956          | 3,860          |
|  | <b>18,385</b>  | <b>14,308</b>  |
| <b>Total Borrowings</b>                    |                |                |
| Bank overdrafts (Note 15)                  | 2,044          | 476            |
| Short term revolving credit                | 13,009         | 3,809          |
| Export credit refinancing                  | 3,379          | 5,902          |
| Bankers' acceptances                       | 31,436         | 25,022         |
| Trade loans                                | 6,508          | 7,055          |
| Trust receipts                             | 4,460          | 4,660          |
| Term loans                                 | 24,202         | 13,287         |
| Hire purchase and lease payables (Note 17) | 6,814          | 6,707          |
|  | <b>91,852</b>  | <b>66,918</b>  |

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

|   | Group         |               |
|---|---------------|---------------|
|   | 2006          | 2005          |
|   | RM'000        | RM'000        |
| Maturity of borrowings (excluding hire purchase and lease payables) |               |               |
| Within one year   | 70,609        | 49,763        |
| More than 1 year and less than 2 years                              | 8,372         | 2,611         |
| More than 2 years and less than 5 years                             | 6,057         | 7,837         |
|   | <b>85,038</b> | <b>60,211</b> |

The weighted average effective interest rates during the financial year for borrowings, excluding hire purchase and finance lease payables, were as follows :

|                             | Group |      |
|-----------------------------|-------|------|
|                             | 2006  | 2005 |
|                             | %     | %    |
| Bank overdrafts             | 7.3   | 7.5  |
| Bankers' acceptances        | 3.9   | 4.0  |
| Short term revolving credit | 5.9   | 3.2  |
| Export credit refinancing   | 3.2   | 3.3  |
| Trade loans                 | 5.1   | 2.5  |
| Trust receipts              | 5.2   | 2.5  |
| Term loans                  | 6.2   | 6.1  |

The unsecured short term borrowings and term loans of the Group are guaranteed by the Company.

The secured term loans are secured by certain buildings of the Group and fixed deposits as disclosed in Note 10 and Note 15 respectively.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### 17. HIRE PURCHASE AND LEASE PAYABLES

|  | Group          |                |
|--|----------------|----------------|
|  | 2006<br>RM'000 | 2005<br>RM'000 |
| <b>Minimum hire purchase and lease payments :</b>            |                |                |
| Not later than 1 year  | 3,268          | 3,202          |
| Later than 1 year and not later than 2 years                 | 2,613          | 2,450          |
| Later than 2 years and not later than 5 years                | 1,640          | 1,788          |
|  | <b>7,521</b>   | <b>7,440</b>   |
| Less : Future finance charges                                | (707)          | (733)          |
| Present value of hire purchase and lease liabilities         | <b>6,814</b>   | <b>6,707</b>   |
| <b>Present value of hire purchase and lease liabilities:</b> |                |                |
| Not later than 1 year  | 2,858          | 2,847          |
| Later than 1 year and not later than 2 years                 | 2,412          | 2,139          |
| Later than 2 years and not later than 5 years                | 1,544          | 1,721          |
|  | <b>6,814</b>   | <b>6,707</b>   |
| <b>Analysed as:</b>  |                |                |
| Due within 12 months (Note 16)                               | 2,858          | 2,847          |
| Due after 12 months (Note 16)                                | 3,956          | 3,860          |
|  | <b>6,814</b>   | <b>6,707</b>   |

The hire purchase bore interest at the balance sheet date of between 2.40% to 4.10% (2005 : 2.90% to 5.90%) per annum.

#### 18. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 90 days.

Included in trade payables are amounts due to companies in which certain directors have interests as follows :

|   | Group          |                |
|---|----------------|----------------|
|   | 2006<br>RM'000 | 2005<br>RM'000 |
| HPI Resources Berhad and its subsidiaries # | 101            | 177            |

# A group substantially owned by certain directors, namely Chan Choo Sing, Chan Chor Ngiak, Chan Chow Tek and Chan Chor Ang.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### 19. OTHER PAYABLES

|                                   | Group          |                | Company        |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Due to a director of a subsidiary | -              | 90             | -              | -              |
| Due to directors                  | 299            | 254            | 290            | 254            |
| Due to fellow subsidiaries        | -              | -              | 8,987          | 7,458          |
| Other payables and accruals       | 14,639         | 11,146         | 37             | 106            |
|                                   | <b>14,938</b>  | <b>11,490</b>  | <b>9,314</b>   | <b>7,818</b>   |

Included in other payables are amounts due to companies in which certain directors have interests as follows :

|  | GROUP          |                |
|--|----------------|----------------|
|  | 2006<br>RM'000 | 2005<br>RM'000 |
| HPI Resource Berhad and its subsidiaries # | 609            | 151            |
| Other companies                            | 59             | 179            |
|  | <b>668</b>     | <b>330</b>     |

The amounts due to directors, a director of a subsidiary, fellow subsidiaries and companies in which certain directors have interests are unsecured, interest free and have no fixed terms of repayment.

#### 20. SHARE CAPITAL

|                       | Number of Ordinary<br>Shares of RM1 Each |              | Amount         |                |
|-----------------------|--|--------------|----------------|----------------|
|                       | 2006<br>'000                             | 2005<br>'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Authorised            | 100,000                                  | 100,000      | 100,000        | 100,000        |
| Issued and fully paid | 60,012                                   | 60,012       | 60,012         | 60,012         |

##### Employee Share Option Scheme

The PCCS Group Berhad Employee Share Options Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 27 September 2001 and became effective on 7 November 2001.

