PCCS GROUP BERHAD

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

Annual Report 2007

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the Company will be held at PCCS Group Berhad's Corporate Office, Lot 1376, GM127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim on Friday, 24 August 2007 at 11:00 a.m. for the following purposes: -

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 March 2007 together with the Reports of the Directors and the Auditors thereon.

2. To approve the declaration of the First and Final Tax Exempt Dividend of 3.5% for the financial year ended 31 March 2007. **Resolution 1**

3. To approve the Directors' fees for the financial year ended 31 March 2007. **Resolution 2**

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

   (a) Mr. Chan Choo Sing **Resolution 3**
   (b) Mr. Tan Chuan Hock **Resolution 4**
   (c) Mr. Tey Ah Tee @ Teo Ah Tee **Resolution 5**

5. To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 6**

6. As Special Business

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

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

   "THAT pursuant to Section 132D of the Companies Act, 1965, and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED THAT the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 7**

ORDINARY RESOLUTION NO. 2
- PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE PURSUANT TO PARAGRAPH 10.09 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

"THAT pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), a shareholders' mandate be and is hereby granted to PCCS Group Berhad and its subsidiary companies (PCCS Group) to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for PCCS Group's day-to-day operations in respect of the recurrent related party transactions as set out in the circular to shareholders dated 26 July 2007 (the Circular) with the related parties mentioned therein PROVIDED THAT:

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

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

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

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

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

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

whichever is the earlier;

AND THAT, the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/ or authorized by this resolution." **Resolution 8**

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

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that the First and Final Tax Exempt Dividend of 3.5% will be payable on 11 October 2007 to depositors who are registered in the Record of Depositors at the close of business on 14 September 2007, if approved by members at the forthcoming Thirteenth Annual General Meeting.

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

(a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 14 September 2007 in respect of ordinary transfers; and

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

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

Johor Darul Takzim
26 July 2007

Explanatory Notes To Special Business:

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

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

2. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

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

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:

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

2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.

3. Where a holder appoints two or more proxies, he shall specify the proportions of his shareholdings to be represented by each proxy.

4. 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.

5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at PLO 10, Kawasan Perindustrian Parit Raja, 86400 Batu Pahat, Johor Darul Takzim not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

Statement Accompanying Notice of Annual General Meeting

1. Directors Standing for Re-election

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

   i. Mr. Chan Choo Sing (Article 94 of the Company's Articles of Association)
   ii. Mr. Tan Chuan Hock (Article 94 of the Company's Articles of Association)
   iii. Mr. Tey Ah Tee @ Teo Ah Tee (Article 94 of the Company's Articles of Association)

   Their particulars can be found on pages 7 to 9 of the Annual Report.

2. Shareholdings of Directors who are Standing for Re-election

   The shareholdings of Directors standing for re-election are stated on page 87 of the Annual Report.

PROFILE OF DIRECTORS

1. **CHAN CHOO SING** : Non-Independent Executive Chairman and Group Managing Director
2. **CHAN CHOW TEK** : Non-Independent Executive Director
3. **CHAN CHOR NGIAK** : Non-Independent Non-Executive Director
4. **CHAN CHOR ANG** : Non-Independent Non-Executive Director
5. **CHA PENG KOI @ CHIA PENG KOI** : Senior Independent Non-Executive Director
6. **TAN CHUAN HOCK** : Independent Non-Executive Director
7. **TEY AH TEE @ TEO AH TEE** : Independent Non-Executive Director

CHAN CHOO SING

Chan Choo Sing (Non-Independent Executive Chairman and Group Managing Director), a Malaysian, aged 53, was appointed to the Board of PCCS on 21 June 1995. Mr. Chan started his career when he ventured into a garment business known as Chan Trading in 1973. In 1981, he founded Perusahaan Chan Choo Sing Sdn. Bhd. ("PCCSSB"), a Company primarily involved in the manufacturing of garments. His entrepreneurial skills and ability to recognize business and expansion opportunities have led to successful business ventures including the forming of a number of companies actively involved in the garment industry. PCCSSB and its associated companies were successfully listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 August 1995 as PCCS Group Berhad ("PCCS"). He was appointed as the Group Director of PCCS in 1995.

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

During the period from 2001 to 2006, Mr. Chan was the Chairman of the Chinese Association in Parit Raja, Batu Pahat. He is an Exco-member of the Malaysian Textile Manufacturing Association since 1992 and an Exco-member of the Batu Pahat Chinese Chamber of Commerce since 1994.

Mr. Chan also sits on the board of several private limited companies. He is a member of the Audit Committee and Remuneration Committee of PCCS.

CHAN CHOW TEK

Chan Chow Tek (Non-Independent Executive Director), a Malaysian, aged 50, was appointed to the Board of PCCS on 21 June 1995. He leads all the marketing activities in the Group and has more than 30 years of experience in textile and apparel marketing and merchandising. He started his career in 1973 in marketing the products of Chan Trading to local departmental stores. In 1981, he successfully made the first export order for the company and has since brought the company's export sales to greater success. He is also responsible for the development and growth of the Group's garment business. His job includes keeping abreast with the latest development in the apparel and fashion industry by frequent overseas trips to identify new and potential markets. He was appointed to the board of HRB on 8 April 1997 and also sits on the board of several private limited companies.

CHAN CHOR NGIAK

Chan Chor Ngiak (Non-Independent Non-Executive Director), a Malaysian, aged 45, was appointed to the Board of PCCS on 21 June 1995. He started his career in 1980 assisting his father and brothers in marketing the products of Chan Trading to local departmental stores.

Mr. Chan Chor Ngiak is currently the Managing Director of HRB. He was appointed to the Board of HRB on 8 April 1997. He became directly involved with Harta when he took up the position as Marketing Manager. His passion in packaging business continues to drive Harta to new heights to become a leader of packaging business in Peninsular Malaysia within a short period of time. He was subsequently promoted to the position of Managing Director of HRB in May 1999, overseeing the Group's packaging business. His good inter-personal and negotiating skills has enabled him to aggressively penetrate and secure new customers from different types of industries.

Throughout his career in the industry, he has continually established connections with many business executives in the Chamber of Commerce and Associations. He is the Vice-Chairman of the Chinese Chamber of Commerce in Batu Pahat, Chairman of the Chinese Association in Parit Raja, Batu Pahat, the Vice-Chairman of the Chinese Association in Johor State and a Committe Member of Malaysian Corrugated Carton Manufacturers' Association. He also sits on the board of several private limited companies.

CHAN CHOR ANG

Chan Chor Ang (Non-Independent Non-Executive Director), a Malaysian, aged 44, was appointed to the Board of PCCS on 21 June 1995. He jointed PCCSSB in 1981 and was transferred to Jusca Garments Sdn. Bhd. as the Factory Manager in 1985. He has more than 25 years of experience in the textile and garment industry. He was appointed to the Board of HRB on 8 April 1997. He assigned to Harta as the Factory Manager in 1990. He was later placed to be in charge of the total training on production management, machine maintenance and productivity enhancement under various expatriate Technical Advisors from Hong Kong, Taiwan and China. He is currently the Executive Director Cum General Manager of Harta Packaging Industries Sdn. Bhd. and also oversees the operation of Chiga Light Industries Sdn. Bhd. He also sits on the board of several private limited companies.

CHA PENG KOI @ CHIA PENG KOI

Cha Peng Koi @ Chia Peng Koi (Senior Independent Non-Executive Director), a Malaysian, aged 56, was appointed to the Board of PCCS on 21 June 1995. He is the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of PCCS.

Mr. Cha Peng Koi graduated with a Bachelor of Science Degree (Honours) from the University of Malaya in 1977, Diploma in Public Administration from Institute of Public Administration (INTAN) in 1981 and Masters in Business Administration majoring in Finance from University of California, Los Angeles in 1986.

He started his career in the Malaysian Civil Service soon after graduation and served in various capacities in several ministries including Ministry of Transport, Public Services Department and Ministry of Public Enterprises (Entrepreneur Development). In 1987, he joined an international productivity consulting company based in Hong Kong and subsequently became its Chief Analyst and Chairman for its Asia Pacific operations. In 1990, he founded K N Norris Sdn Bhd, a management consulting company specializing in the area of productivity and quality improvement. He has more than 20 years of experience in the fields of Finance and Operations Management. He presently sits on the board of Orisoft Technology Berhad which is listed on the MESDAQ market of Bursa Securities.

