

Chairman's Statement



On behalf of the Board of Directors, I have great pleasure in presenting the Annual and Audited Accounts of the Group and the Company for the financial year ended 31 March 2001.

FINANCIAL REVIEW

For the financial year ended 31 March 2001, the Group achieved a pre-tax profit of RM25.844 million as compared to RM22.361 million in 2000. Turnover also increased to RM294.976 million for the year under review. Net earnings per share for the Group stood at RM0.416.

DIVIDEND

The Board is pleased to recommend a first and final tax exempt dividend of 5% for the financial year ended 31 March 2001 subject to the shareholders' approval at the forthcoming Annual General Meeting.

CORPORATE DEVELOPMENTS

During the year, PCCS Group Berhad ("PCCS") has announced the following acquisitions/disposals:-

1. Mega Labels & Stickers Sdn Bhd ("Mega"), a wholly owned subsidiary of PCCS had acquired the entire and issued paid up capital of Mega Labels & Stickers (Selangor) Sdn Bhd ("Mega(S)") comprising of two (2) Ordinary Shares of RM1/= each on 15 January 2001 for a total consideration of RM2/= (Ringgit Malaysia: Two) only. Following the said acquisition, PCCS became the ultimate holding company of Mega(S). The principal activity of Mega(S) is that of printing of labels and stickers. Upon the completion of the aforesaid acquisition, the paid up capital of Mega(S) was increased by 99,998 new ordinary shares of RM1/= each on 15 January 2001. The total paid up capital of Mega(S) now stands at RM100,000/=.
2. Acquisition of Two Hundred and Forty Nine Thousand and Five Hundred (249,500) Ordinary Shares of RM1/= each fully paid up in the capital of Zimk Resources Sdn Bhd at zero consideration on 18 April, 2001. Following the said acquisition, PCCS holds the entire issued and paid up capital of Zimk Resources Sdn Bhd of RM500,000/=.
3. The Company disposed of 210,000 ordinary shares of SGD1.00 each representing 15% equity interest in Tex Line Associates Pte Ltd ("TLA") to Tex Line Pte Ltd for a total cash consideration of SGD5,006,812.50 (equivalent to approximately RM10,614,442.50 based on the exchange rate of 2.12 as at 28 March 2001). Subsequent to the disposal, the Company's equity interest in TLA reduced to 45%.

STATUS OF CORPORATE PROPOSALS

On 19 July, 2001, Alliance Merchant Bank Berhad (“Alliance”), on behalf of the Company has announced the following proposals:-

- * Proposed bonus issue of 24,000,000 new ordinary shares of RM1.00 each (“Shares”) on the basis of two (2) new Shares for every three (3) existing Shares held (“Proposed Bonus Issue”);
- * Proposed Employees’ Share Option Scheme for the Executive Directors and eligible employees of PCCS and its subsidiaries (PCCS Group”) (Proposed ESOS”);
- * Proposed adoption of new Articles of Association of the Company (“Proposed Adoption”); and
- * Proposed mandate from its shareholders for PCCS Group to enter into recurrent related party transactions of a revenue or trading nature (“Proposed Shareholders’ Mandate”).

The above proposals are conditional upon approvals being obtained from:

- * The Securities Commission for the Proposed ESOS and the Proposed Bonus Issue;
- * The KLSE for the listing of and quotation for the Bonus Shares and the new PCCS Shares to be issued pursuant to the exercise of Options under the Proposed ESOS;
- * The shareholders of PCCS at the forthcoming Extraordinary General Meeting;
- * Other relevant authorities, if any.

REVIEW OF GROUP PERFORMANCE

APPARELS DIVISION

During the year under review, the Apparels Division’s performance had been very encouraging, recording a higher turnover and pre-tax profit over the last corresponding period.

Orders from the Division’s main buyers, Adidas and The Gap have increased substantially over the period. The slowdown in the US economy accompanied with global competition and perpetual increase in consumer demand has resulted in lower margins.



In order to comply with buyers’ stringent requirements, namely higher added-value quality products at reasonable prices with shorter delivery time, more skillful production techniques have been employed. This move is in line with achieving the Group’s vision of continuous productivity and quality improvement to enhance overall performance, at the same time minimising the production overheads and losses.

The management realises that team co-ordination is vital in enhancing efficiency and ensuring on-time delivery. Front-line production staffs especially merchandising and marketing team are being sent for frequent trainings to enhance their capability to solve problems independently and promptly. They are also trained how to improve skills on customer service through efficient and dedicated services.

Production volume of the garment factory in Cambodia, operating under PCCS Garments Limited ("PGL") had increased substantially during the year. PGL had rented an additional factory behind its existing factory to cater for the increase in orders from its major clients. A total of approximately RM3.0 million and RM5.0 million have been invested on renovation and machineries respectively. Total average monthly production capacity had increased to 70,000 dozen garments. The total workforce of PGL had also increased to 3,844 as at March 2001. Its embroidery division is capable of producing approximately 12.800 million stitches per month, with a total of 41 units of the latest computerised embroidery machines.

EMBROIDERY DIVISION

The drop in overall performance of the Embroidery Division was mainly attributed to the decline in orders from its existing customers. One of the major customers of E.M.I. Embroidery Sdn Bhd ("E.M.I.") had pulled out during the second half of the year. Stringent requirements and stiffer competition has resulted in lower selling prices and profit margins.

As the Group foresee the future of the embroidery market in Malaysia will be softer, eight units of embroidery machines have been transferred to PGL



to cater for the increase in orders from the Group's Apparels Division.

The increase in factory overheads and operating expenses also resulted in the decline of E.M.I.'s performance. As a step taken to enhance production efficiency and reduce operating overheads, the Group has relocated E.M.I.'s plant from the Panchor factory to Parit Raja in January 2001 whereby it is now operating under the same premises as BEEC.

FABRIC KNITTING DIVISION

The Division, under Keza Sdn Bhd ("Keza") continues to show positive growth in both its turnover and pre-tax profit for the period under review. Orders from its existing customers continue to grow and the increase in customer base in the central and southern regions of Peninsular Malaysia had enabled the Division to gain a wider market share.

Keza had experienced huge setbacks in its gross margins as a result of competitive fabric prices from its major customers and competitors under-cutting selling prices to gain market share. Production

overheads namely commission dyeing and commission knitting have increased substantially over the previous reporting period.

In order to stay competitive in the fabric industry, Keza will continue to further widen its market share, at the same time operate under an efficient and effective environment.

LABELLING DIVISION

The Division, under Mega Labels & Stickers Sdn Bhd ("Mega") again chalked up another good year in 2001 with an increase of 59% in pre-tax profit margin over the same period in 2000.

The commendable performance had been mainly attributed to the growth in sales from its existing and new customers. The turnover for its various range of stickers had increased, with the electronics sector being the major contributor. Sales to the garments sector had also improved over the period. The investment in the new R200 letterpress printing machine had enabled Mega to capture a bigger market share for its products especially in the electronics and consumer products sectors not only within Malaysia but also to Singapore.



The increase in profit margins is evident that the management had successfully practised the cost monitoring and control system. Raw material consumption continues to improve due to better control of production wastages and losses. Production capacity of the new R200 letterpress printing machine had increased to approximately 80%.

To serve its customers in the central region of Peninsular Malaysia more effectively and efficiently, Mega has set up a new manufacturing plant located in Shah Alam, operating under Mega Labels & Stickers (Selangor) Sdn Bhd ("Mega(S)"). Mega(S) commenced its operation in December 2000. It operates with three units of label printing machines totalling approximately RM1.0 million and is capable of producing about 11.0 million pieces of stickers/labels per month.





As a strategy to penetrate into new market segments with the possibility of expanding to overseas market, the management is considering of investing in another unit of printing machine with ten color printing features to increase production capacity and to provide more options for its customers. In order to cater for the different needs and increasing demands from its existing and potential customers, action is being taken to upgrade printing technology and introduce training courses to improve the skills, technical knowhow and job knowledge of the existing employees. The management also continues to instill cost monitoring and control to achieve continuous growth in both its profitability and earnings.

MARKETING AND DISTRIBUTION

The drop in turnover of the Division, under Brilliance Element Sdn Bhd (“Brilliance”), the exclusive distributor of US upmarket golf apparels, the “Cross Creek” brand products and golf equipment, had a negative impact on its overall performance.

The lower sales was attributed to the audit on compliance with labors and safety practices of Russell Corporation’s factories which had delayed the development of new product lines for the third and forth quarter. As the Licence Manufacturer Contract requires factories to obtain approval from the Russell Corporation prior to production, Brilliance is only able to produce limited styles and quantities for the market. Outright sales continue to suffer huge setbacks as a result of brand competition and softer demand in the retail market.

Despite the improvement in gross margin, operating expenses namely travelling, staff costs and advertising and promotion expenses have increased over the period. There is also an increase in days on inventory turnover mainly due to the arrival of new products which have not been released out into the market.

To improve the company’s overall performance, the management had identified several action plans to boost up sales. The main focus is to increase retail and corporate penetration. Frequent follow-up is being implemented to ensure factories meet the compliance requirements set by Cross Creek Apparel in order to increase production capabilities



thereby increasing sales of their products. The management is also in the midst of identifying new product lines such as foot ware and soccer category products to improve the earnings of the company.

TRADING AND BUYING HOUSE SERVICES

The Division, under Tex Line Associates Pte Ltd ("TLA"), registered a higher commission and pre-tax profit as compared to the previous corresponding year.

TLA's market share in the apparels and related businesses continue to strengthen with the introduction of new portfolio of clients from the European markets namely Fruit of the Loom, Sports and Soccer, Marks Warehouse and Inditex S.A. Orders for its Bangladesh operation had also increased substantially together with higher sales orders received from its major customer, Charles Voegelé ("CV").

With training provided over the years, the new generation is now able to play their roles in the day to day operation of the company with minimal guidance from the key management. Thus, more time can be spent to tap and diversify into other apparel related segments and markets. During the year, the marketing and merchandising team were sent to Europe for the various enriching trade and fabric fairs to upgrade their knowledge.

Despite the recent economic slowdown in the United States, the management is still optimistic in the coming year for the European market. Growth is expected from the newly developed accounts stated above with CV still being the major client. In order to further extend its network and to serve its



existing and potential clients more efficiently the management has plans to set up new offices in countries such as Shanghai, Sydney, New York and London by year end 2001.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation and acknowledge with gratitude to the bankers for their support, the shareholders for their confidence, to the business associates and regulatory authorities for their support and assistance.