The main features of the ESOS are as follows:

- (a) The number of new shares to be offered under the ESOS shall be subject to a maximum of 10% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS. Furthermore, not more than 50%

## Notes To The Financial Statements (*cont'd*)

31 March 2006

of the shares available under the ESOS should be allocated, in aggregate to directors and senior management and more than 10% of the shares available under the ESOS should be allocated, in aggregate to directors and senior management and not more than 10% of the shares available under the ESOS should be allocated to any individual director or employee who either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up share capital of the Company;

- (b) Any Malaysian employed (including Executive Directors) employed full time by the Company or its subsidiaries (excluding dormant companies) shall be eligible to participate in the ESOS if he or she has been confirmed after two years of service with the Group;
- (c) ESOS granted may be exercised on any working day over a period of 5 years from 7 November 2001 until 6 November 2006;
- (d) The exercise price for each ordinary share price under the ESOS shall be the weighted average market price as shown in the daily Official List issued by the Bursa Malaysia Securities Berhad for the five market days immediately preceding the date on which the options are offered with a discount of not more than 10% or at the par value of the shares whichever is higher; and
- (e) The options granted do not confer any right to the parties concerned to participate in any share issue of any other company.

The terms of share options outstanding as at the end of the financial year are as follows:

|                       | Number of Options over Ordinary Share of RM1 Each |         |           |           |           |
|-----------------------|---|---------|-----------|-----------|-----------|
|                       | 1.4.2005  | Granted | *Lapsed   | Exercised | 31.3.2006 |
| Options at a price of |   |         |           |           |           |
| RM1.30 per share      |   |         |           |           |           |
| Expiring on           |   |         |           |           |           |
| 6 November 2006       | 3,696,000   | -       | (247,000) | -         | 3,449,000 |

\* Options lapsed due to resignation of the entitled individuals.

Information with respect to the number of options granted under the ESOS is as follows:

|             | Number of Share Options |           |
|-------------|-------------------------|-----------|
|             | 2006                    | 2005      |
| At 1 April  | 3,696,000               | 4,022,000 |
| Lapsed      | (247,000)               | (326,000) |
| At 31 March | 3,449,000               | 3,696,000 |

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### 21. RETAINED PROFITS

As at 31 March 2006, the Company has tax exempt profits available for distribution of approximately RM17,446,000 (2005 : RM17,350,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit in the tax exempt account and under Section 108 of the Income Tax Act 1967 to frank the payment of dividends out of its entire retained profits as at 31 March 2006.

#### 22. NEGATIVE GOODWILL

|  | Group          |                |
|--|----------------|----------------|
|  | 2006<br>RM'000 | 2005<br>RM'000 |
| At 1 April   | 9,921          | 9,921          |
| Disposal of subsidiaries (Note 11(b))                      | 19             | -              |
| At 31 March  | <b>9,940</b>   | 9,921          |
| Negative goodwill arising from acquisition of subsidiaries | <b>9,959</b>   | 9,941          |
| Goodwill arising from acquisition of subsidiaries          | <b>(19)</b>    | (20)           |
|  | <b>9,940</b>   | 9,921          |

#### 23. DEFERRED TAXATION

|   | Group          |                |
|---|----------------|----------------|
|   | 2006<br>RM'000 | 2005<br>RM'000 |
| At 1 April                              | 5,049          | 5,036          |
| Transfer from income statement (Note 7) | (131)          | 13             |
| At 31 March                             | <b>4,918</b>   | 5,049          |

The deferred taxation provided in the financial statements is mainly in respect of temporary differences arising between the amounts attributed to property, plant and equipment for tax purposes and their carrying amounts in the financial statements.

#### 24. LEGAL RESERVE FUND

In accordance to the Memorandum and Articles of Association of PCCS Garments Limited ("PGL") and Beauty Silk Screen Limited ("BSSL"), subsidiaries of the Company, PGL and BSSL shall set apart a five (5) percent of their profit as the legal reserve fund. This five (5) percent allocation shall cease when the legal reserve fund has reached ten (10) percent of the registered capital of the respective subsidiaries.



## Notes To The Financial Statements (*cont'd*)

31 March 2006

### 25. COMMITMENTS

#### (a) Capital Commitments

|                             | Group  |        |
|-----------------------------|--------|--------|
|                             | 2006   | 2005   |
|                             | RM'000 | RM'000 |
| Capital expenditure:        |        |        |
| Approved and contracted for | 3,185  | 7,391  |

#### (b) Operating Lease Commitments

|   | Group        |              |
|---|--------------|--------------|
|   | 2006         | 2005         |
|   | RM'000       | RM'000       |
| Future minimum rentals payables:              |              |              |
| Not later than 1 year                         | 2,350        | 1,474        |
| Later than 1 year and not later than 2 years  | 2,337        | 910          |
| Later than 2 years and not later than 5 years | 4,356        | 1,289        |
|   | <b>9,043</b> | <b>3,673</b> |

### 26. CONTINGENT LIABILITIES - UNSECURED

|  | Company |        |
|--|---------|--------|
|  | 2006    | 2005   |
|  | RM'000  | RM'000 |
| Corporate guarantee issued to financial institutions<br>for credit facilities utilised by subsidiaries | 91,332  | 59,577 |

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### 27. SIGNIFICANT RELATED PARTY TRANSACTIONS