TAN CHUAN HOCK

Tan Chuan Hock (Independent Non-Executive Director), a Malaysian, aged 46, was appointed to the Board of PCCS on 4 November 1998. He is the executive proprietor and also the founder of William C. H. Tan & Associates, a Chartered Accountants firm. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Taxation and is a Fellow Member of the Association of Chartered Certified Accountants.

Mr. Tan has over 20 years of experience particularly in financial reporting, auditing, taxation and planning, company secretarial as well as corporate management and advisory functions. He holds directorships in several private limited companies. Presently, he is the non-executive chairman of Orisoft Technology Berhad and director of Grand-Flo Solution Berhad, both the companies are listed on Bursa Securities. He is also a director of Supportive Resources Berhad.

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

TEY AH TEE @ TEO AH TEE

Tey Ah Tee @ Teo Ah Tee (Independent Non-Executive Director), a Malaysian, aged 62, was appointed to the Board of PCCS on 15 June 2001. He holds a Diploma in Education from the Technical Teacher's College. Being a responsible and dedicated educationist with the teaching profession spanning over 34 years, he has extensive experience in the teaching of technical subjects and English Language. A self motivated person, he presently also sits on the board of a registered credit private limited company and has played an important role in overseeing the smooth running of the establishment. He does not have any directorships in other public companies.

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

Note :

1) The Board (save and except for Chan Choo Sing, Chan Chow Tek, Chan Chor Ngiak and Chan Chor Ang are brothers and substantial shareholders of PCCS) do not have any family relationship with any Director and/or Major Shareholder of PCCS.
2) None of the Directors have any conviction for offences within the past ten (10) years other than traffic offences, if any.
3) None of the Directors have any conflict of interest with the Company.

DIRECTORS STANDING FOR RE-ELECTION

Directors standing for re-election at the Annual General Meeting of the Company to be held at PCCS Group Berhad's Corporate Office, Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim on Friday, 24 August, 2007 at 11.00 a.m.

Directors standing for re-election
- Chan Choo Sing
- Tan Chuan Hock
- Tey Ah Tee @ Teo Ah Tee

Details of attendance at Board Meetings held during the financial year ended 31 March, 2007 (Total of four (4) meetings held)

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

Details of the Board Meetings held during the financial year ended 31 March, 2007.

Place : PCCS Group Berhad's Corporate Office, Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim.
Date : 26 May, 2006
Time : 1.00 p.m.

Place : PCCS Group Berhad's Corporate Office, Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim.
Date : 21 August, 2006
Time : 10.00 a.m.

Place : PCCS Group Berhad's Corporate Office, Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim.
Date : 28 November, 2006
Time : 12.00 noon.

Place : PCCS Group Berhad's Corporate Office, Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim.
Date : 27 February, 2007
Time : 1.00 p.m.

AUDIT COMMITTEE REPORT

1. Membership

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

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

Chan Choo Sing
Executive Chairman and Group Managing Director

Tan Chuan Hock
Independent Non-Executive Director

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

2. Composition of members

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

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

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

(a) a member of the Malaysian Institute of Accountant ("MIA"); or

(b) if he is not a member of MIA, he must have at least three (3) years of working experience and:

  i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

  ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

(c) fulfils such other requirements as prescribed by the Exchange.

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

Retirement and resignation

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

3. Chairman

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

4. Secretary

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

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

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

5. Meetings

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

Details of attendance at Audit Committee meetings held during the financial year ended 31 March 2007. (Total of four (4) meetings held)

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

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

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

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

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

6. Quorum

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

7. Reporting

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

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

8. Objectives

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

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

9. Authority

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

(a) authorise to investigate any activity within its terms of reference. All employees shall be directed to co-operate as requested by members of the Audit Committee.

(b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.

(b) obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

(d) be able to convene meetings with the external auditors, without the attendance of the executive members of the Audit Committee, whenever deemed necessary.

(e) be able to make relevant reports when necessary to the relevant authorities if a breach of the Listing Requirements occurred.

10. Review of the Audit Committee

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

11. Duties and Responsibilities

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

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

Summary of Activities

The activities of the Audit Committee were primarily in accordance with its duties, as set out in its terms of reference. The main activities undertaken by the Audit Committee during the financial year were as follows:

(i) Reviewed the quarterly results and financial statements prior to submission to the Board of Directors;

(ii) Reviewed the internal auditor's scope of work and audit plan for the year;

(iii) Reviewed the findings of the internal and external auditors and reported to the Board of Directors;

(iv) Reviewed any related party transactions that may arise within the Group and to report, if any, transactions between the Group and any related party outside the Group which are not based on arms-length terms and on terms which are not favourable to the Group;

(v) Reviewed the extent of the Group's compliance with the Listing Requirements of Bursa Securities on Corporate Governance and recommendations made to the Board on action plan to address the identified gaps between the Group's existing corporate governance practices and the prescribed corporate governance principles and best practices under the Malaysian Code on Corporate Governance; and

(vi) Established and formalised Risk Management Framework and action plan to manage the risk identified on an on-going process.

Internal Audit Function

The Group has also established the Internal Audit function in order to assist the Audit Committee in discharging its duties in regards to the adequacy and integrity of the system of internal control. Functions of the Internal Audit include few major areas as follows:

- Perform regular review of operational compliance with the established internal control procedures and the risk profiles of the major business units of the Group. This does not include associated company where the Group has no control over the management of the Company.
- Conduct investigations on specific areas or issues directed by the Audit Committee.
- Review the risk management processes.

Audit plan for the Group is presented to the Audit Committee for approval. All adverse findings and weaknesses noted during the audit visit are forwarded to management for its attention and further action. The report on the audit findings together with management's comments are reported to the Audit Committee on a quarterly basis. In this regard, the Board is pleased to report that there were no significant adverse findings during the financial year ended 31 March 2007 that adversely affect the Group's reputation or financial position.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chan Choo Sing
Executive Chairman and Group Managing Director

Chan Chow Tek
Executive Director

Chan Chor Ngiak
Non-Independent Non-Executive Director

Chan Chor Ang
Non-Independent Non-Executive Director

Cha Peng Koi @ Chia Peng Koi
Senior Independent Non-Executive Director

Tan Chuan Hock
Independent Non-Executive Director

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

AUDIT COMMITTEE

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

Chan Choo Sing
Executive Chairman and Group Managing Director

Tan Chuan Hock
Independent Non-Executive Director

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

NOMINATION COMMITTEE

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

Tan Chuan Hock
Independent Non-Executive Director

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

REMUNERATION COMMITTEE

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

Chan Choo Sing
Executive Chairman and Group Managing Director

Tan Chuan Hock
Independent Non-Executive Director

COMPANY SECRETARY

Chua Siew Chuan
(MAICSA 0777689)

REGISTERED OFFICE

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

REGISTRAR

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

AUDITORS

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

SOLICITORS
Enolil Loo
Advocates & Solicitors
No. 3-3, Jalan 26/70A,
Desa Sri Hartamas,
50480 Kuala Lumpur

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

SUBSIDIARY COMPANIES
Perusahaan Chan Choo Sing Sdn Bhd (70765-W)
PCCS Garments Limited
Global Apparels Limited (*Formerly known as Jusca Garments (Cambodia) Limited*)
PCCS Garments (Suzhou) Ltd
PCCS (Hong Kong) Limited
Beauty Electronic Embroidering Centre Sdn Bhd (102438-U)
JIT Embroidery Limited
Keza Sdn Bhd (138288-U)
Beauty Silk Screen (M) Sdn Bhd (583304-X)
Beauty Silk Screen Limited
Mega Labels & Stickers Sdn Bhd (190144-X)
Mega Labels & Stickers (Selangor) Sdn Bhd (533197-U)
China Roots Packaging Pte Ltd
Blopak China Private Limited
Jusca Garments Sdn Bhd (135950-M)
Shern Yee Garments Sdn Bhd (206960-W)
Jusca Development Sdn Bhd (391830-P)
PCCS Capital Sdn Bhd (382952-M)

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad Main Board

HOMEPAGE:
http://www.pccsgroup.net/

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

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

The Board of Directors

Board Composition

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

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

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

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

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

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

Directors' Training

All the Directors have attended the Mandatory Accreditation Training Programme (MAP) prescribed by Bursatra Sdn Bhd, the training arm of Bursa Securities. Directors are also aware of their duty to attend continuous education programmes. The Directors have attended seminars to keep themselves updated on the expectations of their roles and other market developments. These seminars include seminar on key performance indicators as a management tool conducted by Bursatra Sdn Bhd, Financial Reporting Standard (FRS) for directors and senior management conducted by Asian Academy for Corporate Administration Sdn Bhd and Tax Seminar conducted by Inland Revenue Board of Malaysia.