I wish to commend the Management, staff and all employees of the Group for their undivided loyalty, commitment and unwavering strength over the years and look forward to their continued contribution as we move towards the technology age with greater challenges ahead of us.

I am also grateful to the distinguished members of the Board for their invaluable advice and guidance.

CHAN KOK HIANG @ CHAN KOCK HIANG

Chairman
28 August, 2001

FINANCIAL STATEMENTS

Directors' Report	26 - 30
Consolidated Balance Sheet	31
Consolidated Income Statement	32
Consolidated Statement Of Changes In Equity	33
Consolidated Cash Flow Statement	34 - 36
Balance Sheet	37
Income Statement	38
Statement Of Changes In Equity	39
Cash Flow Statement	40
Notes To The Financial Statements	41 - 60
Statement By Directors	61
Statutory Declaration	62
Auditors' Report	63

Directors' Report

The directors hereby submit their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 March, 2001.

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 13 to the financial statements. There have been no significant changes in these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	14,974	17,178

DIVIDENDS

Since the end of the previous financial year, the Company has paid a first and final tax exempt dividend of 5% amounting to RM1,800,000 on 31 October, 2000 as proposed in the Directors' Report for that year.

The directors recommend a first and final tax exempt dividend of 5% amounting to RM1,800,000 in respect of the current financial year.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amounts written off as bad debts or the amount of provision for doubtful debts in the financial statements of the Company and of the Group inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business their values as shown in the accounting records of the Company and of the Group have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company and of the Group misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Company or of the Group which has arisen since the end of the financial year which secures the liabilities of any other persons; or
- (b) any contingent liability of the Company or of the Group which has arisen since the end of the financial year.

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, in the opinion of the directors, will or may substantially affect the ability of the Company or of the Group to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 30 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 31 to the financial statements.

DIRECTORS

The directors who served since the date of the last report are:

Chan Kok Hiang @ Chan Kock Hiang

Chan Choo Sing

Chan Chow Tek

Chan Chor Ngiak

Chan Chor Ang

Cha Peng Koi @ Chia Peng Koi

Tan Chuan Hock

Jamilah binti Hj. Abdul Latiff - resigned on 20 February, 2001

Halimi Bin Hussain - appointed on 15 November, 2000

Tey Ah Tee @ Teo Ah Tee - appointed on 15 June, 2001

In accordance with the Company's Articles of Association, Chan Chor Ang, Cha Peng Koi @ Chia Peng Koi, Halimi Bin Hussain and Tey Ah Tee @ Teo Ah Tee retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with the Listing Requirements of Kuala Lumpur Stock Exchange, Chan Choo Sing retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

Chan Kok Hiang @ Chan Kock Hiang retires pursuant to Section 129 (2) of the Companies Act, 1965 ("the Act") and a resolution is being proposed for his re-appointment as a director under the provision of Section 129 (6) of the Act to hold office until the next Annual General Meeting of the Company.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiaries is a party with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 20 and Note 21 or deemed benefits, if any, arising from transactions disclosed in Note 29 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which 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, none of the directors holding office at the end of the financial year had any interest in shares in the Company during the financial year other than as follows:

	Number of Ordinary Shares of RM1 each			31 March, 2001
	1 April, 2000	Bought	Sold	
Direct interest -				
Chan Kok Hiang @ Chan Kock Hiang	33,000	14,000	-	47,000
Chan Choo Sing	2,333,630	-	-	2,333,630
Chan Chow Tek	1	-	-	1
Chan Chor Ang	60,000	-	-	60,000
Indirect interest -				
Chan Kok Hiang @ Chan Kock Hiang	14,400,047	-	-	14,400,047
Chan Choo Sing	16,036,871	30,000	-	16,066,871
Chan Chow Tek	14,400,047	-	-	14,400,047
Chan Chor Ngiak	14,400,047	-	-	14,400,047
Chan Chor Ang	14,424,047	-	-	14,424,047

By virtue of their interests in the shares of the Company, Chan Kok Hiang @ Chan Kock Hiang, Chan Choo Sing, Chan Chow Tek, Chan Chor Ngiak and Chan Chor Ang are deemed interested in shares in all the Company's subsidiaries to the extent that the Company has an interest.

NUMBER OF EMPLOYEES AND PRINCIPAL PLACE OF BUSINESS

The number of employees in the Group at the end of the year was 6,213 (2000 : 4,826). The principal place of business of the Company is located at Plo 10, Kawasan Perindustrian Parit Raja, 86400 Batu Pahat, Johor.

AUDITORS

Arthur Andersen & Co. retire and have indicated their willingness to accept re-appointment.

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

CHAN CHOO SING

CHAN CHOW TEK

Dated: 30 JULY, 2001
Melaka

Consolidated Balance Sheet – 31 March, 2001

	Note	2001 RM'000	2000 RM'000
CURRENT ASSETS			
Cash and bank balances		25,375	24,563
Deposits with licensed banks	3	20,832	21,949
Trade debtors	4	80,193	53,542
Stocks	5	17,624	27,584
Other debtors, deposits and prepayments	6	6,347	11,290
		150,371	138,928
CURRENT LIABILITIES			
Short term borrowings	8	39,220	36,653
Trade creditors	9	48,896	46,431
Other creditors and accruals	10	13,491	16,421
Hire purchase creditors	11	939	741
Term loans	12	5,315	8,544
Taxation		2,239	2,514
Proposed dividend		1,800	1,800
Dividends payable		30	24
		111,930	113,128
NET CURRENT ASSETS		38,441	25,800
FIXED ASSETS	14	84,724	76,667
NET RESERVE ON CONSOLIDATION	15	(4,619)	(4,619)
HIRE PURCHASE CREDITORS	11	(605)	(554)
TERM LOANS	12	(11,967)	(7,403)
DEFERRED TAXATION	16	(1,447)	(1,280)
MINORITY INTERESTS		(23,771)	(19,966)
		80,756	68,645
SHAREHOLDERS' FUNDS			
Share capital	17	36,000	36,000
Reserves		44,756	32,645
		80,756	68,645

The accompanying notes are an integral part of this balance sheet.

Consolidated Income Statement For The Year Ended 31 March, 2001

	Note	2001 RM'000	2000 RM'000
Revenue	18	294,976	201,584
Other operating income	19	870	1,568
Changes in stocks of finished goods and work-in-progress		(4,135)	876
Raw materials and consumables used		(133,732)	(84,766)
Staff costs	20	(65,062)	(46,512)
Depreciation		(8,820)	(6,479)
Travelling and transportation costs		(13,757)	(11,153)
Other operating expenses	21	(37,752)	(28,556)
Profit from operations		32,588	26,562
Finance cost, net	22	(6,744)	(4,201)
Profit before taxation		25,844	22,361
Taxation	23	(4,999)	(3,419)
Profit after taxation		20,845	18,942
Minority interests		(5,871)	(7,308)
Net profit for the year		14,974	11,634
Basic earnings per share	24	41.6 sen	32.3 sen

The accompanying notes are an integral part of this statement.

Consolidated Statement Of Changes In Equity For The Year Ended 31 March, 2001

	Note	← Non distributable →			Distributable	Total RM'000
		Share capital RM'000	Share premium RM'000	Foreign currency reserve RM'000	Retained profits RM'000	
As at 31.3.1999		36,000	6,472	1,201	14,931	58,604
Translation gain		-	-	207	-	207
Net profit for the year		-	-	-	11,634	11,634
Dividends	25	-	-	-	(1,800)	(1,800)
As at 31.3.2000		36,000	6,472	1,408	24,765	68,645
Translation loss		-	-	(1,063)	-	(1,063)
Net profit for the year		-	-	-	14,974	14,974
Dividends	25	-	-	-	(1,800)	(1,800)
As at 31.3.2001		36,000	6,472	345	37,939	80,756

The accompanying notes are an integral part of this statement.

Consolidated Cash Flow Statement For The Year Ended 31 March, 2001

	2001 RM'000	2000 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	25,844	22,361
Adjustments for :		
Depreciation	8,820	6,479
Bad and doubtful debts	345	-
Fixed assets written off	101	-
Intangible assets written off	6	2
Interest expense	3,282	3,468
Loss on disposal of investment	-	121
Gain on disposal of fixed assets	(254)	(606)
Interest income	(1,638)	(1,297)
Operating profit before working capital changes	36,506	30,528
(Increase)/decrease in debtors	(23,360)	15,110
Decrease/(increase) in stocks	9,960	(3,040)
Increase in creditors	1,266	5,667
Cash generated from operations	24,372	48,265
Interest paid	(3,282)	(3,468)
Tax paid	(5,491)	(2,702)
Net cash generated from operating activities	15,599	42,095
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries net of cash acquired (Note A)	-	(7,530)
Purchase of fixed assets (Note B)	(16,361)	(15,325)
Withdrawal/(placement) of fixed deposits	52	(91)
Interest received	1,638	1,297
Proceeds from disposal of investment	-	395
Proceeds from disposal of fixed assets	811	3,267
Net cash used in investing activities	(13,860)	(17,987)

	2001 RM'000	2000 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(2,981)	(1,800)
Repayment of hire purchase	(1,106)	(1,040)
Drawdown of term loans	6,315	4,487
Repayment of term loans	(4,981)	(4,479)
Short term borrowings	2,443	1,771
Net cash used in financing activities	<u>(310)</u>	<u>(1,061)</u>
CASH AND CASH EQUIVALENTS		
Net increase during the year	1,429	23,047
At beginning of the year	45,113	21,834
Foreign exchange differences on opening balances	(1,806)	232
At end of the year	<u>44,736</u>	<u>45,113</u>
Cash and cash equivalents comprise :		
Cash and bank balances	25,375	24,563
Deposits with licensed banks	20,832	21,949
Bank overdrafts	(1,432)	(1,308)
Less : Fixed deposits pledged	(39)	(91)
	<u>44,736</u>	<u>45,113</u>

Note A

Analysis of the effects of subsidiaries acquired:

	2001	2000
	RM'000	RM'000
Cash and bank balances	-	451
Debtors	-	6,929
Stocks	-	283
Creditors	-	(8,021)
Fixed assets	-	13,651
Minority interests	-	(5,320)
Goodwill arising from consolidation	-	8
Total purchase price	-	7,981
Less : Cash and bank balances subsidiaries acquired	-	(451)
	-	7,530

Note B

Fixed assets acquired during the financial year were by means of:

	2001	2000
	RM'000	RM'000
Cash payment	16,361	15,325
Hire purchase financing	1,356	693
	17,717	16,018

The accompanying notes are an integral part of this statement.