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| <b>Transactions with subsidiaries</b>                        |                |                |                |                |
| Management fees received from                                |                |                |                |                |
| Beauty Electronic Embroidering Centre Sdn. Bhd.,             |                |                |                |                |
| Keza Sdn. Bhd.,  |                |                |                |                |
| Mega Labels & Stickers Sdn. Bhd.,                            |                |                |                |                |
| Beauty Silk Screen Limited and                               |                |                |                |                |
| Perusahaan Chan Choo Sing Sdn. Bhd.                          | -              | -              | 437            | 145            |
| Dividend income received from                                |                |                |                |                |
| Perusahaan Chan Choo Sing Sdn. Bhd.                          | -              | -              | 2,488          | 119            |
| Transaction with HPI Resources Berhad and its subsidiaries * |                |                |                |                |
| - Carriage outwards  | 184            | 182            | -              | -              |
| - Packaging materials purchased                              | 3,408          | 3,066          | -              | -              |

The directors are of the opinion that all the transactions above have been entered into the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

\* A group in which certain directors, Chan Choo Sing, Chan Chow Tek, Chan Chor Ang and Chan Chor Ngiak have interests.

#### 28. SIGNIFICANT EVENTS

- (i) During the financial year, the wholly owned subsidiary of the Company, Mega Labels & Stickers Sdn. Bhd. had invested additional USD1,989,000 or approximately RM7,558,200 in China Roots Packaging Pte. Ltd. ("CRPL"). With the additional investment, the total issued and paid-up share capital of CRPL is USD8,000,000 or approximately RM30,400,000.
- (ii) On 26 May 2005, the wholly owned subsidiary of the Company, Perusahaan Chan Choo Sing Sdn. Bhd. ("PCCSSB") had invested in total USD500,000 or approximately RM1,900,000 which representing 100% equity interest in PCCS Garments (Suzhou) Ltd. ("PCCSSZL"), a company incorporated in The People's Republic of China, resulting in the Company became the ultimate holding company of PCCSSZL. During the financial year, PCCSSB had invested additional USD2,680,000 or approximately RM10,098,800 in PCCSSZL. With the additional investment, the total issued and paid-up share capital of PCCSSZL is USD3,180,000 or approximately RM11,998,800.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

- (iii) On 27 September 2005, the Company had invested additional USD2,000,000 or approximately RM7,540,000 in a wholly owned subsidiary of the Company, PCCS Garments Limited ("PGL"). With the additional investment, the total registered and paid-up share capital of PGL is USD5,500,000 or approximately RM20,840,000.
- (iv) On 21 November 2005, the wholly owned subsidiary of the Company, PCCSSB had invested additional HKD779,000 or approximately RM378,000 in PCCS (Hong Kong) Limited ("PCCSHK"). With the additional investment, the total issued and paid-up share capital of PCCSHK is HKD780,000 or approximately RM378,490.

#### 29. SUBSEQUENT EVENT

On 11 May 2006, the wholly owned subsidiary of the Company, PCCSSB had invested additional HKD5,460,000 or approximately RM2,566,200 in PCCS (Hong Kong) Limited ("PCCSHK"). With the additional investment, the total issued and paid-up share capital of PCCSHK is HKD6,240,000.

#### 30. FINANCIAL INSTRUMENTS

##### (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

##### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Company had no substantial long-term interest-bearing assets as at 31 March 2006.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

##### (c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollars, Euro, Hong Kong Dollars, Singapore Dollars and Chinese Renminbi. Foreign currency denominated assets and liabilities together with expected cash flows from purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

The next 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 Currency |         |                          |                      |                      |         |
|-------------------------------|--|---------|--------------------------|----------------------|----------------------|---------|
|                               | Ringgit<br>Malaysia  | Euro    | United States<br>Dollars | Hong Kong<br>Dollars | Singapore<br>Dollars | Total   |
|                               | RM'000   | RM'000  | RM'000                   | RM'000               | RM'000               | RM'000  |
| <b>Functional Currency of</b> |  |         |                          |                      |                      |         |
| At 31 March 2006:             |  |         |                          |                      |                      |         |
| Ringgit Malaysia              | -  | (1)     | -                        | (246)                | (881)                | (1,128) |
| Chinese Renminbi              | 9,285  | (1,705) | (14,858)                 | (2)                  | -                    | (7,280) |
| United States Dollars         | 23,292   | -       | -                        | -                    | -                    | 23,292  |
| At 31 March 2005:             |  |         |                          |                      |                      |         |
| Ringgit Malaysia              | -  | -       | -                        | (105)                | (454)                | (559)   |
| Chinese Renminbi              | 6,010  | (28)    | (2,145)                  | -                    | -                    | 3,837   |

At the balance sheet date, the Group has outstanding open forward contracts with banks to sell United States Dollars used to hedge anticipated sales with settlement date of one month. The local currency amounts to be received and the corresponding contracted rates of the above outstanding contracts were RM15,582,000 at USD1 = RM3.678 (2005 : RM12,363,374 at USD1 = RM3.800).

#### (d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

#### (e) Credit Risk

Credit risk, or the risks of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments except as disclosed in Note 13. To mitigate this

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

risk, 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.

**(f) Fair Values**

The fair values of the financial assets and liabilities as at the balance sheet date approximate their carrying amount as shown in the balance sheets except that the fair value of the amounts due from subsidiaries and due to directors or companies in which certain directors have interests as disclosed in Note 14 and Note 19, cannot be practically determined in view of the lack of repayment terms entered into by the parties involved and without incurring excessive costs.