Board Meetings
During the financial year ended 31 March 2007, a total of four (4) Board meetings have been held and were attended by most of the Directors. Details of attendance are provided on page 10 of this Annual Report. Additional meetings are held as and when required.

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

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

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

Audit Committee
The Audit Committee currently comprises four (4) members, with Mr. Cha Peng Koi @ Chia Peng Koi, the Senior Independent Non-Executive Director, in the Chair. One of the remaining members is a member of the Malaysian Institute of Accountants. Fuller details of the composition of the Committee are found on page 11 of this Annual Report.

The Audit Committee met four (4) times during the year. A majority of the Committee members attended all meetings. Details of their attendance are provided on page 12 of this Annual Report.

The terms of reference which have been revised to comply with the Best Practices of the Code and details of the terms of reference of Audit Committee are set out on pages 11 to 14 of this Annual Report.

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

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

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

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

The duties and responsibilities of the Committee are to set up a policy framework and to make recommendations to the Board on remuneration packages and benefits extended to the Executive Directors. Remuneration package of the Executive Directors will be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration.

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

Re-election

In accordance with the Memorandum and Articles of Association of the Company, an election of Directors shall take place each year. At the AGM in every year one-third of the Directors for the time being, or the number nearest to one-third shall retire from office provided always that all Directors shall retire from office at least once every three years in compliance with the LR of Bursa Securities. For the forthcoming AGM, Mr. Chan Choo Sing, Mr. Tan Chuan Hock and Mr. Tey Ah Tee @ Teo Ah Tee have volunteered themselves for re-election.

Directors' Remuneration

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

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

	Salaries and Other emoluments RM'000	Bonus RM'000	Fees RM'000	Total RM'000
Executive Directors	1,258	270	188	1,716
Non-Executive Directors	-	-	202	202

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	-	3
RM50,001 to RM100,000	-	2
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	-	-
RM400,001 to RM450,000	-	-
RM450,001 to RM500,000	-	-
RM500,001 to RM550,000	-	-
RM550,001 to RM600,000	-	-
RM600,001 to RM650,000	-	-
RM650,001 to RM700,000	1	-
RM700,001 to RM750,000	-	-
RM750,001 to RM800,000	-	-
RM800,001 to RM850,000	1	-

Shareholders

Disclosure between the Company and Analyst / Investors

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

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

Annual General Meeting

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

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

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

Accountability and Audit

Financial Reporting

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

Internal Control

Information on the Group's internal control is presented in the Statement on Internal Control laid out on pages 22 to 23 of this Annual Report.

Relationship with the Auditors

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

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

Compliances Statement

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

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

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

BOARD RESPONSIBILITY

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

Due to the limitations that are inherent in any system of internal control, the Group's system of internal control is designed to manage, rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, it only provides reasonable but not absolute assurance against material misstatement or loss.

CONTROL ENVIRONMENT AND STRUCTURE

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

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

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

- Authority charts are established within the Group to provide a functional framework of authority in approving revenue and capital expenditure.

- The Group's performance is monitored through an integrated budgeting system which requires all material variances to be identified, discussed and resolved by management on a scheduled and ad-hoc basis.

- The Board reviews the Group's financial and operational performance quarterly, which analyses the Group performance with comparison against previous quarter and previous corresponding quarter.

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

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

- Regular Internal Quality Audit as specified by ISO 9001:2000 Quality Management System on certain subsidiaries.

RISK MANAGEMENT

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

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

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

INTERNAL AUDIT FUNCTION

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

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

CONCLUSION

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

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

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

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

The Directors consider that in preparing the financial statements:-

- the Group and the Company have used appropriate accounting policies and are consistently applied;

- reasonable and prudent judgements and estimates were made; and

- all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

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

OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

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

Options, Warrants or Convertible Securities
Other than as disclosed in Note 22 to the Financial Statements for the year ended 31 March 2007 on page 74, no options or warrants were exercised during the financial year.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme
During the financial year, the Company did not sponsor any ADR or GDR programme.

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

Non-Audit Fees
The amount of non-audit fees paid to the external auditors by the Group and by the Company for the financial year ended 31 March 2007 amounted to RM86,000.00 and RM14,000.00 respectively.

Material Contracts Involving Directors and Substantial Shareholders
Other than the recurrent related party transactions disclosed in Note 28 to the Financial Statements for the financial year ended 31 March 2007 on page 77, none of the Directors have any material contracts with the Company and/or its subsidiaries during the financial year under review.

Profit Estimate, Forecast or Projection
The Company did not issue any profit estimate, forecast or projection for the financial year ended 31 March 2007. There were no variances of 10% or more between the results for the financial year ended 31 March 2007 and the unaudited results previously announced.

Profit Guarantee
During the financial year, there were no profit guarantees given by the Company.

CORPORATE STRUCTURE

PCCS GROUP BERHAD

- 100% Perusahaan Chan Choo Sing Sdn Bhd
  - 100% PCCS Garments (Suzhou) Ltd
  - 100% PCCS (Hong Kong) Limited
- 100% PCCS Garments Limited
- 100% Shern Yee Garments Sdn Bhd
  - 70% Global Apparels Limited
  - 100% PCCS Capital Sdn Bhd
- 100% Jusca Development Sdn Bhd
  - 85% Beauty Silk Screen (M) Sdn Bhd
    - 100% Beauty Silk Screen Limited
- 100% Keza Sdn Bhd
- 100% Mega Labels & Stickers Sdn Bhd
  - 100% China Roots Packaging Pte Ltd
  - 100% Blopak China Private Limited
  - 100% Mega Labels & Stickers (Selangor) Sdn Bhd
- 100% Jusca Garments Sdn Bhd
- 100% Beauty Electronic Embroidering Centre Sdn Bhd
  - 100% JIT Embroidery Limited

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 March 2007.

FINANCIAL REVIEW

The Group's profit before tax for the nine months ended 31 December 2006 amounted to RM14.038 million, an increase of 2.1% compared to the same corresponding period. Nevertheless, as at 31 March 2007, the Group recorded a lower turnover of RM417.052 million over the previous year of RM448.763 million. Pre-tax profit also decreased from RM17.292 million to RM7.455 million. Net earnings per share for the Group stood at RM0.098.

DIVIDEND

The Board is pleased to recommend a first and final tax exempt dividend of 3.5% for the financial year ended 31 March 2007 subject to the shareholders' approval at the forthcoming Annual General Meeting.

CORPORATE DEVELOPMENTS

As at 1 July 2007, PCCS Group Berhad ("PCCS") has undertaken and completed the following transactions:

1. On 3 August 2006, Jusca Development Sdn Bhd ("Jusca"), a wholly-owned subsidiary of PCCS, had entered into a Share Purchase Agreement with Mr. Lim Wee Sern to acquire an additional 60,000 Ordinary Shares of RM1.00 each, representing 30% equity interest in Beauty Silk Screen (M) Sdn Bhd ("BSSM") for a total cash consideration of RM1,100,000.00 (Ringgit Malaysia: One Million and One Hundred Thousand Only) ("acquisition of shares").

   The acquisition of shares was completed on 24 November 2006. BSSM became an 85% owned subsidiary of Jusca.

2. On 26 December 2006, Beauty Electronic Embroidering Centre Sdn Bhd ("BEEC"), a wholly-owned subsidiary of PCCS, had invested USD1,000,000/- in JIT Embroidery Limited ("JIT"), which was incorporated in Cambodia, representing 100% of the registered capital of JIT.

3. On 20 January 2007, E.M.I. Embroidery Sdn. Bhd. ("EMI"), a 90% owned subsidiary of BEEC, a wholly-owned subsidiary of PCCS, had completed its voluntary winding-up proceedings.