Balance Sheet – 31 March, 2001

	Note	2001 RM'000	2000 RM'000
CURRENT ASSETS			
Cash and bank balances		69	61
Other debtors, deposits and prepayments	6	13	1
Due from subsidiaries	7	17,947	2,270
		<u>18,029</u>	<u>2,332</u>
CURRENT LIABILITIES			
Other creditors and accruals	10	316	248
Taxation		-	55
Proposed dividend		1,800	1,800
Dividends payable		30	24
		<u>2,146</u>	<u>2,127</u>
NET CURRENT ASSETS		15,883	205
INVESTMENT IN SUBSIDIARIES	13	44,414	44,714
		<u>60,297</u>	<u>44,919</u>
SHAREHOLDERS' FUNDS			
Share capital	17	36,000	36,000
Reserves		24,297	8,919
		<u>60,297</u>	<u>44,919</u>

The accompanying notes are an integral part of this balance sheet.

Income Statement For The Year Ended 31 March, 2001

	Note	2001 RM'000	2000 RM'000
Revenue	18	19,780	4,290
Other operating expenses	21	(960)	(438)
Profit before taxation		18,820	3,852
Taxation	23	(1,642)	(62)
Net profit for the year		17,178	3,790

The accompanying notes are an integral part of this statement.

Statement Of Changes In Equity For The Year Ended 31 March, 2001

Note	Non distributable		Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Retained profits RM'000	
At 31.3.1999	36,000	6,472	457	42,929
Net profit for the year	-	-	3,790	3,790
Dividends	25	-	(1,800)	(1,800)
At 31.3.2000	36,000	6,472	2,447	44,919
Net profit for the year	-	-	17,178	17,178
Dividends	25	-	(1,800)	(1,800)
At 31.3.2001	36,000	6,472	17,825	60,297

The accompanying notes are an integral part of this statement.

Cash Flow Statement For The Year Ended 31 March, 2001

	2001 RM'000	2000 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	18,820	3,852
Adjustment for :		
Provision for diminution in value of investment	500	-
	<hr/> 19,320	<hr/> 3,852
Decrease in other debtors, deposits and prepayments	-	1
(Increase)/decrease in due from related companies	(15,677)	5,992
Increase/(decrease) in creditors and accruals	68	(40)
	<hr/> 3,711	<hr/> 9,805
Cash generated from operations	3,711	9,805
Tax paid	(1,709)	(4)
Net cash generated from operating activities	<hr/> 2,002	<hr/> 9,801
CASH FLOW FROM INVESTING ACTIVITY		
Purchase of investment	(200)	(7,980)
CASH FLOW FROM FINANCING ACTIVITY		
Dividends paid	(1,794)	(1,794)
CASH AND BANK BALANCES		
Net increase during the year	8	27
At beginning of the year	61	34
At end of the year	<hr/> 69	<hr/> 61

The accompanying notes are an integral part of this statement.

Notes To The Financial Statements – 31 March, 2001

1. 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 13 to the financial statements. There have been no significant changes in these activities during the financial year.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention and comply with applicable 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 enterprises controlled by the Company. Control exist when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Companies acquired or disposed during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal. Intragroup transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The excess of the purchase price over the fair value of the net assets of subsidiaries at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation. Goodwill or reserve arising on consolidation is not amortised.

(c) Currency Conversion and Translation

Transactions in foreign currencies during the year are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange gains or losses are dealt with in the income statement.

The financial statements of foreign consolidated subsidiaries are translated at year end exchange rates with respect to the balance sheet and at exchange rates at the date of the transactions with respect to the income statement. All resulting translation differences are taken to reserves.

The exchange rates ruling at balance sheet date used are as follows :

	2001	2000
Hong Kong Dollars	0.48	0.48
Japanese Yen	0.03	0.03
Singapore Dollars	2.19	2.22
United States Dollars	3.80	3.80

(d) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Freehold land is not depreciated. Leasehold land is amortised over the period of the lease. Depreciation of other fixed assets is provided on a straight line basis calculated to write off the cost of each asset over its estimated useful life.

The principal annual rates of depreciation are :

Leasehold land	Over 50 to 60 years
Buildings	2%
Plant and machinery	10%
Air conditioners	10%
Factory equipment	10%
Electrical installations	10%
Renovation	10% - 50%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	20%

(e) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes where appropriate direct materials, direct labour, direct charges and production overheads determined on a first-in, first-out basis.

(f) Deferred Taxation

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse in the foreseeable future.

(g) Investments

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value.

(h) Hire Purchases

Fixed assets acquired under hire purchases are capitalised in the financial statements and are depreciated in accordance with the policy set out in (d) above. The corresponding outstanding obligations due under the hire purchase after deducting finance expenses are included as liabilities in the financial statements. Finance expenses are charged to the income statement over the period of the respective agreements.

(i) Revenue Recognition

- (i) Revenue from sale of goods is recognised when transfer of risks and rewards has been completed.
- (ii) Management fee and commission income are recognised based on accruals basis.
- (iii) Dividend income is recognised when the right to receive payment is established.

(j) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and in banks and deposits at call, net of outstanding bank overdrafts.

(k) **Trade Debtors**

Trade debtors are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the year end.

3. **DEPOSITS WITH LICENSED BANKS**

The deposits with licensed banks of the Group amounting to approximately RM39,000 (2000 : RM91,000) are pledged to banks for banking facilities granted to certain subsidiaries.

4. **TRADE DEBTORS**

	Group	
	2001	2000
	RM'000	RM'000
Trade debtors	83,769	57,615
Less : Provision for doubtful debts	(3,576)	(4,073)
	80,193	53,542

5. **STOCKS**

	Group	
	2001	2000
	RM'000	RM'000
Raw materials	6,623	12,436
Work-in-progress	5,550	8,846
Finished goods	5,445	6,284
Goods in transit	6	18
	17,624	27,584

6. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Other debtors	1,299	1,166	-	-
Deposits and prepayments	4,883	10,018	1	1
Tax prepayment	297	187	12	-
	<u>6,479</u>	<u>11,371</u>	<u>13</u>	<u>1</u>
Less :				
Provision for doubtful debts	(132)	(81)	-	-
	<u>6,347</u>	<u>11,290</u>	<u>13</u>	<u>1</u>

7. DUE FROM SUBSIDIARIES - COMPANY

The amount due from subsidiaries are unsecured, interest free and with no fixed terms of repayment.

8. SHORT TERM BORROWINGS

	Group	
	2001 RM'000	2000 RM'000
Unsecured-		
Bank overdrafts	1,432	1,308
Export credit refinancing	8,042	10,097
Bankers' acceptances	28,176	25,248
Secured-		
Trust receipts	1,570	-
	<u>39,220</u>	<u>36,653</u>

The unsecured short term borrowings are guaranteed by the Company. The above facilities bear interest of between 2.95% to 8.05% (2000 : 3.50% to 9.55%) per annum.

9. TRADE CREDITORS - GROUP

Included in trade creditors is an amount of approximately RM1,120,000 (2000 : RM841,000) due to a company in which certain directors have interests.

10. OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Other creditors and accruals	11,891	14,952	126	148
Due to directors	190	105	190	100
Due to companies in which certain directors have interests	1,410	1,364	-	-
	<u>13,491</u>	<u>16,421</u>	<u>316</u>	<u>248</u>

The amounts due to directors and companies in which certain directors have interests are unsecured, interest free with no fixed terms of repayment.

11. HIRE PURCHASE CREDITORS

	Group	
	2001 RM'000	2000 RM'000
Hire purchase payments due:		
Within one year	1,098	898
Between one to five years	689	680
	<u>1,787</u>	<u>1,578</u>
Interest in suspense	(243)	(283)
	<u>1,544</u>	<u>1,295</u>
Repayments due within twelve months included in current liabilities	(939)	(741)
	<u>605</u>	<u>554</u>

12. TERM LOANS

	Group	
	2001 RM'000	2000 RM'000
Term loans - secured	7,942	13,973
- unsecured	9,340	1,974
	<hr/>	<hr/>
	17,282	15,947
Repayments due within twelve months included in current liabilities	(5,315)	(8,544)
	<hr/>	<hr/>
	11,967	7,403

The term loans are repayable over a period of up to 5 years and bear interest of between 6.50% to 8.80% (2000 : 6.50% to 8.50%) per annum.

The secured term loans are secured by way of fixed and floating charges over certain fixed assets of the subsidiaries as referred to in Note 14. The unsecured term loans are guaranteed by the Company.

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2001 RM'000	2000 RM'000
Unquoted shares, at cost	45,179	44,979
Less : Provision for diminution in value	(765)	(265)
	<hr/>	<hr/>
	44,414	44,714

Name of company	Country of incorporation	Paid-up capital '000	Effective interest		Principal activities
			2001 %	2000 %	
Subsidiaries of the Company					
Perusahaan Chan Choo Sing Sdn. Bhd.	Malaysia	RM1,990	100	100	Manufacturing of apparels
Beauty Electronic Embroidering Centre Sdn. Bhd.	Malaysia	RM500	100	100	Embroidering of logos and emblems
Jusca Garments Sdn. Bhd.	Malaysia	RM600	100	100	Temporarily ceased operations
Tex Line Associates Pte Ltd**	Singapore	SGD1,400	60	60	Export buying house and marketing agent
Keza Sdn. Bhd. *	Malaysia	RM200	100	100	Fabric-knitting and manufacturing of elastic bands
Mega Labels & Stickers Sdn. Bhd. *	Malaysia	RM330	100	100	Printing of labels and stickers
Brilliance Element Sdn. Bhd.*	Malaysia	RM500	100	100	Marketing and retailing of golf apparels
Sherm Yee Garments Sdn. Bhd. *	Malaysia	RM350	100	100	Temporarily ceased operations
Zimk Resources Sdn. Bhd. *	Malaysia	RM500	50.1	50.1	Temporarily ceased operations
PCCS Garments Limited	Cambodia	USD3,500	60	60	Manufacturing of apparels

Name of company	Country of incorporation	Paid-up capital '000	Effective interest		Principal activities
			2001 %	2000 %	
Subsidiary of Beauty Electronic Embroidering Centre Sdn. Bhd.					
E.M.I. Embroidery Sdn. Bhd.*	Malaysia	RM900	90	90	Embroidering of logos and emblems
Subsidiary of Mega Labels & Stickers Sdn. Bhd.					
Mega Labels & Stickers (Selangor) Sdn. Bhd. *	Malaysia	RM100	100	-	Printing of labels and stickers
Subsidiaries of Tex Line Associates Pte Ltd					
Tex Line Associates (Bangladesh) Pte Ltd *	Bangladesh	Taka4,800	30.6	30.6	Export buying house and marketing agent
Tex Line Associates (HK) Ltd *	Hong Kong	HKD1,000	36	36	Provision of sourcing and buying services of garments and articles of all description
2BeSource.com Pte Ltd *	Singapore	SGD1,000	60	-	Dormant
J'De Classic Pte Ltd *	Singapore	SGD50	57	-	Dormant
Subsidiary of Shern Yee Garments Sdn. Bhd.					
Mahavest Sdn. Bhd.*	Malaysia	RM100	100	100	Marketing and retailing of apparels and other related products

* Not audited by Arthur Andersen & Co.