The nominal/notional amounts and fair value of financial instruments not recognised in the balance sheet of the Group as at the end of financial year are :

|                                    | <b>Nominal/Notional</b> | <b>Net Fair</b> |
|------------------------------------|-------------------------|-----------------|
|                                    | <b>RM'000</b>           | <b>RM'000</b>   |
| <b>As at 31 March 2006:</b>        |                         |                 |
| Forward foreign exchange contracts | 15,582                  | (134)           |
| <b>As at 31 March 2005:</b>        |                         |                 |
| Forward foreign exchange contracts | 12,363                  | 3               |

The fair value of a forward foreign currency contract is estimated based on the amount that would be payable or receivable on termination of the outstanding position arising and is determined by obtaining quotes from brokers.

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### 31. SEGMENTAL INFORMATION

##### (a) Primary reporting segment - Geographical segments

The Group operates in three principal geographical areas of the world and is primarily involved in textiles industry.

The directors are of the opinion that all inter-segment transactions have been entered into the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

31 March 2006

##### The People's

|                                       | Malaysia<br>RM'000 | Cambodia<br>RM'000 | China<br>RM'000 | Others<br>RM'000 | Eliminations<br>RM'000 | Consolidated<br>RM'000 |
|---------------------------------------|--------------------|--------------------|-----------------|------------------|------------------------|------------------------|
| <b>Revenue</b>                        |                    |                    |                 |                  |                        |                        |
| External sales                        | 243,393            | 181,255            | 24,115          | -                | -                      | 448,763                |
| Inter-segment sales                   | 20,046             | 25,808             | 5,737           | 183              | (51,774)               | -                      |
| <b>Total revenue</b>                  | <b>263,439</b>     | <b>207,063</b>     | <b>29,852</b>   | <b>183</b>       | <b>(51,774)</b>        | <b>448,763</b>         |
| <b>Result</b>                         |                    |                    |                 |                  |                        |                        |
| Profit/(loss) from operations         | 10,621             | 13,234             | (1,595)         | (1,313)          | -                      | 20,947                 |
| Interest expense                      |                    |                    |                 |                  |                        | (3,928)                |
| Interest income                       |                    |                    |                 |                  |                        | 273                    |
| Taxation                              |                    |                    |                 |                  |                        | (2,599)                |
| <b>Profit after taxation</b>          |                    |                    |                 |                  |                        | <b>14,693</b>          |
| Minority interests                    |                    |                    |                 |                  |                        | (430)                  |
| <b>Net profit for the year</b>        |                    |                    |                 |                  |                        | <b>14,263</b>          |
| <b>Assets</b>                         |                    |                    |                 |                  |                        |                        |
| Segment assets                        | 115,066            | 82,828             | 76,323          | 728              | -                      | 274,945                |
| <b>Consolidated total assets</b>      |                    |                    |                 |                  |                        | <b>274,945</b>         |
| <b>Liabilities</b>                    |                    |                    |                 |                  |                        |                        |
| Segment liabilities                   | 101,187            | 12,093             | 26,139          | 121              | -                      | 139,540                |
| <b>Consolidated total liabilities</b> |                    |                    |                 |                  |                        | <b>139,540</b>         |
| <b>Other information</b>              |                    |                    |                 |                  |                        |                        |
| Capital expenditure                   | 7,805              | 11,152             | 23,824          | 225              | -                      | 43,006                 |
| Depreciation                          | 7,052              | 4,653              | 2,600           | 37               | -                      | 14,342                 |



## Notes To The Financial Statements (*cont'd*)

31 March 2006

31 March 2005

The People's

|                                       | Malaysia<br>RM'000 | Cambodia<br>RM'000 | China<br>RM'000 | Eliminations<br>RM'000 | Consolidated<br>RM'000 |
|---------------------------------------|--------------------|--------------------|-----------------|------------------------|------------------------|
| Revenue                               |                    |                    |                 |                        |                        |
| External sales                        | 379,040            | 4,537              | 24,554          | -                      | 408,131                |
| Inter-segment sales                   | 9,694              | 70,537             | -               | (80,231)               | -                      |
| <b>Total revenue</b>                  | <b>388,734</b>     | <b>75,074</b>      | <b>24,554</b>   | <b>(80,231)</b>        | <b>408,131</b>         |
| Result                                |                    |                    |                 |                        |                        |
| Profit from operations                | 11,796             | 2,221              | 2,017           | -                      | 16,034                 |
| Interest expense                      |                    |                    |                 |                        | (2,646)                |
| Interest income                       |                    |                    |                 |                        | 98                     |
| Taxation                              |                    |                    |                 |                        | (2,017)                |
| <b>Profit after taxation</b>          |                    |                    |                 |                        | <b>11,469</b>          |
| Minority interests                    |                    |                    |                 |                        | (383)                  |
| <b>Net profit for the year</b>        |                    |                    |                 |                        | <b>11,086</b>          |
| Assets                                |                    |                    |                 |                        |                        |
| Segment assets                        | 151,429            | 37,724             | 39,755          | -                      | 228,908                |
| <b>Consolidated total assets</b>      |                    |                    |                 |                        | <b>228,908</b>         |
| Liabilities                           |                    |                    |                 |                        |                        |
| Segment liabilities                   | 94,168             | 4,293              | 6,523           | -                      | 104,984                |
| <b>Consolidated total liabilities</b> |                    |                    |                 |                        | <b>104,984</b>         |
| Other information                     |                    |                    |                 |                        |                        |
| Capital expenditure                   | 6,581              | 6,111              | 19,956          | -                      | 32,648                 |
| Depreciation                          | 7,249              | 4,204              | 1,546           | -                      | 12,999                 |
| Impairment losses                     | 650                | -                  | -               | -                      | 650                    |

## Notes To The Financial Statements (*cont'd*)

### 31 March 2006

#### (b) Secondary reporting segment - Business segments

The Group is organised into three major significant business segments:

- (i) Apparel - manufacturing and marketing of apparel.
- (ii) Labelling - printing of labels and stickers.
- (iii) Packaging - manufacturing, value adding and sale of plastic packaging materials.
- (iv) Others - Investment holding and provision for management services, embroidering of logos and emblems, printing and marketing of silk screen printing products.