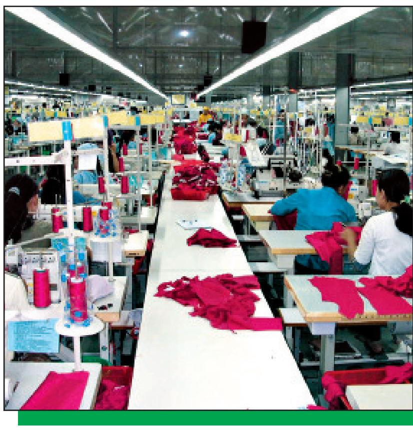
4. On 24 April 2007, Jusca Garments (Cambodia) Limited, a 70% owned subsidiary of Shern Yee Garments Sdn. Bhd., a wholly-owned subsidiary of PCCS, had changed its name to Global Apparels Limited.

REVIEW OF GROUP PERFORMANCE

APPAREL DIVISION

During the financial year, the performance of the division was relatively flat. Annual turnover amounted to RM346.112 million, down 9.56% year-on-year, representing a share of 82.99% of the Group's turnover. The lower net profit was attributed to the increase in operating expenses, particularly due to the increase in wages in our Cambodia operation and depreciation of new assets.

The global competition gets keener in the apparel industry. Over the last few years, increased cost pressure has been accompanied by the buyers' increased demand for broader assortments, smaller batch sizes, higher quality and faster delivery. Buyers' requirements are now more stringent than before. In addition to improving quality, productivity and reducing costs, better input sourcing strategies and the ability to manage and provide better customer service, ranging from product design, to locating better quality inputs and logistics, would be the challenge and elements of success for the future.



In the past, our Cambodia operations were generally perceived as low-end supplier competing in the global market. We are now evolving into positioning ourselves as medium and upper-end supplier and designer. Towards this direction, the company has invested in 2 additional units of Auto Cutter machines, 14 units of automatic spreading machines and replaced 610 units of sewing machines. The competitive advantage deriving from the investment is the ability and versatility to produce complicated styling in addition to achieving quality and costs effectiveness.

Strong growth was seen in our China operations. We have managed to design and produce additional 400 new styling. In line with our strategy to capture the local China market, we have purchased a new marketing office located in Chao Yang Road, Shanghai and rented four (4) new factory blocks at Ping Wang, Province of Suzhou. The additional 20 sewing lines equipped with cutting, printing and embroidery and washing facilities, are expected to produce 35,000 to 40,000 dozens of garment monthly effective November 2007.

Given our ability to harness our resources and tap further into growth areas in the local market, we remain optimistic and confident that our China operation would record a better result for the coming financial years.

NON-APPAREL DIVISION

The non-apparel division's revenue had increased by 4.90% on the year-on-year basis. Net profit before tax had increased by RM3.06 million.

The turnover for the fabric knitting business has increased from RM18.50 million to RM23.10 million as orders received for its fabric and elastic products from existing customers had increased.

To provide our customers with a wider range of high value-added embroidery services, and to meet the increase in customer orders, our Malaysian embroidery operation had invested additional 10 units of embroidery machines.

As the apparel industry in Cambodia is experiencing a sustainable growth, JIT, a wholly-owned subsidiary of BEEC was set up on 26 December 2006, to capture the new market and serve our customers more effectively. JIT is located at Road 4, Phum Ang, Ang Snuo District, Phnom Penh and had commenced its operation in May 2007. With 30 units of new embroidery machines, JIT is capable of producing approximately 9.00 million stitches per month.

The labeling business again chalked up another good year in 2007 with an increase in pre-tax profit from RM3.10 million to RM3.50 million. During the year, the labeling business had invested an additional new Gallus machine and a unit of UV Flexo machine. Meanwhile, China Roots Packaging Pte Ltd was awarded the GMP Certification on 29 April 2006.

PROSPECT

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

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

APPRECIATION

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

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

Indeed, our success has been the success of our employees, business associates and other stakeholders. Our growth could not be enumerated without the contribution of our people, both past and present.

CHAN CHOO SING
Executive Chairman
26 July, 2007

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2007.

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 12 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year	6,692	2,892
Attributable to:		
Equity holders of the Company	5,873	2,892
Minority interests	819	–
	6,692	2,892

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

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

DIVIDENDS

The amount of dividend paid by the Company since 31 March 2006 was as follow:

	RM'000
In respect of the financial year ended 31 March 2006	
First and final tax exempt dividend of 5% paid on 9 November 2006	3,001

At the forthcoming Annual General Meeting, a first and final tax exempt dividend in respect of the current financial year ended 31 March 2007 of 3.5% on 60,012,002 ordinary shares, amounting to a dividend payable of RM2,100,420 (3.5 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained earnings in the next financial year ending 31 March 2008.

DIRECTORS

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

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

DIRECTORS' REPORT *(cont'd)*

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted pursuant to the Employee Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 Each			
	1.4.2006	Bought	Sold	31.3.2007
Direct interest –				
Chan Choo Sing	1,832,653	–	–	1,832,653
Chan Chow Tek	2,165,583	–	–	2,165,583
Chan Chor Ang	809,550	–	–	809,550
Chan Chor Ngiak	319,550	–	–	319,550
Indirect interest –				
Chan Choo Sing	26,741,117	–	–	26,741,117
Chan Chow Tek	24,000,078	–	–	24,000,078
Chan Chor Ngiak	24,000,078	–	–	24,000,078
Chan Chor Ang	24,040,078	–	–	24,040,078

	Number of Options over Ordinary Shares of RM1 Each				
	1.4.2006	Granted	Exercised	Expired	31.3.2007
Chan Choo Sing	200,000	–	–	(200,000)	–
Chan Chow Tek	200,000	–	–	(200,000)	–

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

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

EMPLOYEE SHARE OPTION SCHEME

The PCCS Group Berhad Employee Share Options Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 27 September 2001 and became effective on 7 November 2001.The ESOS is valid for five years and expired on 6 November 2006.

The salient features and other terms of the ESOS are disclosed in Note 22 to the financial statements.

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

SIGNIFICANT EVENTS

The significant events are as disclosed in Note 29 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 20 July 2007.

CHAN CHOO SING

CHAN CHOW TEK

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, CHAN CHOO SING and CHAN CHOW TEK, being two of the directors of PCCS GROUP BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 38 to 84 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 20 July 2007.

CHAN CHOO SING

CHAN CHOW TEK

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, CHAN CHOO SING, being the director primarily responsible for the financial management of PCCS GROUP BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 38 to 84 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
the abovenamed, CHAN CHOO SING, at)
Melaka in the State of Melaka)
on 20 July 2007.) CHAN CHOO SING

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

REPORT OF THE AUDITORS TO THE MEMBERS OF PCCS GROUP BERHAD
(Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 38 to 84. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:

  (i) the financial position of the Group and of the Company as at 31 March 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 12 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

WUN MOW SANG
1821/12/08(J)
Partner

Melaka, Malaysia
Date: 20 July 2007

INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Group 2007 RM'000	Group 2006 RM'000 (restated)	Company 2007 RM'000	Company 2006 RM'000
Revenue	3	**417,052**	448,763	**3,484**	2,925
Cost of sales		**(348,934)**	(368,700)	**–**	–
Gross profit		**68,118**	80,063	**3,484**	2,925
Other income		**6,011**	1,739	**–**	–
Administrative expenses		**(43,912)**	(39,830)	**(592)**	(2,845)
Selling and marketing expenses		**(17,723)**	(20,752)	**–**	–
Operating profit		**12,494**	21,220	**2,892**	80
Interest expense		**(5,039)**	(3,928)	**–**	–
Profit before tax	4	**7,455**	17,292	**2,892**	80
Income tax expense	7	**(763)**	(2,599)	**–**	(9)
Profit for the year		**6,692**	14,693	**2,892**	71
Attributable to:					
Equity holders of the Company		**5,873**	14,263	**2,892**	71
Minority interests		**819**	430	**–**	–
		6,692	14,693	**2,892**	71
Earnings per share attributable to equity holder of the Company (sen):					
Basic	8	**9.8**	23.8		