** Audited by an affiliate of Arthur Andersen & Co.

14. FIXED ASSETS

Group	* Land and buildings RM'000	Plant and machinery, air- conditioners, factory equipment and electrical installations RM'000	Renovation, furniture, fittings, office equipment and motor vehicles RM'000	Total RM'000
<u>Cost</u>				
At 1.4.2000	28,317	54,020	15,353	97,690
Exchange difference	-	-	(274)	(274)
Additions	10	9,455	8,252	17,717
Disposals/write offs	(51)	(460)	(1,455)	(1,966)
At 31.3.2001	28,276	63,015	21,876	113,167
<u>Accumulated Depreciation</u>				
At 1.4.2000	1,450	13,882	5,691	21,023
Exchange difference	-	-	(92)	(92)
Additions	377	5,953	2,490	8,820
Disposals/write offs	(8)	(206)	(1,094)	(1,308)
At 31.3.2001	1,819	19,629	6,995	28,443
<u>Net Book Value</u>				
At 31.3.2001	26,457	43,386	14,881	84,724
At 31.3.2000	26,867	40,138	9,662	76,667
Depreciation charge for the year 2000	374	4,311	1,794	6,479

* LAND AND BUILDINGS

	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Total RM'000
<u>Cost</u>					
At 1.4.2000	8,055	2,085	137	18,040	28,317
Additions	10	-	-	-	10
Disposals	(24)	-	-	(27)	(51)
At 31.3.2001	8,041	2,085	137	18,013	28,276
<u>Accumulated Depreciation</u>					
At 1.4.2000	-	199	28	1,223	1,450
Additions	-	38	2	337	377
Disposals	-	-	-	(8)	(8)
At 31.3.2001	-	237	30	1,552	1,819
<u>Net Book Value</u>					
At 31.3.2001	8,041	1,848	107	16,461	26,457
At 31.3.2000	8,055	1,886	109	16,817	26,867
Depreciation charge for the year 2000	-	38	2	334	374

(a) Fixed Assets Pledged For Banking Facilities

The following fixed assets of the Group are pledged to banks for banking facilities granted to the Group as referred to in Note 12 :

	Net Book Value	
	2001 RM'000	2000 RM'000
Land and buildings	17,417	17,750
Plant and machinery	10,578	11,183
	27,995	28,933

(b) Fully Depreciated Assets

Included in the fixed assets of the Group are fully depreciated assets which are still in use costing as follows :

	Group	
	2001 RM'000	2000 RM'000
Plant and machinery	255	141
Motor vehicles	678	830
Furniture and fittings	46	26
Factory equipment	2	2
Office equipment	42	42
Electrical installation	53	53
Renovation	10	10
Air-conditioners	74	67
	<hr/>	<hr/>
	1,160	1,171

(c) Assets Held Under Hire Purchase Agreements

Included in the above fixed assets are assets acquired under hire purchase as follows :

	Net Book Value Group	
	2001 RM'000	2000 RM'000
Plant and machinery	1,412	1,771
Office equipment and motor vehicles	2,510	1,406
	<hr/>	<hr/>
	3,922	3,177

15. NET RESERVE ON CONSOLIDATION

	Group	
	2001	2000
	RM'000	RM'000
Reserve on consolidation	7,643	7,643
Goodwill on consolidation	(3,024)	(3,024)
	<u>4,619</u>	<u>4,619</u>

16. DEFERRED TAXATION

	Group	
	2001	2000
	RM'000	RM'000
At 1 April	1,280	911
Transfer from income statement	167	369
At 31 March	<u>1,447</u>	<u>1,280</u>

The deferred taxation provided in the financial statements is mainly in respect of timing differences between book depreciation and corresponding capital allowances.

17. SHARE CAPITAL

	Group and Company	
	2001	2000
	RM'000	RM'000
Authorised :		
Shares of RM1 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid :		
Ordinary shares of RM1 each	<u>36,000</u>	<u>36,000</u>

18. REVENUE

Revenue of the Group and the Company consists of the following :

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Commission income	38,046	40,034	-	-
Invoiced value of sales net of discounts and returns	256,930	161,550	-	-
Dividend income	-	-	19,490	4,020
Management fee	-	-	290	270
	<u>294,976</u>	<u>201,584</u>	<u>19,780</u>	<u>4,290</u>

19. OTHER OPERATING INCOME

Included in other operating income are :

	Group	
	2001 RM'000	2000 RM'000
Gain on disposal of fixed assets	254	606
Rental income	586	798
	<u>586</u>	<u>798</u>

20. STAFF COSTS

Included in staff costs are :

	Group	
	2001 RM'000	2000 RM'000
Directors' remuneration		
Directors of the Company :		
- salaries and other emoluments	874	947
Directors of the subsidiaries :		
- salaries and other emoluments	2,361	1,677
	<u>2,361</u>	<u>1,677</u>

21. OTHER OPERATING EXPENSES

Included in other operating expenses are :

	Group		Company	
	2001	2000	2001	2000
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- current year	150	121	27	27
- under provision in respect of prior year	2	-	-	-
Bad and doubtful debts	345	-	-	-
Directors' fee	200	160	200	160
Fixed assets written off	101	-	-	-
Intangible assets written off	6	2	-	-
Loss on foreign exchange	-	246	-	-
Loss on disposal of investment	-	121	-	-
Provision for diminution in value of investment	-	-	500	-
Quota charges	3,958	1,034	-	-
Rental expenses	3,161	2,626	-	-

22. FINANCE COST, NET

Included in finance cost of the Group are interest income of approximately RM1,638,000 (2000 : RM1,297,000) and interest expense of approximately RM3,282,000 (2000 : RM3,468,000).

23. TAXATION

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Current year's provision				
- Malaysian taxation	1,033	458	1,690	62
- Foreign taxation	3,485	2,510	-	-
	4,518	2,968	1,690	62
Transfer to deferred taxation	152	369	-	-
	4,670	3,337	1,690	62
Under/(over) provision in respect of prior years	329	82	(48)	-
	4,999	3,419	1,642	62

The effective rate of taxation on the Company's profit is less than the standard rate of tax mainly due to majority of the dividends received from subsidiaries are tax exempt.

The effective tax rate on the Group's profit is lower than the standard rate principally due to the claim of reinvestment allowances by certain subsidiaries in Malaysia. In addition, a Singapore subsidiary, Tex Line Associates Pte Ltd ("TLA") has been awarded the Approved International Trader ("AIT") incentive by the Singapore Trade Development Board, which entitles TLA to enjoy tax rate of 10% for a period of 5 years commencing 1 April, 1999.

Subject to agreement with the Inland Revenue Board, the Company has tax exempt profits amounting to approximately RM12,277,000 (2000 : RM623,000) available for distribution and sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends of approximately RM4,843,000 (2000 : RM497,000) out of its retained profits without incurring additional tax liability. If the balance of the retained profits were to be distributed as dividends, the Company would have a Section 108 shortfall of approximately RM197,000 (2000 : RM371,000).

24. BASIC EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group's profit after taxation and minority interests of RM14,974,000 (2000 : RM11,634,000) by the number of shares in issue of 36,000,002.

25. DIVIDENDS

	Group and Company	
	2001	2000
	RM'000	RM'000
Proposed:		
First and final tax exempt dividend of 5%	1,800	1,800

26. COMMITMENTS

	Group	
	2001	2000
	RM'000	RM'000
Contracted but not provided for		
- Purchase of fixed assets	206	2,896

27. CONTINGENT LIABILITIES - UNSECURED

	Company	
	2001	2000
	RM'000	RM'000
Corporate guarantee issued to financial institutions for credit facilities utilised by subsidiaries	44,355	41,973

28. SEGMENTAL REPORTING

The analysis of results and assets employed by geographical location are shown below:

	Revenue	Profit Before Taxation	Total Assets
	RM'000	RM'000	RM'000
<u>2001</u>			
Malaysia	227,998	7,179	127,430
Singapore	38,046	16,918	84,357
Cambodia	28,932	1,747	23,308
	<hr/>	<hr/>	<hr/>
	294,976	25,844	235,095
<u>2000</u>			
Malaysia	152,771	5,225	114,902
Singapore	40,034	16,709	75,928
Cambodia	8,779	427	24,765
	<hr/>	<hr/>	<hr/>
	201,584	22,361	215,595

No segmental reporting by activity is prepared as the Group is principally involved in the textiles industry.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

The directors are of the opinion that the following transactions have been entered into in the normal course of business and have been negotiated under terms that are not less favourable than those arranged with third parties.