#### 31 March 2006

|                                       | Apparel        | Labelling     | Packaging     | Others        | Eliminations    | Consolidated   |
|---------------------------------------|----------------|---------------|---------------|---------------|-----------------|----------------|
|                                       | RM'000         | RM'000        | RM'000        | RM'000        | RM'000          | RM'000         |
| <b>Revenue</b>                        |                |               |               |               |                 |                |
| External sales                        | 382,708        | 17,984        | 20,837        | 27,234        | -               | 488,763        |
| Inter-segment sales                   | 26,855         | 3,464         | 5,737         | 15,718        | (51,774)        | -              |
| <b>Total revenue</b>                  | <b>409,563</b> | <b>21,448</b> | <b>26,574</b> | <b>42,952</b> | <b>(51,774)</b> | <b>448,763</b> |
| <b>Result</b>                         |                |               |               |               |                 |                |
| Profit from operations                | 14,332         | 3,283         | 278           | 3,054         | -               | 20,947         |
| Interest expense                      |                |               |               |               |                 | (3,928)        |
| Interest income                       |                |               |               |               |                 | 273            |
| Taxation                              |                |               |               |               |                 | (2,599)        |
| <b>Profit after taxation</b>          |                |               |               |               |                 | <b>14,693</b>  |
| Minority interests                    |                |               |               |               |                 | (430)          |
| <b>Net profit for the year</b>        |                |               |               |               |                 | <b>14,263</b>  |
| <b>Assets</b>                         |                |               |               |               |                 |                |
| Segment assets                        | 169,561        | 14,964        | 64,793        | 25,627        | -               | 274,945        |
| <b>Consolidated total assets</b>      |                |               |               |               |                 | <b>274,945</b> |
| <b>Liabilities</b>                    |                |               |               |               |                 |                |
| Segment liabilities                   | 101,308        | 5,606         | 24,573        | 8,053         | -               | 139,540        |
| <b>Consolidated total liabilities</b> |                |               |               |               |                 | <b>139,540</b> |
| <b>Other information</b>              |                |               |               |               |                 |                |
| Capital expenditure                   | 23,258         | 754           | 17,857        | 1,137         | -               | 43,006         |
| Depreciation                          | 8,927          | 1,542         | 2,414         | 1,459         | -               | 14,342         |





## Notes To The Financial Statements (*cont'd*)

31 March 2006

31 March 2005

|                                       | Apparel<br>RM'000 | Labelling<br>RM'000 | Packaging<br>RM'000 | Others<br>RM'000 | Eliminations<br>RM'000 | Consolidated<br>RM'000 |
|---------------------------------------|-------------------|---------------------|---------------------|------------------|------------------------|------------------------|
| <b>Revenue</b>                        |                   |                     |                     |                  |                        |                        |
| External sales                        | 334,128           | 17,421              | 24,554              | 32,028           | -                      | 408,131                |
| Inter-segment sales                   | 68,903            | 2,331               | -                   | 8,997            | (80,231)               | -                      |
| <b>Total revenue</b>                  | <b>403,031</b>    | <b>19,752</b>       | <b>24,554</b>       | <b>41,025</b>    | <b>(80,231)</b>        | <b>408,131</b>         |
| <b>Result</b>                         |                   |                     |                     |                  |                        |                        |
| Profit from operations                | 8,875             | 3,480               | 2,332               | 1,347            | -                      | 16,034                 |
| Interest expense                      |                   |                     |                     |                  |                        | (2,646)                |
| Interest income                       |                   |                     |                     |                  |                        | 98                     |
| Taxation                              |                   |                     |                     |                  |                        | (2,017)                |
| <b>Profit after taxation</b>          |                   |                     |                     |                  |                        | <b>11,469</b>          |
| Minority interests                    |                   |                     |                     |                  |                        | (383)                  |
| <b>Net profit for the year</b>        |                   |                     |                     |                  |                        | <b>11,086</b>          |
| <b>Assets</b>                         |                   |                     |                     |                  |                        |                        |
| Segment assets                        | 145,333           | 15,571              | 39,723              | 28,281           | -                      | 228,908                |
| <b>Consolidated total assets</b>      |                   |                     |                     |                  |                        | <b>228,908</b>         |
| <b>Liabilities</b>                    |                   |                     |                     |                  |                        |                        |
| Segment liabilities                   | 82,066            | 6,476               | 6,946               | 9,496            | -                      | 104,984                |
| <b>Consolidated total liabilities</b> |                   |                     |                     |                  |                        | <b>104,984</b>         |
| <b>Other information</b>              |                   |                     |                     |                  |                        |                        |
| Capital expenditure                   | 9,336             | 2,589               | 19,956              | 767              | -                      | 32,648                 |
| Depreciation                          | 8,295             | 1,448               | 1,546               | 1,710            | -                      | 12,999                 |
| Impairment losses                     | -                 | -                   | -                   | 650              | -                      | 650                    |