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

BALANCE SHEETS
AS AT 31 MARCH 2007

	Note	Group 2007 RM'000	Group 2006 RM'000 (restated)	Company 2007 RM'000	Company 2006 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	**141,780**	136,456	**–**	–
Investment properties	11	**1,600**	1,625	**–**	–
Investment in subsidiaries	12	**–**	–	**51,574**	51,574
Other investment		**100**	100	**–**	–
Goodwill	13	**19**	(9,940)	**–**	–
		143,499	128,241	**51,574**	51,574
Current assets					
Inventories	14	**47,736**	38,545	**–**	–
Trade receivables	15	**48,116**	56,856	**–**	–
Other receivables	16	**19,070**	7,099	**40,679**	38,818
Tax recoverable		**257**	–	**83**	92
Cash and bank balances	17	**22,152**	34,264	**40**	24
		137,331	136,764	**40,802**	38,934
TOTAL ASSETS		**280,830**	265,005	**92,376**	90,508
EQUITY AND LIABILTIES					
Equity attributable to equity holders of the Company					
Share capital	22	**60,012**	60,012	**60,012**	60,012
Reserves		**75,202**	64,497	**21,065**	21,174
Shareholders' equity		**135,214**	124,509	**81,077**	81,186
Minority interests		**659**	956	**–**	–
Total equity		**135,873**	125,465	**81,077**	81,186
Non-current liabilities					
Borrowings	18	**23,941**	18,385	**–**	–
Deferred tax liabilities	24	**4,031**	4,918	**–**	–
Non-current liabilities		**27,972**	23,303	**–**	–
Current liabilities					
Borrowings	18	**74,067**	73,467	**–**	–
Trade payables	20	**31,161**	27,136	**–**	–
Other payables	21	**11,740**	14,938	**11,282**	9,314
Tax payable		**–**	688	**–**	–
Dividend payable		**17**	8	**17**	8
		116,985	116,237	**11,299**	9,322
Total liabilities		**144,957**	139,540	**11,299**	9,322
TOTAL EQUITY AND LIABILITIES		**280,830**	265,005	**92,376**	90,508

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

		← Non-distributable		→				
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Reserve RM'000	Legal Reserve Fund RM'000	Distributable Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Group								
At 1 April 2005	60,012	4	44	440	52,751	113,251	526	113,777
Profit for the year	–	–	–	–	14,263	14,263	430	14,693
Transfer to legal reserve fund (Note 25)	–	–	–	456	(456)	–	–	–
Currency translation differences *	–	–	(605)	–	–	(605)	–	(605)
Dividends (Note 9)	–	–	–	–	(2,400)	(2,400)	–	(2,400)
At 31 March 2006	60,012	4	(561)	896	64,158	124,509	956	125,465
Effects of adopting FRS 3	–	–	–	–	9,607	9,607	–	9,607
Profit for the year	–	–	–	–	5,873	5,873	819	6,692
Disposal of investment in subsidiaries	–	–	–	–	–	–	(1,116)	(1,116)
Transfer to legal reserve fund (Note 25)	–	–	–	375	(375)	–	–	–
Currency translation differences *	–	–	(1,774)	–	–	(1,774)	–	(1,774)
Dividends (Note 9)	–	–	–	–	(3,001)	(3,001)	–	(3,001)
At 31 March 2007	**60,012**	**4**	**(2,335)**	**1,271**	**76,262**	**135,214**	**659**	**135,873**

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

	Share Capital RM'000	Non-distributable Share Premium RM'000	Distributable Retained Earnings (Note 23) RM'000	Total Equity RM'000
Company				
At 1 April 2005	60,012	4	23,499	83,515
Profit for the year	–	–	71	71
Dividends (Note 9)	–	–	(2,400)	(2,400)
At 31 March 2006	60,012	4	21,170	81,186
Profit for the year	–	–	2,892	2,892
Dividends (Note 9)	–	–	(3,001)	(3,001)
At 31 March 2007	**60,012**	**4**	**21,061**	**81,077**

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash Flows From Operating Activities				
Profit before tax	**7,455**	17,292	**2,892**	80
Adjustments for:				
Depreciation of property, plant and equipment	**17,275**	14,316	**–**	–
Negative goodwill written off	**(112)**	–	**–**	–
Provision for doubtful debts	**593**	1,103	**–**	–
Bad debts written off	**60**	2	**–**	–
Bad debts recovered	**(947)**	–	**–**	–
Depreciation of investment properties	**25**	26	**–**	–
Dividend income	**–**	–	**(3,047)**	(2,488)
Loss on disposal of investment in subsidiaries	**–**	1,909	**–**	2,387
Net unrealised foreign exchange losses	**–**	554	**–**	–
Property, plant and equipment written off	**43**	610	**–**	–
Interest expense	**5,039**	3,928	**–**	–
Gain on disposal of property, plant and equipment	**(3,537)**	(209)	**–**	–
Interest income	**(229)**	(273)	**–**	–
Operating profit/(loss) before working capital changes	**25,665**	39,258	**(155)**	(21)
Increase in receivables	**(298)**	(17,073)	**(22)**	–
Increase in inventories	**(9,191)**	(7,834)	**–**	–
Increase/(decrease) in payables	**2,328**	12,939	**99**	(33)
Cash generated from/(used in) operations	**18,504**	27,290	**(78)**	(54)
Interest paid	**(5,039)**	(3,928)	**–**	–
Tax (paid)/refunded	**(2,595)**	(1,921)	**9**	(3)
Net cash generated from/(used in) operating activities	**10,870**	21,441	**(69)**	(57)
Cash Flows from Investing Activities				
Additional investment in subsidiary	**(900)**	–	**–**	(7,540)
Net cash inflow on acquisition of subsidiary (Note 12(a))	**–**	920	**–**	–
Net cash inflow on disposal of subsidiaries (Note 12(b))	**–**	1,025	**–**	
700Purchase of property, plant and equipment	**(25,517)**	(41,658)	**–**	–
Interest received	**229**	273	**–**	–
Investment in unit trust	**–**	(100)	**–**	–
Additional placement of deposits	**–**	(2)	**–**	–
Withdrawal of deposits	**8**	–	**–**	–
Proceeds from disposal of property, plant and equipment	**6,853**	1,530	**–**	–
Net cash used in investing activities	**(19,327)**	(38,012)	**–**	(6,840)

CASH FLOW STATEMENTS *(cont'd)*
FOR THE YEAR ENDED 31 MARCH 2007

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash Flows from Financing Activities				
Repayment from subsidiaries	–	–	3,077	9,267
Dividends paid	(2,992)	(2,392)	(2,992)	(2,392)
Repayment of hire purchase and lease financing	(3,812)	(1,183)	–	–
Drawdown of term loans	10,234	17,721	–	–
Repayment of term loans	(8,658)	(6,806)	–	–
(Decrease)/increase in short term borrowings	(222)	12,344	–	–
Net cash (used in)/generated from financing activities	(5,450)	19,684	85	6,875
Net (decrease)/ increase in cash and cash equivalents	(13,907)	3,113	16	(22)
Effects of foreign exchange rate changes	(653)	(124)	–	–
Cash and cash equivalents at beginning of year	32,195	29,206	24	46
Cash and cash equivalents at end of year (Note 17)	17,635	32,195	40	24

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

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2007

1. CORPORATE INFORMATION

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

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 12. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 July 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company has adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

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

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

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(a) Subsidiaries and Basis of Consolidation (cont'd)

(ii) Basis of Consolidation (cont'd)

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under capital work-in-progress are also not depreciated as these assets are not available for use. Leasehold land are depreciated over the period of the respective leases which ranges from 20 to 60 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

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

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(c) Property, Plant and Equipment and Depreciation (cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(d) Impairment of Non-Financial Assets

The carrying amounts of assets, other than investment property and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

(e) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy for investment properties are in accordance with that for property, plant and equipment as described in Note 2.2(c).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(e) Investment Properties (cont'd)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(f) Inventories

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

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

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

(g) Financial Instruments

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

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

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call net of outstanding bank overdrafts.

(ii) Trade Receivables

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

(iii) Trade Payables

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

(iv) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(g) Financial Instruments (cont'd)

(v) Equity Instruments

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

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

(vi) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

(h) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

(ii) Finance Leases

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

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

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

(iii) Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(i) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in period in which they are incurred.

(j) Income Tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(l) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(m) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(m) Foreign Currencies (cont'd)

(ii) Foreign Currency Transactions (cont'd)

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

– Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

– All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue is recognised net of sales taxes and discounts upon the transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(n) Revenue Recognition (cont'd)

(ii) Interest Income

Interest is recognised on an accrual basis using the effective interest method.