Subsidiaries :

- (i) Perusahaan Chan Choo Sing Sdn. Bhd. (PCCS)
- (ii) Beauty Electronic Embroidering Centre Sdn. Bhd. (BEEC)
- (iii) Mega Labels & Stickers Sdn. Bhd. (Mega)
- (iv) Jusca Garments Sdn. Bhd. (Jusca)
- (v) Keza Sdn. Bhd. (Keza)

Companies in which certain directors, Chan Kok Hiang @ Chan Kock Hiang, Chan Choo Sing, Chan Chow Tek, Chan Chor Ang and Chan Chor Ngiak, have interests :

- (i) Harta Packaging Industries Sdn. Bhd. (Harta)
- (ii) Harta Packaging Industries (JB) Sdn. Bhd. (Harta JB)
- (iii) Chiga Light Industries Sdn. Bhd. (Chiga)
- (iv) K.H. Chan Trading Sdn. Bhd. (K.H. Chan)

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Management fee received from Mega, PCCS and BEEC	-	-	290	270
Dividends income received from PCCS, BEEC, Mega, Jusca and Keza	-	-	19,490	4,020
Insurance premium paid to K.H. Chan	974	194	-	-
Packaging materials purchased from Harta, Harta JB and Chiga	1,651	759	-	-
Securities charges paid to K.H. Chan	69	521	-	-

30. SIGNIFICANT EVENTS

During the financial year,

- (i) the Group, through its subsidiary, Mega Labels & Stickers Sdn. Bhd. acquired 2 ordinary shares of RM1 each in Mega Labels & Stickers (Selangor) Sdn. Bhd. ("Mega Selangor") for a total cash consideration of RM2. Upon completion of the acquisition, Mega Selangor increased its paid-up share capital to RM100,000 by the issuance of 99,998 ordinary shares of RM1 each.
- (ii) the Group, through its subsidiary, Tex Line Associates Pte Ltd ("TLA"):
 - (a) acquired 1,000,000 ordinary shares of SGD1 each in 2Be Source.com Pte Ltd, a company incorporated in Singapore for a total consideration of SGD1,000,000.
 - (b) acquired 2 ordinary shares of SGD1 each in J'De Classic Pte Ltd ("JDC"), a company incorporated in Singapore, for a total cash consideration of SGD2. Upon completion of the acquisition, JDC increased its paid-up share capital to SGD50,000 by the issuance of 49,998 ordinary shares of SGD1 each.

- (iii) the Company subscribed for additional 200,000 ordinary shares of RM1 each in its subsidiary, Brilliance Element Sdn. Bhd. for a cash consideration of RM200,000.
- (iv) the Company entered into a conditional sales and purchase agreement to dispose off its 15% equity interest in TLA representing 210,000 ordinary shares of SGD1 each for a cash consideration of SGD5,006,812.50. Subsequent to the disposal, the Company's equity interest in TLA reduced to 45%, TLA became an associate company of the Company.

31. SUBSEQUENT EVENTS

Subsequent to the end of the financial year,

- (i) the Company completed the disposal of 15% equity interest in TLA according to the terms and conditions specified in the sale and purchase agreement.
- (ii) the Company acquired additional 249,500 ordinary shares of RM1 each, representing 49.9% equity interest in its subsidiary, Zimk Resources Sdn. Bhd. ("Zimk") at zero consideration. After the acquisition, Zimk became a wholly-owned subsidiary of the Company.
- (iii) the Company proposed a bonus issue of 24,000,000 new ordinary shares of RM1 each on the basis of two (2) ordinary shares for every three (3) existing shares held at an entitlement date to be determined by the Board of Directors. The bonus issue is by way of capitalisation of RM24,000,000 from share premium account and retained profits.
- (iv) the Company proposed Employees' Share Option Scheme (ESOS) for executive directors and eligible employees of the Company and of the Group. The principal features of the ESOS are as follows :
 - (a) the number of new shares to be offered under the proposed 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 proposed ESOS. Furthermore, not more than 50% of the shares available under the ESOS scheme should be allocated, in aggregate to directors and senior management and not more than 10% of the shares available under the ESOS scheme 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 employee (including Executive Directors) employed full time by the Company or its subsidiaries (excluding dormant companies) shall be eligible to participate in the proposed ESOS if he or she has been confirmed after one (1) year of service with the Company and the Group;

- (c) the proposed ESOS shall be in force for a period of five (5) years from its commencement and may be extended for a further period of up to five (5) years; and
- (d) the price payable upon the exercise of the options under the proposed ESOS shall be the weighted average market price of the shares for the five (5) 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.

32. COMPARATIVE FIGURES

The presentation of financial statements for the current year has been changed to adopt the format as prescribed by the Malaysian Accounting Standards Board Standard 1 : Presentation of Financial Statements. Comparative figures have been reclassified to conform with this presentation where necessary.

33. CURRENCY

All amounts are stated in Ringgit Malaysia, unless otherwise stated.

Statement By Directors

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 financial statements set out on pages 31 to 60 give a true and fair view of the state of affairs of the Company and of the Group as at 31 March, 2001 and of the results and cash flows of the Company and of the Group for the year then ended, and have been properly drawn up in accordance with applicable approved accounting standards in Malaysia.

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

CHAN CHOO SING

CHAN CHOW TEK

Melaka
Dated: 30 JULY, 2001

Statutory Declaration

I, CHAN CHOO SING, the director primarily responsible for the financial management of PCCS GROUP BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 31 to 60 are, to the best of my knowledge and belief 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 30 JULY, 2001) **CHAN CHOO SING**

Before me

CHOO YONG CHUAN
Commissioner for Oaths

To the Shareholders of
PCCS GROUP BERHAD

We have audited the financial statements set out on pages 31 to 60. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia and give a true and fair view of :
 - i) the state of affairs of the Company and of the Group as at 31 March, 2001 and of the results and cash flows of the Company and of the Group 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;
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and 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 of all the subsidiaries of which we have not acted as auditors, as indicated in Note 13 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 Company's financial statements 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 these purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification or any adverse comment made under subsection (3) of Section 174 of the Act.

ARTHUR ANDERSEN & CO.
No. AF 0103
Public Accountants

BALA KRISHNAN A/L PONNIAH
No. 1394/07/03(J/PH)
Partner of the Firm

Melaka
Dated: 30 JULY, 2001

Group Properties As At 31 March 2001

No.	Location	Description and Existing Use	Tenure	Land Area (build-up area) sq. ft.	Age of Building No. of Years	Net Book Value RM
Perusahaan Chan Choo Sing Sdn Bhd						
1	Plo 7 Kawasan Perindustrian Parit Raja, 86400 Batu Pahat, Johor	3 Blocks Office and Factory Buildings	Leasehold expiring 7.9.2050	87,120 (46,684)	10	2,124,531
2	No. 18 Jalan Keris Naga, Taman Pasifik Selatan, 83000 Batu Pahat, Johor	4 Storey Building Complex	Freehold	6,056 (13,946)	8	886,507
3	Nos 8 & 10, Jalan Perdana 2, Taman Kota Yong Peng, 83700 Yong Peng, Batu Pahat, Johor.	Office and Factory Block	Freehold	6,000 (7,800)	9	368,729
4	No.5,7,9,11, Jalan Perdana 1, Taman Kota Yong Peng, 83700 Yong Peng, Batu Pahat, Johor.	Office and Factory Block	Freehold	12,000 (15,600)	9	1,112,682
5	No. 16 Jalan Pisang, Taman Maju, Parit Raja, 86400 Batu Pahat, Johor.	Single Storey Semi-Detached House	Freehold	24,001 (1,414)	8	64,262
6	No. 5, Jalan TP7/3, Seksyen 26 Shah Alam, 40000 Selangor.	11/2 Storey Office And Factory Block	Freehold	3,000 (3,000)	5	595,193
7	Plo 10 Kawasan Perindustrian Parit Raja, 86400 Batu Pahat, Johor.	3 Blocks Office and Factory Buildings	Leasehold expiring 10.9.2051	114,127 (82,720)	5	6,213,117
8	Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor.	Office and Factory Building	Freehold	185,130 (88,000)	3	10,208,376
Beauty Electronic Embroidering Centre Sdn Bhd						
9	Plo 5 Kawasan Perindustrian Parit Raja, 86400 Batu Pahat, Johor.	2 Blocks Detached Factory and Ancillary Building	Leasehold expiring 1.3.2043	43,560 (30,292)	16	1,061,978
10	No.5, Jalan B, Dahlia 9, Senai, Johor.	Single Storey Terrace House	Freehold	1,200	14	115,200
Mega Labels & Stickers Sdn Bhd						
11	Nos 19 & 20, Jalan Tupai Terbang, Taman Sri Saga, 83000 Batu Pahat, Johor.	Three Storey Office And Factory Block	Freehold	3,080 (8,756)	15	423,961
12	Nos 21, 21A & B, Jalan Tupai Terbang, Taman Sri Saga, 83000 Batu Pahat, Johor.	Three Storey Office And Factory Block	Freehold	1,981 (5,635)	15	220,841
Shern Yee Garments Sdn Bhd						
13	Nos 17 & 18, Jalan Tupai Terbang, Taman Sri Saga, 83000 Batu Pahat, Johor.	Three Storey Office and Factory Block	Freehold	3,080 (8,756)	15	370,217
Jusca Garments Sdn Bhd						
14	C.T. 3875 Lot 6061; HS(D) 19630 PTD 15722; HS(D) 19631 PTD 15723 Mukim of Tangkak, District of Muar, Johor.	Vacant Land	Freehold	756,796	N/A	2,691,385

Analysis Of Shareholdings As At 3 August, 2001

Class of Shares : RM1.00 Ordinary Share
Voting Rights : 1 Vote Per Ordinary Share

Distribution of Shareholders

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 999	2	0.06	814	0.00
1,000 - 10,000	2,939	95.05	6,710,606	18.64
10,001 - 100,000	129	4.18	3,460,105	9.61
100,001 - 1,799,999	18	0.58	7,276,510	20.21
1,800,000 and above	4	0.13	18,551,967	51.54
Total	3,092	100.00	36,000,002	100.00

List of Substantial Shareholders As At 3 August, 2001

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

Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Chan Choo Sing	2,333,630	6.48	16,066,871 ⁽¹⁾	44.63
Chan Chow Tek	1	-(²)	14,400,047 ⁽³⁾	40.00
Chan Chor Ngiak	-	-	14,400,047 ⁽⁴⁾	40.00
Chan Chor Ang	60,000	0.17	14,424,047 ⁽⁵⁾	40.07
Chan Kok Hiang @ Chan Kock Hiang	47,000	0.13	14,400,047 ⁽⁶⁾	40.00
Setia Sempurna Sdn Bhd	14,400,047	40.00	-	-
Arab Malaysian Credit Berhad	9,155,807 ⁽⁷⁾	25.43	-	-
Permodalan Nasional Berhad	1,819,000	5.05	-	-
Yayasan Pelaburan Bumiputra	-	-	1,819,000 ⁽⁸⁾	5.05

Notes:

- (1) Deemed interested by virtue of his interest of 27.0% in the equity of Setia Sempurna Sdn Bhd and 4.63% of his spouse, Madam Tan Kwee Kee's shareholdings in PCCS.
- (2) Negligible
- (3) Deemed interested by virtue of his interest of 20.0% in the equity of Setia Sempurna Sdn Bhd.
- (4) Deemed interested by virtue of his interest of 14.0% in the equity of Setia Sempurna Sdn Bhd.
- (5) Deemed interested by virtue of his interest of 14.0% in the equity of Setia Sempurna Sdn Bhd and 0.07% of his spouse, Madam Chia Lee Kian's shareholdings in PCCS.
- (6) Deemed interested by virtue of his interest of 22.0% in the equity of Setia Sempurna Sdn Bhd.
- (7) Pledged securities account for Chan Choo Sing and Tan Pooi Chu
- (8) Deemed interested by virtue of their indirect interest through their shareholding of 100% less one share in the equity of Permodalan Nasional Berhad by virtue of Section 6A of the Companies Act, 1965.