## Group Properties

As At 31 March 2006

| No. | Location   | Description and Existing Use          | Tenure                        | Land Area (build-up area) sq. ft. | Age of Building No. of Years | Net Book Value RM | Date of Acquisition/ Revaluation* |
|-----|--|---------------------------------------|-------------------------------|-----------------------------------|------------------------------|-------------------|-----------------------------------|
|     | <b>Perusahaan Chan Choo Sing Sdn Bhd</b>   |                                       |                               |                                   |                              |                   |                                   |
| 1   | Plo 7, Kawasan Perindustrian Parit Raja, 86400 Batu Pahat, Johor, Malaysia.              | 3 Blocks Office and Factory Buildings | Leasehold expiring 07/09/2050 | 87,120 (46,684)                   | 15                           | 1,903,346         | 13/08/1993*                       |
| 2   | No. 18, Jalan Keris Naga, Taman Pasifik Selatan, 83000 Batu Pahat, Johor, Malaysia.      | 4 Storey Building Complex             | Freehold                      | 6,056 (13,946)                    | 13                           | 839,299           | 04/04/1994*                       |
| 3   | No. 8 & 10, Jalan Perdana 2, Taman Kota Yong Peng, 83700 Yong Peng, Batu Pahat,          | Office and Factory Block              | Freehold                      | 6,000 (7,800)                     | 14                           | 339,700           | 04/04/1994*                       |
| 4   | No. 9, 11, Jalan Perdana 1, Taman Kota Yong Peng, 83700 Yong Peng, Batu Pahat,           | Office and Factory Block              | Freehold                      | 6,000 (7,800)                     | 14                           | 546,616           | 21/08/1995                        |
| 5   | No. 16, Jalan Pisang, Taman Maju, Parit Raja, 86400 Batu Pahat,                          | Single Storey Semi-Detached House     | Freehold                      | 24,001 (1,414)                    | 13                           | 56,591            | 04/04/1994*                       |
| 6   | No. 5, Jalan TP 7/3, Seksyen 26, Shah Alam, 40000 Selangor,                              | 1 1/2 Storey Office and Factory Block | Freehold                      | 3,000 (3,000)                     | 10                           | 554,243           | 04/10/1996                        |
| 7   | Plo 10, Kawasan Perindustrian Parit Raja, 86400 Parit Raja, Batu Pahat, Johor, Malaysia. | 3 Blocks Office and Factory Buildings | Leasehold expiring 10/09/2051 | 114,127 (82,720)                  | 10                           | 5,539,042         | 21/04/1995                        |
| 8   | Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat,                   | Office and Factory Buildings          | Freehold                      | 185,130# (88,000)                 | 8                            | 9,480,787         | 12/12/1997                        |
| 9   | Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat,                   | 2 Blocks of Hostel Building           | Freehold                      | 74,104 (148,844)                  | 3                            | 4,741,594         | 31/03/2004                        |



## Group Properties (cont'd)

As At 31 March 2006

| No. | Location   | Description and Existing Use                      | Tenure                        | Land Area (build-up area) sq. ft. | Age of Building No. of Years | Net Book Value RM | Date of Acquisition/ Revaluation* |
|-----|--|---|-------------------------------|-----------------------------------|------------------------------|-------------------|-----------------------------------|
| 10  | No. 92 & 93, Jalan KIP 9, Taman Industrial KIP,  | 2 Blocks of Office Building                       | Freehold                      | 4,000<br>(7,968)                  | 10                           | 787,200           | 01/04/2004                        |
| 11  | No. 32, Jalan Ikhtiari 2, Taman Ikhtiari, 84900 Tangkak, Muar, Johor, Malaysia.  | Double Storey Terrace House                       | Freehold                      | 4,864<br>(3,080)                  | 0                            | 200,298           | 01/03/2006                        |
| 12  | No. 8 to 15, Jalan Ikhtiari 1, Taman Ikhtiari, 84900 Tangkak,  | 8 Units of Double Storey                          | Freehold                      | 14,880<br>(14,080)                | 0                            | 1,159,582         | 01/03/2006                        |
| 13  | <b>Beauty Electronic Embroidering Centre Sdn Bhd</b><br>Plo 5, Kawasan Perindustrian Parit Raja, 86400 Parit Raja, Batu Pahat, Johor, Malaysia.    | 2 Blocks Detached Factory and Ancillary Building  | Leasehold expiring 01/03/2043 | 43,560<br>(30,292)                | 21                           | 932,234           | 04/04/1994*                       |
| 14  | No. 53, Jalan Bunga Dahlia 9, Taman Aman, 81400 Senai,   | Single Storey Terrace House                       | Freehold                      | 1,200                             | 19                           | 103,200           | 22/09/1998                        |
| 15  | <b>Jusca Garments Sdn Bhd</b><br>C.T. 3875 Lot 6061; HS(D) 19630 PTD 15722; HS(D) 19631 15723 Mukim of Tangkak, District of Muar, Johor, Malaysia. | Vacant Land                                       | Freehold                      | 756,796                           | N/A                          | 3,118,530         | 01/12/1996                        |
| 16  | <b>China Roots Packaging Pte Ltd</b><br>Lot JGQ-C2, East Zone of Guangzhou Economic Development Zone, Guangzhou, Guangdong Province P.R.C.         | 1 Block Detached Factory and 1 Ancillary Building | Leasehold expiring 26/03/2054 | 321,141<br>(179,940)              | 1                            | 17,639,829        | 05/04/2005                        |

The company does not have a revaluation policy in respect of the revaluation of the company's properties.