(iii) Dividend Income

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

(iv) Rental Income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees, if any, is recognised as a reduction of rental income over the lease term on a straight-line basis.

(v) Management Fees

Management fees are recognised when services are rendered.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

At the date of authorisation of these financial statements, the Group and the Company have not early adopted the following FRSs, amendments to FRSs and Interpretations which are in issue but not yet effective:

- FRS 117: Leases
- FRS 124: Related Party Disclosures
- FRS 139: Financial Instruments – Recognition and Measurement
- FRS 6: Exploration for and Evaluation of Mineral Resources
- Amendment to FRS 119_{2004}: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
- Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
- IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
- IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IC Interpretation 7: Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies
- IC Interpretation 8: Scope of FRS 2
- FRS 107: Cash Flow Statements
- FRS 111: Construction Contracts
- FRS 112: Income Taxes
- FRS 118: Revenue
- FRS 119: Employee Benefits
- FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
- FRS 126: Accounting and Reporting by Retirement Benefits Plans
- FRS 129: Financial Reporting in Hyperinflationary Economies
- FRS 134: Interim Financial Reporting
- FRS 137: Provisions, Contingent Liabilities and Contingent Assets

The Group and the Company are exempted from disclosing the financial impact of FRS 117, FRS 124 and FRS 139. The adoption of the other above mentioned FRSs, amendments to FRSs and Interpretations are not expected to give rise to any material impact to these financial statements upon their initial application.

Upon initial application of FRS 112, unutilised reinvestment allowance will be allowed to be recognised as deferred tax asset. This has the effect of increasing the profit after tax by RM755,000 (2006: RM Nil).

The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets (cont'd)

Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill).

Prior to 1 April 2006, negative goodwill was stated at cost, except to the extent it relates to identified expected future losses as at the date of acquisition. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 April 2006 of RM9,607,000 has been derecognised with a corresponding increase in retained earnings.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2006 or prior periods. The effects on the consolidated balance sheet as at 31 March 2007 are set out in Note 2.3(d). There were no effects on the consolidated income statement for the year ended 31 March 2007 and the Company's financial statements.

(b) FRS 140: Investment Property

Prior to 1 April 2006, investment properties were classified as property, plant and equipment and measured at cost less accumulated depreciation. The adoption of FRS 140 required properties that qualified as investment properties to be reclassified from property, plant and equipment to investment property. The Group adopted the cost model to measure its investment properties. Under the cost model, investment properties are measured at cost less accumulated depreciation and impairment losses.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(e), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 March 2007 are set out in Note 2.3(d). There were no effects on the consolidated income statement for the year ended 31 March 2007 and the Company's financial statements.

(c) FRS 101: Presentation of Financial Statements

Prior to 1 April 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(e), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 March 2007 are set out in Note 2.3(d). There were no effects on the consolidated income statement for the year ended 31 March 2007 and the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

(d) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following table provides estimates of the extent to which each of the line items in the balance sheets as at 31 March 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

Effects on balance sheets as at 31 March 2007

Description of change	Increase/(Decrease) FRS 3 Note 2.3(a) RM'000	FRS 140 Note 2.3(b) RM'000	Total RM'000
Group			
Retained earnings	(9,607)	–	(9,607)
Negative goodwill	9,607	–	9,607
Property, plant and equipment	–	1,600	1,600
Investment properties	–	(1,600)	(1,600)

(e) Restatement of Comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

Description of change	Previously stated RM'000	Increase/(Decrease) FRS 101 Note 2.3(c) RM'000	FRS 140 Note 2.3(b) RM'000	Restated RM'000
Property, plant and equipment	138,081	–	(1,625)	136,456
Investment properties	–	–	1,625	1,625
Total equity	124,509	956	–	125,465

2.4 Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of depreciable amount.

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

(a) Critical Judgements Made in Applying Accounting Policies (cont'd)

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Key Sources of Estimation Uncertainty

Depreciation of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be 10 years. These are common life expectancies applied in the garment and textiles industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. REVENUE

	Group		Company	
	2007	2006	**2007**	2006
	RM'000	RM'000	**RM'000**	RM'000
Sales of goods	**417,052**	448,763	**–**	–
Dividend income	**–**	–	**3,047**	2,488
Management fee	**–**	–	**437**	437
	417,052	448,763	**3,484**	2,925

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

4. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Staff costs (Note 5)	93,758	82,283	390	290
Auditors' remuneration				
– Statutory audit				
Company's auditors	106	94	27	27
Other auditors	40	38	–	–
Overprovision in prior year	(3)	–	–	–
– Other services				
Company's auditors	86	40	14	13
Depreciation of property, plant and equipment	17,275	14,316	–	–
Depreciation of investment properties	25	26	–	–
Property, plant and equipment written off	43	610	–	–
Bad debts written off	60	2	–	–
Bad debts recovered	(947)	–	–	–
Provision for doubtful debts	593	1,103	–	–
Rental expenses	4,331	3,397	–	–
Net foreign exchange losses/(gains):				
– Realised	1,025	933	–	–
– Unrealised	-	554	–	–
Gain on disposal of property, plant and equipment	(3,537)	(209)	–	–
Loss on disposal of investment in subsidiaries	–	1,909	–	2,387
Dividend income	–	–	(3,047)	(2,488)
Management fee	–	–	(437)	(437)
Negative goodwill written off	(112)	–	–	–
Rental income	(275)	(249)	–	–

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

5. STAFF COSTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Wages and salaries	**85,997**	75,752	**390**	290
Annual leave	**206**	294	**–**	–
Social security costs	**291**	377	**–**	–
Defined contribution plan	**2,639**	2,710	**–**	–
Other staff related expenses	**4,625**	3,150	**–**	–
	93,758	82,283	**390**	290

* Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,927,000 (2006: RM1,693,000) and RM188,000 (2006: RM125,000) respectively as further disclosed in Note 6.

6. DIRECTORS' REMUNERATION

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	**1,242**	1,098	**–**	–
Fees	**188**	125	**188**	125
Bonus	**270**	270	**–**	–
Benefits-in-kind	**16**	16	**–**	–
	1,716	1,509	**188**	125
Non-Executive:				
Fees	**202**	165	**202**	165
Directors of Subsidiaries				
Executive:				
Salaries and other emoluments	**209**	200	**–**	–
Bonus	**18**	–	**–**	–
Benefits-in-kind	**54**	–	**–**	–
	281	200	**–**	–
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind	**1,927**	1,693	**188**	125
Total non-executive directors' remuneration	**202**	165	**202**	165
Total excluding benefits-in-kind	**2,129**	1,858	**390**	290

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

7. TAXATION

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Malaysian income tax	**1,333**	2,618	–	16
Foreign tax	**557**	322	–	–
Real property gains tax	**201**	2	–	–
	2,091	2,942	–	16
Under/(over) provided in prior years in respect of:				
Malaysian income tax	**278**	(212)	–	(7)
Foreign tax	**(719)**	–	–	–
	1,650	2,730	–	9
Deferred tax (Note 24):				
Relating to origination and reversal of temporary difference	**(607)**	(276)	–	–
Relating to changes in tax rate	**(322)**	–	–	–
Underprovided in prior years	**42**	145	–	–
	(887)	(131)	–	–
	763	2,599	–	9

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's tax rate of 27%, effective year of assessment 2008. The computation of deferred tax as at 31 March 2007 has reflected these changes.

Taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. TAXATION (CONT'D)

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

	2007 RM'000	2006 RM'000
Group		
Profit before tax	**7,455**	17,292
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	**2,013**	4,842
Effect of income subject to tax rate of 20%	**(198)**	(173)
Effect of different tax rates in other countries	**(1,203)**	(1,983)
Effect of income subject to real property gains tax	**201**	2
Tax exempted under tax holiday in foreign country	**(580)**	(963)
Effect of income not subject to tax	**(1,113)**	(23)
Effect of decrease in Malaysian income tax rate on opening balance of deferred tax	**(180)**	–
Effect of expenses not deductible for tax purposes	**501**	1,187
Deferred tax recognised at different tax rates	**(142)**	–
Utilisation of current year's reinvestment allowances	**(433)**	(471)
Utilisation of previously unrecognised unutilised reinvestment allowance	**–**	(208)
Deferred tax assets not recognised in respect of current year's tax losses	**2,296**	456
Underprovision of deferred tax in prior years	**42**	145
Overprovision of tax expense in prior years	**(441)**	(212)
Income tax expense for the year	**763**	2,599
Company		
Profit before tax	**2,892**	80
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	**781**	22
Effect of income not subject to tax	**(806)**	(696)
Effect of expenses not deductible for tax purposes	**25**	690
Overprovided of income tax expense in prior years	**–**	(7)
Income tax expense for the year	**–**	9

8. EARNINGS PER SHARE

(a) Basic

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

	Group 2007 RM'000	Group 2006 RM'000
Profit for the year attributable to ordinary equity holders of the Company (RM '000)	**5,873**	14,263
Weighted average number of ordinary shares in issue ('000)	**60,012**	60,012
Basic earnings per share (sen)	**9.8**	23.8

(b) Diluted

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

9. DIVIDENDS

	Dividends in respect of Year			Dividends Recognised in Year	
	2007 RM'000	2006 RM'000	2005 RM'000	2007 RM'000	2006 RM'000
Recognised during the year:					
First and final tax exempt dividend of 4%, paid on 13 October 2005	**–**	–	2,400	**–**	2,400
First and final tax exempt dividend of 5%, paid on 9 November 2006	**–**	3,001	–	**3,001**	–
Proposed for approval at AGM (not recognised as at 31 March):					
First and final tax exempt dividend of 3.5%	**2,100**	–	–	**–**	–
	2,100	3,001	2,400	**3,001**	2,400

At the forthcoming Annual General Meeting, a first and final tax exempt dividend in respect of the current financial year ended 31 March 2007 of 3.5% on 60,012,002 ordinary shares amounting to a total dividend of RM2,100,420 (3.5 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained earnings in the next financial year ending 31 March 2008.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

10. PROPERTY, PLANT AND EQUIPMENT

Group	* Land and buildings RM'000	Plant and machinery, air-conditioners, factory equipment and electrical installation RM'000	Renovation, furniture, fittings, office equipment RM'000	Motor vehicles RM'000	Capital work- in-progress RM'000	Total RM'000
At 31 March 2007						
Cost						
At 1 April 2006 (restated)	50,130	129,518	28,023	9,006	4,977	221,654
Additions	5,575	17,796	4,042	695	3,567	31,675
Disposals	(5,008)	(1,873)	(10)	(1,006)	–	(7,897)
Reclassification	4,378	3,478	–	–	(7,856)	–
Written off	–	(3,671)	(1,156)	(41)	-	(4,868)
Exchange differences	(391)	(2,940)	(800)	(98)	(108)	(4,337)
At 31 March 2007	**54,684**	**142,308**	**30,099**	**8,556**	**580**	**236,227**
Accumulated Depreciation						
At 1 April 2006 (restated)	3,813	65,563	10,681	5,141	–	85,198
Depreciation charge for the year	1,184	11,949	2,980	1,162	–	17,275
Disposals	(48)	(1,080)	(3)	(707)	–	(1,838)
Written off	–	(3,671)	(1,113)	(41)	–	(4,825)
Exchange differences	(6)	(1,085)	(233)	(39)	–	(1,363)
At 31 March 2007	**4,943**	**71,676**	**12,312**	**5,516**	**–**	**94,447**
Net Carrying Amount	**49,741**	**70,632**	**17,787**	**3,040**	**580**	**141,780**

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	* Land and buildings RM'000	Plant and machinery, air-conditioners, factory equipment and electrical installation RM'000	Renovation, furniture, fittings, office equipment RM'000	Motor vehicles RM'000	Capital work- in-progress RM'000	Total RM'000
At 31 March 2006						
Cost						
At 1 April 2005 (restated)	33,898	111,207	21,665	7,752	9,132	183,654
Additions	2,007	13,613	7,642	2,636	17,108	43,006
Disposals	(568)	(955)	–	(1,236)	–	(2,759)
Reclassification	14,793	6,411	367	157	(21,263)	465
Written off	–	(161)	(865)	–	–	(1,026)
Acquisition of subsidiary (Note 12(a))	–	47	82	–	–	129
Disposal of subsidiaries (Note 12(b))	–	(13)	(507)	(282)	–	(802)
Exchange differences	–	(631)	(361)	(21)	–	(1,013)
At 31 March 2006 (restated)	50,130	129,518	28,023	9,006	4,977	221,654
Accumulated Depreciation						
At 1 April 2005	3,094	56,524	8,543	4,739	–	72,900
Depreciation charge for the year	718	10,054	2,372	1,172	–	14,316
Disposals	(19)	(579)	–	(840)	–	(1,438)
Reclassification	20	(47)	290	202	–	465
Written off	–	(96)	(320)	–	–	(416)
Acquisition of subsidiary (Note 12(a))	–	20	36	–	–	56
Disposal of subsidiaries (Note 12(b))	–	(8)	(168)	(119)	–	(295)
Exchange differences	–	(305)	(72)	(13)	–	(390)
At 31 March 2006 (restated)	3,813	65,563	10,681	5,141	–	85,198
Net Carrying Amount (restated)	46,317	63,955	17,342	3,865	4,977	136,456

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

*** LAND AND BUILDINGS**

	Freehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Total RM'000
At 31 March 2007				
Cost				
At 1 April 2006 (restated)	6,952	5,337	37,841	50,130
Additions	666	–	4,909	5,575
Disposals	(3,386)	–	(1,622)	(5,008)
Reclassification	–	88	4,290	4,378
Exchange differences	–	(68)	(323)	(391)
At 31 March 2007	**4,232**	**5,357**	**45,095**	**54,684**
Accumulated Depreciation				
At 1 April 2006 (restated)	–	483	3,330	3,813
Charge for the year	–	106	1,078	1,184
Disposals	–	–	(48)	(48)
Exchange differences	–	(2)	(4)	(6)
At 31 March 2007	**–**	**587**	**4,356**	**4,943**
Net carrying amount	**4,232**	**4,770**	**40,739**	**49,741**
At 31 March 2006				
Cost				
At 1 April 2005 (restated)	7,412	5,185	21,301	33,898
Additions	–	–	2,007	2,007
Disposals	(470)	–	(98)	(568)
Reclassification	10	152	14,631	14,793
At 31 March 2006 (restated)	6,952	5,337	37,841	50,130
Accumulated Depreciation				
At 1 April 2005 (restated)	–	439	2,655	3,094
Charge for the year	–	106	612	718
Disposals	–	–	(19)	(19)
Reclassification	–	(62)	82	20
At 31 March 2006 (restated)	–	483	3,330	3,813
Net carrying amount (restated)	6,952	4,854	34,511	46,317

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

	Group	
	2007 RM'000	2006 RM'000
Plant and machinery	9,334	8,694
Motor vehicles	1,881	894
	11,215	9,588

(b) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM31,675,000 (2006: RM43,006,000) of which RM6,158,000 (2006: RM1,348,000) were acquired by means of hire purchase.

(c) The net carrying amount of property, plant and equipment pledged to bank for credit facilities granted to the Group is RM8,236,000 (2006: RM3,934,000) as disclosed in Note 18. Certain assets of the Group were subject to negative pledges in relation to banking facilities granted to the Group as disclosed in Note 18.