Thirty Largest Shareholders As At 3 August, 2001

No.	Name	No. of shares	%
1.	Arab-Malaysian Credit Berhad <i>For Chan Choo Sing</i>	6,849,807	19.03
2.	Setia Sempurna Sdn Bhd	5,790,240	16.08
3.	Chan Choo Sing	4,092,920	11.37
4.	Permodalan Nasional Berhad	1,819,000	5.05
5.	Tan Kwee Kee	1,429,000	3.97
6.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>For Datuk Hassan Bin Harun</i>	850,206	2.36
7.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>For Amanah Saham Selangor</i>	785,000	2.18
8.	South Johor Securities Nominees (Tempatan) Sdn Bhd <i>For Ng Choon Fatt</i>	630,000	1.75
9.	Kenanga Nominees (Tempatan) Sdn Bhd <i>For Mohd Radzuan Bin Ab Halim</i>	440,000	1.22
10.	Yap Song Yung	439,000	1.22
11.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>For Amanah Saham Johor</i>	386,000	1.07
12.	Lim Poh Teot	385,480	1.07
13.	Tan Pean Khoo	293,000	0.81
14.	Wetex Industries Sdn Bhd	285,000	0.79
15.	Yap Nyet Yune	281,000	0.78
16.	Yap Shing @ Yap Sue Kim	252,000	0.70
17.	Tan Kwee Kee	237,824	0.66
18.	Go Hout Hing	133,000	0.37
19.	Ng Choon Fatt	122,000	0.34
20.	Yung Lay Kiang	114,000	0.32
21.	Lok Ang Nge @ Lok Keng Sai	112,000	0.31
22.	Teoh Chye Yam @ Teoh Hee Chnair	102,000	0.28
23.	Ong Beng Kee	99,000	0.27
24.	Bin Bin Knitwear Manufacturer Sdn Bhd	95,000	0.26
25.	Yeo Eck Liong	94,000	0.26
26.	Hong Bee Lan	78,000	0.22
27.	BHLB Trustee Berhad <i>For Ta Comet Fund</i>	76,000	0.21
28.	Tan Hua Teck @ Tang Wah Teck	65,000	0.18
29.	Tan Siew Yong	62,000	0.17
30.	Tan Chen Neo @ Tang Chen Neo	60,000	0.17
		26,457,477	73.49



PCCS PROXY FORM

NUMBER OF SHARES HELD	
-----------------------	--

*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,
(Full Name In Capital Letters)

of
(Full Address)

or failing him, the CHAIRMAN OF THE MEETING, as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Seventh Annual General Meeting of the Company to be held at Plum Blossom Room, Level 2, Garden Hotel, No. 29, Jalan Jenang, 83000 Batu Pahat, Johor Darul Takzim on Thursday, 27 September, 2001 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 discretion.

No.	Resolutions	For	Against
1	Adoption of the Directors' Report and the Audited Statement of Accounts for the financial year ended 31 March, 2001 together with the Auditors' Report thereon.		
2	Approval of declaration of a First and Final tax exempt dividend of 5% for the financial year ended 31 March, 2001.		
3	Approval of the Directors' fees for the financial year ended 31 March, 2001.		
4	Re-election of Director, Mr. Chan Chor Ang who retires pursuant to Article 82 of the Company's Articles of Association.		
5	Re-election of Director, Mr. Cha Peng Koi @ Chia Peng Koi who retires pursuant to Article 82 of the Company's Articles of Association.		
6	Re-election of Director, Encik Halimi Bin Hussain who retires pursuant to Article 88 of the Company's Articles of Association.		
7	Re-election of Director, Mr. Tey Ah Tee @ Teo Ah Tee who retires pursuant to Article 88 of the Company's Articles of Association.		
8	Re-election of Director, Mr. Chan Choo Sing who retires pursuant to Paragraph 7.28(2) of Part K of Chapter 7 of the Revamped Listing Requirements of Kuala Lumpur Stock Exchange.		
9	Re-election of Director, Mr. Chan Kok Hiang @ Chan Kock Hiang who retires pursuant to Section 129(6) of the Companies Act, 1965.		
10	Re-appointment of Messrs. Arthur Andersen & Co as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
11	As Special Business Ordinary Resolution Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		

* Strike out whichever not applicable

As witness my/our hand this day of 2001

.....
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 Section 149(1) (a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
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 Suite 11.2B, Level 11, Menara Pelangi, No. 2, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Takzim not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

MEMBERS

Cha Peng Koi @ Chia Peng Koi

(Chairman, Independent Non-Executive Director)

Chan Choo Sing

(Group Managing Director)

Tan Chuan Hock

(Independent Non-Executive Director)

Tey Ah Tee @ Teo Ah Tee

(Independent Non-Executive Director)

TERMS OF REFERENCE

Composition

1. The Committee shall be appointed by the directors from among them and shall consist of not less three in numbers of whom a majority shall not be:
 - * Executive directors of the Company or any relevant corporation.
 - * a spouse, parent, brother, sister, son or adopted son, daughter or adopted daughter of an executive director of the company or of any related corporation, or
 - * spouse of brother, sister, son or adopted son, daughter or adopted daughter of an executive director or of any related corporation, or
 - * any person having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of the independent judgement in carrying out the functions of the Committee.
2. The members of the Committee shall elect a Chairman from among their number who is not an executive director or employee of the Company or any related corporation.
3. If a member of the Committee resigns, dies, or for any other reason ceases to be a member with the result that the number of members is reduced to two (2), the Board of Directors shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum of three (3) members.

Authority

4. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employees and all employees are directed to cooperate with any request made by the Committee.
5. The Committee shall also have the authority to consult independent experts where they consider it necessary to carry out their duties.

Functions

6. The functions of the Committee are as follows:
 - (a) to review:
 - * the audit plan with the external auditor
 - * with the external auditor his evaluation of the system of internal controls
 - * the audit report with the external auditor
 - * the assistance given by the company's officer to the auditor
 - * the scope and result of the internal procedures
 - * the balance sheet and profit and loss account
 - * any related party transactions that may arise within the Company of the Group
 - (b) to consider the nomination of person or persons as auditors.
 - (c) to perform any other work that is required or empowered to do by statutory legislation or guidelines as prepared by the relevant government authorities.

Meeting

7. The Committee shall meet at least twice a year and such meetings as the Chairman shall decide in order to fulfill its duties.

The Secretary of the Committee shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating to the Committee prior to each meeting.

8. The Secretary will also be responsible for keeping the minutes of the meetings of the Committee, and circulating them to Committee members and to other members of the Board of Directors.

Quorum

A quorum shall consist of a majority of Committee members.

The company acknowledges the need to establish an internal audit department to review the effectiveness of the system of internal control within the company and group.

BOARD OF DIRECTORS

Chan Kok Hiang @ Chan Kock Hiang
Chairman

Chan Choo Sing
Group Managing Director

Chan Chow Tek
Executive Director

Chan Chor Ngiak

Chan Chor Ang

Halimi Bin Hussain

Cha Peng Koi @ Chia Peng Koi

Tan Chuan Hock

Tey Ah Tee @ Teo Ah Tee

AUDIT COMMITTEE

Cha Peng Koi @ Chia Peng Koi
**Chairman,
Independent Non-Executive Director**

Chan Choo Sing
Group Managing Director

Tan Chuan Hock
Independent Non-Executive Director

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

COMPANY SECRETARIES

Chua Siew Chuan (MAICSA 0777689)
Tan Soi Lim (LS 00565)

REGISTERED OFFICE

Suite 11.2B, Level 11, Menara Pelangi,
No. 2, Jalan Kuning, Taman Pelangi,
80400 Johor Bahru, Johor Darul Takzim
Tel No: 07-3341740 Fax: 07-3341749

REGISTRAR

Securities Services (Holdings) Sdn Bhd (36869-T)
Level 22, Menara Milenium,
Jalan Damanlela
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur
Tel No: 03-2557077 Fax : 03-2549940

AUDITORS

Arthur Andersen & Co.
Public Accountants
Graha Maju, Bangunan PKNM,
Tingkat 10, Lot 1, Jalan Graha Maju,
75300 Melaka

SOLICITORS

Skrine & Co.
Unit No. 50-8-1, 8th Floor,
Wisma UOA Damansara,
50 Jalan Dungun,
Damansara Heights,
50490 Kuala Lumpur

PRINCIPAL BANKERS

Standard Chartered Bank Malaysia Berhad
(115793-P)
HSBC Bank Malaysia Berhad
*Formerly known as Hongkong Bank
Malaysia Berhad* (127776-V)
Malayan Banking Berhad (3813-K)
Hong Leong Bank Malaysia Berhad (97141-X)

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-W)
Keza Sdn Bhd (138288-U)
Shern Yee Garments Sdn Bhd (206960-W)
PCCS Garments Limited
E. M. I. Embroidery Sdn Bhd
*Formerly known as Eminent Embroidery Sdn
Bhd* (411070-V)
Mahavest Sdn Bhd (382952-M)
Brilliance Element Sdn Bhd (293746-U)
Jusca Development Sdn Bhd (391830-P)
Formerly known as Zimk Resources Sdn Bhd (391830-P)

ASSOCIATE COMPANY

Tex Line Associates Pte Ltd

STOCK EXCHANGE LISTING

The Kuala Lumpur Stock Exchange Main Board

HOME PAGE:
<http://www.pccs.net/>

Statement On Corporate Governance

THE CODE

The Finance Committee on Corporate Governance has issued the Malaysian Code on Corporate Governance (the "Code") in March 2000. The Code sets out basic principles and best practices on structures and processes that companies may adopt in their operations towards achieving the optimal governance framework.