# Including 74,104 sq ft for Hostel - Item 9

## Analysis Of Shareholdings As At 30 June 2006

Authorised Share Capital : RM100,000,000.00  
 Issued and Paid Up Capital : RM60,012,002.00  
 Class of Shares : Ordinary Shares of RM1.00 each  
 Voting rights : One (1) vote per shareholder on a show of hands  
 : One (1) vote per ordinary share on a poll

### DISTRIBUTION OF SHAREHOLDINGS AS AT 30 JUNE 2006

| Size of Shareholdings    | No. of Shareholders | %             | No. of Shares     | %             |
|--------------------------|---------------------|---------------|-------------------|---------------|
| 1 - 99                   | 154                 | 4.49          | 8,160             | 0.01          |
| 100 - 1,000              | 313                 | 9.13          | 278,312           | 0.46          |
| 1,001 - 10,000           | 2,586               | 75.42         | 9,196,843         | 15.33         |
| 10,001 - 100,000         | 338                 | 9.86          | 8,467,240         | 14.11         |
| 100,001 to 3,000,599 (*) | 37                  | 1.08          | 18,061,369        | 30.10         |
| 3,000,600 and above (**) | 1                   | 0.03          | 24,000,078        | 39.99         |
| <b>TOTAL</b>             | <b>3,429</b>        | <b>100.00</b> | <b>60,012,002</b> | <b>100.00</b> |

REMARK: \* Less than 5% of issued share  
 \*\* 5% and above of issued shares

### LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 30 JUNE 2006

The substantial shareholders of PCCS (holding 5% or more of the capital) based on the Register of Substantial Shareholders of the Company and their respective shareholdings are as follows:

| Substantial Shareholders         | Direct Interest |       | Indirect Interest |       |
|----------------------------------|-----------------|-------|-------------------|-------|
|                                  | No. of Shares   | %     | No. of Shares     | %     |
| Chan Choo Sing                   | 1,832,653       | 3.05  | 26,741,117 (1)    | 44.56 |
| Chan Chow Tek                    | 2,165,583       | 3.61  | 24,000,078 (2)    | 39.99 |
| Chan Chor Ngiak                  | 319,550         | 0.53  | 24,000,078 (3)    | 39.99 |
| Chan Chor Ang                    | 809,550         | 1.35  | 24,040,078 (4)    | 40.06 |
| Chan Kok Hiang @ Chan Kock Hiang | 226,333         | 0.38  | 24,000,078 (5)    | 39.99 |
| Setia Sempurna Sdn Bhd           | 24,000,078      | 39.99 | -                 | -     |

#### Notes:

- (1) Deemed interested by virtue of his direct interest of 27.0% in the equity of Setia Sempurna Sdn Bhd and by virtue of his spouse, Madam Tan Kwee Kee's shareholding in PCCS.
- (2) Deemed interested by virtue of his direct interest of 20.0% in the equity of Setia Sempurna Sdn Bhd.
- (3) Deemed interested by virtue of his direct interest of 14.0% in the equity of Setia Sempurna Sdn Bhd.
- (4) Deemed interested by virtue of his direct interest of 14.0% in the equity of Setia Sempurna Sdn Bhd and by virtue of his spouse, Madam Chia Lee Kean's shareholding in PCCS.
- (5) Deemed interested by virtue of his direct interest of 22.0% in the equity of Setia Sempurna Sdn Bhd.



## Analysis Of Shareholdings (cont'd)

As At 30 June 2006

### LIST OF DIRECTORS' SHAREHOLDINGS AS AT 30 JUNE 2006

The Directors' Shareholdings of PCCS based on the Register of Directors' Shareholdings of the Company are as follows:

| Directors                    | Direct Interest |      | Indirect Interest |       |
|------------------------------|-----------------|------|-------------------|-------|
|                              | No. of Shares   | %    | No. of Shares     | %     |
| Chan Choo Sing               | 1,832,653       | 3.05 | 26,741,117 (1)    | 44.56 |
| Chan Chow Tek                | 2,165,583       | 3.61 | 24,000,078 (2)    | 39.99 |
| Chan Chor Ngiak              | 319,550         | 0.53 | 24,000,078 (3)    | 39.99 |
| Chan Chor Ang                | 809,550         | 1.35 | 24,040, 078 (4)   | 40.06 |
| Cha Peng Koi @ Chia Peng Koi | -               | -    | -                 | -     |
| Tan Chuan Hock               | -               | -    | -                 | -     |
| Tey Ah Tee @ Teo Ah Tee      | -               | -    | -                 | -     |

#### Notes:

- (1) Deemed interested by virtue of his direct interest of 27.0% in the equity of Setia Sempurna Sdn Bhd and by virtue of his spouse, Madam Tan Kwee Kee's shareholding in PCCS.
- (2) Deemed interested by virtue of his direct interest of 20.0% in the equity of Setia Sempurna Sdn Bhd.
- (3) Deemed interested by virtue of his direct interest of 14.0% in the equity of Setia Sempurna Sdn Bhd.
- (4) Deemed interested by virtue of his direct interest of 14.0% in the equity of Setia Sempurna Sdn Bhd and by virtue of his spouse, Madam Chia Lee Kean's shareholding in PCCS.