The Board of Directors of PCCS Group Berhad ("PCCS") 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 the financial performance of the Group.

Although the Revamped Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE") on disclosure of corporate governance is scheduled to come into force for those listed issuers with financial years ending only after 30 June 2001, action has been taken to align the annual report for the current year to comply with the said Listing Requirements ("LR").

The Articles of Association of the Company will be amended accordingly to comply with the LR upon the approval of shareholders at the forthcoming Extraordinary General Meeting of the Company.

THE BOARD OF DIRECTORS

Board Composition

The Board of PCCS has undergone several changes and at the date of this report, the Board has nine members comprising seven Non-Executive Directors (three of whom are independent) and two Executive Directors.

The Board acknowledges the service and contribution of Puan Jamilah binti Hj. Abdul Latiff who has resigned during the financial year. En. Halimi Bin Hussain was appointed to the Board on 15 November 2000.

To comply with the LR that the independent directors make up to one third of the Board's composition, Mr Tey Ah Tee @ Teo Ah Tee was appointed to the Board as Independent Non-Executive Director on 15 June 2001.

All the directors have given their undertakings to comply with the LR, while independent directors have also confirmed their independence in writing.

All directors are continuously being informed and updated on the expectations of their roles and will undergo training in a continuing basis as prescribed by KLSE, including the mandatory accreditation program in due course. Together, the 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.

However, 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 account the long term interests of shareholders, employees, customers, suppliers and many communities in which the Group conducts its business.

Board Meetings

The Board met at least twice a year and most of the Directors attended all the Board Meetings. 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 each provided with written reports together with supporting information before all Meetings and in sufficient time 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, amongst others, the following:

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

Audit Committee

The Board welcomes the newly appointed committee member, Mr Tey Ah Tee @ Teo Ah Tee who was appointed on 20 June 2001. With his appointment, the Audit Committee currently comprises four Non-Executive Directors, with Mr Cha Peng Koi @ Chia Peng Koi, an Independent Non-Executive Director, in the Chair. Of the remaining members, three are Independent Non-Executive Directors one of whom is a member of the Malaysian Institute of Accountants. Fuller details of the composition of the Committee are found on page 11. The Audit Committee met twice during the financial year ended 31 March 2001.

The Board further acknowledges the need to review the term of reference of the Audit Committee to ensure that the committee complies with the Code.

Re-election

In accordance with the Company's Articles of Association, an election of Directors shall take place each year. At the Annual General Meeting in every year any Director bound to retire under Article 88 and one third of the other Directors (excluding a Managing Director or Joint Managing Directors) for the time being, or if the number is not a multiple of three, then the number nearest to one-third shall retire from office so that all Directors (excluding a

Managing Director or Joint Managing Directors) shall retire from office once at least in each three (3) years. The Articles will be amended to provide for all Directors to submit themselves for re-election at least every three years in compliance with the Code.

For the forthcoming Annual General Meeting, Mr. Chan Chor Ang, Mr. Cha Peng Koi @ Chia Peng Koi, Encik Halimi Bin Hussain, Mr. Tey Ah Tee @ Teo Ah Tee, Mr. Chan Choo Sing and Mr. Chan Kok Hiang @ Chan Kock Hiang have volunteered themselves for re-election.

Proposed Nomination and Remuneration Committee

The Board intends to set up a Nomination and Remuneration Committee comprising Non-Executive Directors, majority of whom are independent in due course. The Nomination Committee will be responsible for making recommendations for any appointments to the Board including those of subsidiaries and associated companies. In making these recommendations, Nomination Committee will consider the required mix of skills and experience which the Directors should bring to the Board.

The Remuneration Committee will be responsible for setting the policy framework and for making recommendations to the Board on remuneration packages and benefits extended to the Executive Directors. Remuneration package of Executive Directors will be a matter to 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 shareholders at the Annual General Meeting.

Directors' Remuneration

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

- Aggregate remuneration of directors categorised into appropriate components:

	Salaries RM'000	Fees RM'000	Total RM'000
Executive Directors	874	125	999
Non-Executive Directors	-	75	75

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	-	4
RM50,001 to RM500,000	3	-

SHAREHOLDERS

Dialogue Between the Company and Investors

The Company's Managing Director, the Deputy Group General Manager meet regularly with the analyst/investors to discuss the Group's performance and major developments. Price-sensitive and any information that may be regarded as undisclosed material information about the Group is however not disclosed until after the prescribed announcement has been made to the KLSE.

Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders.

At the Annual General Meeting, the Board also provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. The Chairman and where appropriate, the Group Managing Director will respond to shareholders' questions during the meeting.

For re-election of Directors, the Board will ensure 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 the 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

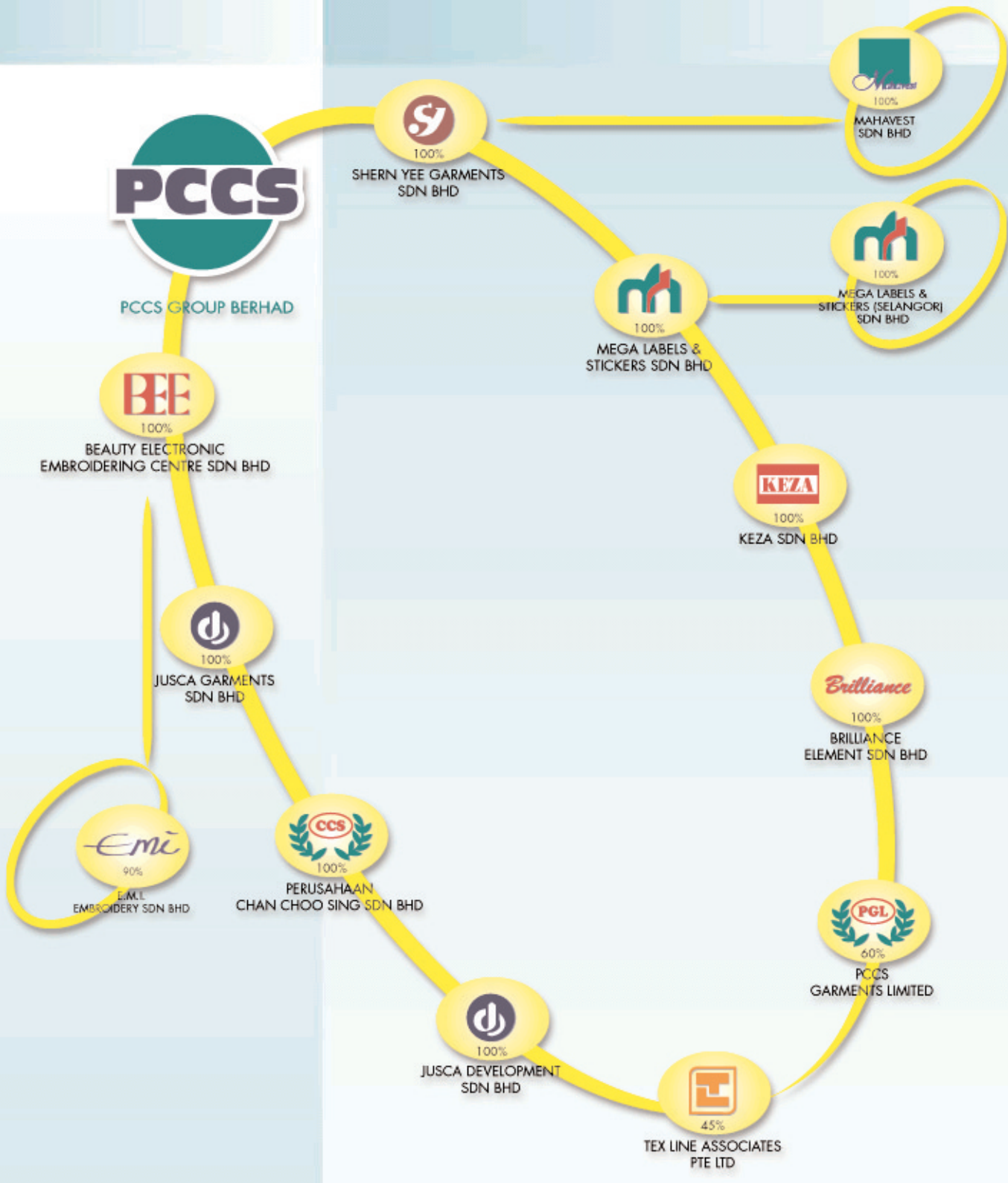
In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy and adequacy.

Internal Control

The Directors acknowledge their roles and responsibilities for the Group's internal control systems covering not only financial controls but also operational, risk management and compliance controls. The internal control system is designed to meet the Group's specific needs and to manage the risks to which it is exposed. This system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance against material misstatement or loss.

The Internal Audit Unit of the Company assists the Audit Committee of the Board in the discharge of its duties and responsibilities. It reports on compliance with internal controls and procedures to the Audit Committee and it also ensures that recommendations to improve on controls are followed through by management.