### Share Options Held under the Employees' Share Option Scheme of the Company

| Directors      | No. of Share Options Held | Option Price (RM) |
|----------------|---------------------------|-------------------|
| Chan Choo Sing | 200,000                   | 1.30              |
| Chan Chow Tek  | 200,000                   | 1.30              |

## Analysis Of Shareholdings (cont'd)

As At 30 June 2006

### THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 JUNE 2006

| No. | Shareholders   | Number of Shares  | Percentage of Issued Capital |
|-----|--|-------------------|------------------------------|
| 1.  | Setia Sempurna Sdn Bhd   | 24,000,078        | 39.99                        |
| 2.  | Tan Kwee Kee   | 2,741,039         | 4.57                         |
| 3.  | Chan Choo Sing   | 1,832,653         | 3.05                         |
| 4.  | Amanah Raya Nominees (Tempatan) Sdn Bhd<br><i>Skim Amanah Saham Bumiputera</i>                         | 1,327,766         | 2.21                         |
| 5.  | Yap Shing @ Yap Sue Kim  | 1,295,066         | 2.16                         |
| 6.  | Amsec Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Chan Chow Tek</i>               | 957,200           | 1.60                         |
| 7.  | Amsec Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Ng Choon Fatt</i>               | 819,400           | 1.37                         |
| 8.  | Chan Chor Ang  | 809,550           | 1.35                         |
| 9.  | Kenanga Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Mohd Radzuan Bin Ab Halim</i> | 666,666           | 1.11                         |
| 10. | Lim Poh Teot   | 642,466           | 1.07                         |
| 11. | Amsec Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Chan Chow Tek</i>               | 603,500           | 1.01                         |
| 12. | Ng Cheu Peng   | 602,800           | 1.00                         |
| 13. | Go Hout Hing   | 571,966           | 0.95                         |
| 14. | Kenanga Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Chan Chow Tek</i>             | 504,000           | 0.84                         |
| 15. | Yap Nyet Yune  | 468,333           | 0.78                         |
| 16. | Wetex Industries Sdn Bhd   | 441,000           | 0.73                         |
| 17. | A.A. Assets Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Tan Kim Kee @ Tan Kee</i> | 371,900           | 0.62                         |
| 18. | Tan Poay Jong  | 320,000           | 0.53                         |
| 19. | Chan Chor Ngiak  | 319,550           | 0.53                         |
| 20. | Gan Surt Neo   | 275,900           | 0.46                         |
| 21. | Yung Lay Kiang   | 256,666           | 0.43                         |
| 22. | Chan Kok Hiang @ Chan Kock Hiang   | 226,333           | 0.38                         |
| 23. | Tan Hock Seng  | 200,000           | 0.33                         |
| 24. | Yeo Eck Liong  | 166,666           | 0.28                         |
| 25. | Yeo Eck Liong  | 166,100           | 0.28                         |
| 26. | Ling Hua Ee  | 134,000           | 0.22                         |
| 27. | Chan Wee Boon  | 131,000           | 0.22                         |
| 28. | Wong Shak On   | 122,000           | 0.20                         |
| 29. | Yeap Ah Kau  | 121,200           | 0.20                         |
| 30. | Wong Tuck Heng   | 117,600           | 0.20                         |
|     |  | <b>41,212,398</b> | <b>68.67</b>                 |

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**PCCS GROUP BERHAD**

Company No. 280929-K  
(Incorporated in Malaysia)

**FORM OF PROXY**

|                       |                 |
|-----------------------|-----------------|
| NUMBER OF SHARES HELD | CDS ACCOUNT NO. |
|                       |                 |

\*I/We, \_\_\_\_\_  
(Full Name In Capital Letters)

of \_\_\_\_\_  
(Full Address)

being a \*Member/Members of PCCS GROUP BERHAD, do hereby appoint \_\_\_\_\_  
(Full Name In Capital Letters)

of \_\_\_\_\_  
(Full Address)

or failing \*him/her, \_\_\_\_\_  
(Full Name 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 Twelfth Annual General Meeting of the Company to be held at PCCS Group Berhad's Corporate Office, Lot 1376, GM127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim on Monday, 21 August 2006 at 11:00 a.m. and 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.

|        |   |            |                |
|--------|---|------------|----------------|
| 1.     | To receive the Audited Financial Statements for the financial year ended 31 March 2006 together with the Reports of the Directors and the Auditors thereon.   |            |                |
|        | <b>Resolutions</b>  | <b>For</b> | <b>Against</b> |
| 2.     | To approve the declaration of the First and Final Tax Exempt Dividend of 5.0% for the financial year ended 31 March 2006. (Resolution 1)  |            |                |
| 3.     | To approve the Directors' fees for the financial year ended 31 March 2006. (Resolution 2)   |            |                |
| 4. (a) | To re-elect Mr. Chan Chor Ang in accordance with Article 94 of the Company's Articles of Association. (Resolution 3)  |            |                |
| 4. (b) | To re-elect Mr. Cha Peng Koi @ Chia Peng Koi in accordance with Article 94 of the Company's Articles of Association. (Resolution 4)   |            |                |
| 5.     | To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorize the Directors to fix their remuneration. (Resolution 5)   |            |                |
| 6.     | As Special Business<br><u>Ordinary Resolution No. 1</u><br>Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 (Resolution 6)   |            |                |
| 6.     | As Special Business<br><u>Ordinary Resolution No. 2</u><br>Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad (Resolution 7) |            |                |

\* Strike out whichever not applicable

Signed this ..... day of ..... 2006

.....  
Signature of Member/Common Seal

**Notes:-**

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Sections 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.

Shareholders' attention is hereby drawn to the Listing Requirements of Bursa Malaysia Securities Berhad which came into force on 1 June 2001 which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991, to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

2. Where a holder appoints two or more proxies, he shall specify the proportions of his shareholdings to be represented by each proxy.
3. 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.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at PLO 10, Kawasan Perindustrian Parit Raja, 86400 Batu Pahat, Johor Darul Takzim not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.