Corporate Structure



Contents

Notice Of Annual General Meeting	2 - 4
Directors Standing For Re-Election	5
Board Of Directors / Profile Of Directors	6 - 10
Audit Committee Report	11 - 12
Corporate Information	13
Statement On Corporate Governance	14 - 17
Corporate Structure	18
Chairman's Statement	19 - 24
Financial Statements	26 - 63
Group Properties	64
Analysis Of Shareholdings	65 - 66
Proxy Form	67

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of the Company will be held at Plum Blossom Room, Level 2, Garden Hotel, No. 29, Jalan Jenang, 83000 Batu Pahat, Johor Darul Takzim on Thursday, 27 September, 2001 at 11.00 a.m. for the following purposes: -

AGENDA

1. To receive and adopt the Directors' Report and the Audited Statement of Accounts for the financial year ended 31 March, 2001 together with the Auditors' Report thereon. **Resolution 1**
2. To approve the declaration of a First and Final tax exempt dividend of 5% for the financial year ended 31 March, 2001. **Resolution 2**
3. To approve the Directors' fees for the financial year ended 31 March, 2001. **Resolution 3**
4. To re-elect the following retiring Directors who retire pursuant to Article 82 of the Company's Articles of Association: -
 - (a) Mr. Chan Chor Ang **Resolution 4**
 - (b) Mr. Cha Peng Koi @ Chia Peng Koi **Resolution 5**
5. To re-elect the following retiring Directors who retire pursuant to Article 88 of the Company's Articles of Association:-
 - (a) Encik Halimi Bin Hussain **Resolution 6**
 - (b) Mr. Tey Ah Tee @ Teo Ah Tee **Resolution 7**
6. To re-elect the retiring Director, Mr. Chan Choo Sing who retires pursuant to Paragraph 7.28(2) of Part K of Chapter 7 of the Revamped Listing Requirements of Kuala Lumpur Stock Exchange. **Resolution 8**
7. To pass the following resolution pursuant to Section 129 (6) of the Companies Act, 1965: - **Resolution 9**

"That pursuant to Section 129(6) of the Companies Act, 1965, Mr. Chan Kok Hiang @ Chan Kock Hiang who has attained the age of 70 years be and is hereby re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting."
8. To re-appoint Messrs. Arthur Andersen & Co. as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 10**

9. As Special Business

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution: -

Resolution 11

Ordinary Resolution

- Authority To Issue Shares Pursuant To Section 132D Of The Companies Act, 1965

“That pursuant to Section 132D of the Companies Act, 1965, 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 10% of the issued 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 Kuala Lumpur Stock Exchange and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

10. To transact any other ordinary business of which due notice has been given.

NOTICE OF DIVIDEND ENTITLEMENTS

NOTICE IS HEREBY GIVEN that the First and Final Tax Exempt Dividend of 5% will be payable on 19 November, 2001 to depositors who are registered in the Record of Depositors at the close of business on 29 October, 2001 if approved by members at the Seventh Annual General Meeting on 27 September, 2001.

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

- a. Shares transferred into the Depositor's Securities Account before 12.30 p.m. on 29 October, 2001 in respect of ordinary transfers; and
- b. Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

By Order of the Board
CHUA SIEW CHUAN
TAN SOI LIM
Company Secretaries

Kuala Lumpur
5 September, 2001

Explanatory Note To Special Business:

1. *The proposed adoption of the Ordinary Resolution 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.*

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 Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.*
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 Suite 11.2B, Level 11, Menara Pelangi, No. 2, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Takzim not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.*

Directors Standing For Re-election

Directors standing for re-election at the Annual General Meeting of the Company to be held at the Plum Blossom Room, Level 2, Garden Hotel, No. 29 Jalan Jenang, 83000 Batu Pahat, Johor Darul Takzim, Malaysia on Thursday, 27 September, 2001 at 11.00 am.

Directors standing for re-election

- Chan Chor Ang
- Cha Peng Koi @ Chia Peng Koi
- Halimi Bin Hussain
- Tey Ah Tee @ Teo Ah Tee
- Chan Choo Sing
- Chan Kok Hiang @ Chan Kock Hiang

Details of attendance at board meetings held during the year (Total of two meetings held)

Name of Director	Date of appointment	No. of Meetings attended
Chan Kok Hiang @ Chan Kock Hiang	21/06/1995	2/2
Chan Choo Sing	21/06/1995	2/2
Chan Chow Tek	21/06/1995	2/2
Chan Chor Ngiak	21/06/1995	2/2
Chan Chor Ang	21/06/1995	1/2
Cha Peng Koi @ Chia Peng Koi	21/06/1995	1/2
Tan Chuan Hock	04/11/1998	2/2
Halimi Bin Hussain	15/11/2000	2/2
Tey Ah Tee @ Teo Ah Tee	15/06/2001	2/2

Details of the Board Meetings held during the year.

Place : PCCS Group Berhad
Plo 10, Kawasan Perindustrian Parit Raja
Parit Raja, 86400 Batu Pahat, Johor
Date : 19 June, 2001
Time : 11.30 am

Place : PCCS Group Berhad
Plo 10, Kawasan Perindustrian Parit Raja
Parit Raja, 86400 Batu Pahat, Johor
Date : 20 August, 2001
Time : 11.30 am

Board Of

Directors



Chan Kok Hiang @ Chan Kock Hiang
CHAIRMAN



Chan Choo Sing
**GROUP MANAGING
DIRECTOR**



Chan Chow Tek
EXECUTIVE DIRECTOR



Chan Chor Ngiak



Chan Chor Ang



Cha Peng Koi @
Chia Peng Koi



Tan Chuan Hock



Halimi Bin Hussain



Tey Ah Tee @ Teo Ah Tee

CHAN KOK HIANG @ CHAN KOCK HIANG, aged 72, was appointed as Chairman of PCCS on 21 June 1995. He is the co-founder of the family's garment business in 1973. He has more than 40 years of experience in the business sector with an active involvement in setting up and managing the family business. His long and in-depth business experience serves as a useful guidance to the Company and the Group in deciding its corporate direction and management. He also sits on the boards of several private limited companies.

CHAN CHOO SING, aged 47, is the Managing Director of PCCS and was appointed to the Board of PCCS on 21 June 1995. He started his career in assisting his father, Mr Chan Kok Hiang @ Chan Kock Hiang when he joined a partnership business, Chan Trading, in 1973. In 1979, he founded another partnership business, Perusahaan Seng, together with his father to manufacture and supply garments to Chan Trading. The business of Perusahaan Seng was taken over by Perusahaan Chan Choo Sing Sdn Bhd in 1981 when the company was incorporated. He continued his dynamic management approach by setting up Beauty Electronic Embroidering Centre Sdn Bhd in 1983; Keza Sdn Bhd in 1985 and Mega Labels & Stickers Sdn Bhd in 1989. He has over 28 years of experience in the textile industry. He has been an exco-member of Malaysian Textile Manufacturers Association since 1992 and is actively involved in bilateral agreement negotiations with countries like USA, Canada and Europe.

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 by Harta of shares in Cinta Packaging Industries Sdn Bhd in 1992, Fibre Pak (M) Sdn Bhd in 1994 and Harta Packaging Industry (JB) Sdn Bhd (formerly known as Johopack Industries Sdn Bhd) in 1995. Harta was successfully listed on the Second Board of the KLSE on 30 May 1997 as HPI Resources Berhad ("HRB"). He was appointed as Executive Chairman of HRB on 8 April 1997.

Mr Chan is also the exco-member for the Chinese Chamber of Commerce in Batu Pahat. He sits on the boards of several private limited companies and is the chairman of Hua Jin Holdings Bhd, which owns one of the biggest hotel in Batu Pahat.

CHAN CHOW TEK, aged 44, is the Executive Director of PCCS and was appointed to the Board of PCCS on 21 June 1995. He is responsible for the marketing activities in the Group and has more than 25 years of experience in textile and apparel marketing and merchandising. He started his career in 1973, when he was assisting his father and brother 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 heights. 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 and 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 companies.

CHAN CHOR NGIAK, aged 39 , was appointed to the Board of PCCS on 21 June 1995. He has more than 20 years of experience in the textile and garment industry. 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 and was subsequently promoted to Managing Director in July 1996. He oversees the Group's packaging business, as well as being responsible for identification and penetration of new 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 difference types of industries. He also sits on the board of several private companies.

CHAN CHOR ANG, aged 38, was appointed to the Board of PCCS on 21 June 1995. He joined Perusahaan Chan Choo Sing Sdn Bhd in 1981 and was transferred to Jusca Garments Sdn Bhd as the Factory Manager in 1985. He has more than 20 years 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 a Factory Manager in 1990. He was appointed as Maintenance Manager in 1994. His responsibilities includes organising and managing the total maintenance and machine upkeep for the packaging companies. He has undergone training on production management, machine maintenance and productivity enhancement under various expatriate factory managers from Hong Kong, Taiwan and China.

CHA PENG KOI @ CHIA PENG KOI, aged 50, was appointed to the Board of PCCS as Independent Non-Executive Director 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 in 1981 and Masters in Business Administration (MBA) from the University of California, Los Angeles in 1986. In 1990, he set up his own business consulting firm specialising in Productivity and Quality Management. Prior to his work in business consulting, 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.

TAN CHUAN HOCK, aged 40, was appointed to the Board of PCCS as Independent Non-Executive Director on 4 November 1998. He is the managing partner and also the founder of William C. H. Tan & Associates (“WTA”), a Public Accountants firm. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Taxation and the Fellow Member of the Association of Chartered Certified Accountants.

He obtained his professional qualification, i.e. Association of Chartered Certified Accountants in 1983. He then joined a Public Accountants firm as Audit Assistant and advanced to the position of Audit Manager in 1988. With his leadership and his dedication towards the profession, he finally took the challenge to establish his own professional practice, i.e. WTA in 1989.

He has over 18 years of experience particularly in financial reporting, auditing, taxation and planning, company secretarial as well as corporate management and advisory functions. He also sits on the Board of several other private companies.

HALIMI BIN HUSSAIN, aged 50, was appointed to the Board of PCCS on 15 November 2000. He graduated with Bachelor of Arts (Hons) from University Malaya in 1975 and Master in Policy Science from University of Saitama, Japan in 1989. He also obtained Certificate in Public Administration from the National Institute of Public Administration in 1977 and Certificate in Foreign Investment Negotiation from the Investment Negotiation Centre of Georgetown University, Washington D.C. in 1980. Prior to his appointment to the Board of PCCS, he was with the Malaysian Administrative and Diplomatic Service and has served as First Secretary at the Embassy of Malaysia, Tokyo in 1982~1987, Director of Intellectual Property, Ministry of Domestic Trade and Consumer Affairs in 1990, Malaysian Trade Commissioner and Counsellor (Economic), Embassy of Malaysia in Manila from 1991 ~ 1997, Director of Program, Asia Pacific Economic Corporation Secretariat in Singapore from 1997 ~ 1999, and Director of Trade Support, Ministry of International Trade and Industry in 2000. In commerce, he is active in the Malaysian Textile Manufacturer Association and currently served as its Vice President and Chairman of the International Trade Negotiation. He is also the Vice President of the Malaysian Textile and Apparel Centre.

TEY AH TEE @ TEO AH TEE, aged 56, holds a Diploma in Education from the Technical Teacher’s College. He has extensive experience in the teaching of Industrial Arts and English Language. A self motivated person, and currently is doing private tutoring. He was appointed to the Board of PCCS as an Independent Non-Executive Director of the Company on 15 June 2001. He is presently managing a registered private limited company.