11. INVESTMENT PROPERTIES

	Group	
	2007 RM'000	2006 RM'000
Cost		
At 1 April/31 March	1,940	1,940
Accumulated depreciation:		
At 1 April	315	289
Depreciation charge for the year	25	26
At 31 March	340	315
Net Carrying Amount	1,600	1,625

The investment properties are subject to negative pledge in relation to banking facilities granted to a subsidiary as described in Note 18.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties or based on offers received for a particular investment property and no valuation has been performed by registered independent valuers. The fair value of the investment properties determined by the directors as at 31 March 2007 is approximately RM4,980,000.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

12. INVESTMENT IN SUBSIDIARIES

	Company 2007 RM'000	Company 2006 RM'000
Unquoted shares, at cost	**51,839**	51,839
Less: Provision for diminution in value	**(265)**	(265)
	51,574	51,574

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest (%) 2007	Proportion of Ownership Interest (%) 2006
Subsidiaries of the Company				
Perusahaan Chan Choo Sing Sdn. Bhd.	Malaysia	Manufacturing of apparels	**100**	100
Beauty Electronic Embroidering Centre Sdn. Bhd.	Malaysia	Embroidering of logos and emblems	**100**	100
Jusca Garments Sdn. Bhd.	Malaysia	Temporarily ceased operations	**100**	100
Keza Sdn. Bhd. *	Malaysia	Fabric-knitting and manufacturing of elastic bands	**100**	100
Mega Labels & Stickers Sdn. Bhd.	Malaysia	Printing of labels and stickers	**100**	100
Shern Yee Garments Sdn. Bhd. *	Malaysia	Renting of fleets and motor vehicles	**100**	100
Jusca Development Sdn. Bhd. *	Malaysia	Temporarily ceased operations	**100**	100
PCCS Garments Limited	Cambodia	Manufacturing of apparels	**100**	100
Subsidiaries of Perusahaan Chan Choo Sing Sdn. Bhd.				
PCCS Garments (Suzhou) Ltd. *	The People's Republic of China	Manufacturing of apparels	**100**	100
PCCS (Hong Kong) Limited *	Hong Kong	Marketing of apparels	**100**	100

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest (%) 2007	2006
Subsidiaries of Beauty Electronic Embroidering Centre Sdn. Bhd.				
E.M.I. Embroidery Sdn. Bhd.**	Malaysia	Embroidering of logos	–	90
JIT Embroidery Limited	Cambodia	Not commenced operations	100	–
Subsidiaries of Mega Labels & Stickers Sdn. Bhd.				
Mega Labels & Stickers (Selangor) Sdn. Bhd.	Malaysia	Printing and sale of labels and stickers	100	100
Blopak China Pte. Ltd.*	The People's Republic of China	Temporarily ceased operations	100	100
China Roots Packaging Pte. Ltd.*	The People's Republic of China	Manufacturing, value adding and sale of plastic packaging materials	100	100
Subsidiaries of Shern Yee Garments Sdn. Bhd.				
PCCS Capital Sdn. Bhd.*	Malaysia	Dormant	100	100
Global Apparels Limited (formerly known as Jusca Garments (Cambodia) Ltd.)	Cambodia	Manufacturing of apparels	70	70
Subsidiary of Jusca Development Sdn. Bhd.				
Beauty Silk Screen (M) Sdn. Bhd.*	Malaysia	Marketing of silk screen printing products	85	55
Subsidiary of Beauty Silk Screen (M) Sdn. Bhd.				
Beauty Silk Screen Limited	Cambodia	Printing of silk screen products	85	55

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

** E.M.I. Embroidery Sdn. Bhd. had on 20 January 2007 completed its voluntary winding-up proceedings.

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiary:

There were no acquisitions in the financial year ended 31 March 2007.

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

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

	2006 RM'000
Revenue	183
Loss from operations	(1,313)
Loss for the year	(1,313)

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

	2006 RM'000
Property, plant and equipment	261
Trade and other receivables	414
Cash and bank balances	160
Trade and other payables	(2,228)
Group's share of net assets	(1,393)

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

	9.6.2005 RM'000
Property, plant and equipment (Note 10)	73
Trade and other receivables	106
Cash and bank balances	921
Trade and other payables	(1,099)
Group's share of net assets/cost of acquisition	1
Purchase consideration satisfied by:	
Cash	1
Cash inflow arising from acquisition:	
Purchase consideration satisfied by cash	1
Cash and bank balances of subsidiary acquired	(921)
Net cash inflow of the Group	(920)

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Disposal of subsidiaries

There were no disposals in the financial year ended 31 March 2007.

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

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

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

	2006 RM'000
Revenue	954
Operating profit	122
Profit for the year	96

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

	2006 RM'000
Property, plant and equipment (Note 10)	507
Inventories	2,541
Trade and other receivables	1,903
Cash and bank balances	54
Trade and other payables	(4,843)
Bank overdrafts	(379)
Borrowings	(58)
Minority interest	(222)
Net liabilities disposed	(497)
Attributable unamortised goodwill (Note 12)	19
Waiver of debts due to the Company	3,087
	2,609
Total disposal proceeds	(700)
Loss on disposal to the Group	1,909
Cash inflow arising on disposals:	
Cash consideration, representing cash inflow of the Company	700
Cash and cash equivalents of subsidiaries disposed	325
Net cash inflow of the Group	1,025

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Disposal of subsidiaries (cont'd)

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

	2006 RM'000
Total disposal proceeds	700
Less: Waiver of debts due from subsidiaries disposed	(3,087)
Loss on disposal of subsidiaries	(2,387)

13. GOODWILL

Group	Negative Goodwill RM'000	Goodwill RM'000	Total RM'000
At 1 April 2005	(9,941)	20	(9,921)
Disposal of subsidiaries	(18)	(1)	(19)
At 31 March 2006	(9,959)	19	(9,940)
Adjustment	352	–	352
Effects of adopting FRS 3 (Note 2.3(a))	9,607	–	9,607
At 31 March 2007	–	19	19

Goodwill has been allocated to the Group's CGUs identified according to subsidiary as follows:

	2007 RM'000	2006 RM'000
PCCS Garments Limited	4	4
Jusca Development Sdn. Bhd.	15	15
	19	19

14. INVENTORIES

	Group 2007 RM'000	Group 2006 RM'000
Cost		
Raw materials	20,413	16,802
Consumables	970	1,065
Work-in-progress	16,521	11,567
Finished goods	4,630	2,641
	42,534	32,075
Net realisable value		
Raw materials	2,398	1,505
Finished goods	2,804	4,965
	47,736	38,545

15. TRADE RECEIVABLES

	Group 2007 RM'000	Group 2006 RM'000
Trade receivables	**48,649**	57,693
HPI Resources Berhad and its subsidiaries #	**60**	–
	48,709	57,693
Less: Provision for doubtful debts	**(593)**	(837)
	48,116	56,856

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

The Group has significant concentration of credit risk that may arise from exposures to one (2006: one) debtor who accounted for 32% (2006: 44%) of total trade receivables as at balance sheet date.

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

16. OTHER RECEIVABLES

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Due from subsidiaries	–	–	**40,650**	38,811
Receivable arising from disposal of freehold land	**3,124**	–	–	–
Sundry receivables, deposits and prepayments	**15,946**	7,365	**29**	7
	19,070	7,365	**40,679**	38,818
Less: Provision for doubtful debts	–	(266)	–	–
	19,070	7,099	**40,679**	38,818

The amount due from subsidiaries are unsecured, interest-free and are repayment on demand.

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

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash on hand and at banks	22,135	26,819	40	24
Deposits with licensed banks	17	7,445	–	–
Cash and bank balances	22,152	34,264	40	24

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

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and bank balances	22,152	34,264	40	24
Less: Bank overdrafts (Note 18)	(4,500)	(2,044)	–	–
	17,652	32,220	40	24
Less: Deposits pledged to banks	(17)	(25)	–	–
Cash and cash equivalents	17,635	32,195	40	24

The weighted average effective interest rates and average maturities of deposits at the balance sheet date were 3.75% (2006: 3.60%) per annum and 365 days (2006: 4 days) respectively.

18. BORROWINGS

	Group 2007 RM'000	2006 RM'000
Short Term Borrowings		
Unsecured:		
Bank overdrafts (Note 17)	**4,500**	2,044
Short term revolving credit	**17,662**	13,009
Export credit refinancing	**5,369**	3,379
Bankers' acceptances	**15,513**	31,436
Trade loans	**18,407**	6,508
Trust receipts	**1,619**	4,460
Term loans	**6,849**	9,642
	69,919	70,478
Secured:		
Term loans	**–**	131
Hire purchase and lease payables (Note 19)	**4,148**	2,858
	4,148	2,989
	74,067	73,467
Long Term Borrowings		
Unsecured:		
Term loans	**18,929**	14,166
Secured:		
Term loans	**–**	263
Hire purchase and lease payables (Note 19)	**5,012**	3,956
	23,941	18,385
Total Borrowings		
Bank overdrafts (Note 17)	**4,500**	2,044
Short term revolving credit	**17,662**	13,009
Export credit refinancing	**5,369**	3,379
Bankers' acceptances	**15,513**	31,436
Trade loans	**18,407**	6,508
Trust receipts	**1,619**	4,460
Term loans	**25,778**	24,202
Hire purchase and lease payables (Note 19)	**9,160**	6,814
	98,008	91,852
Maturity of borrowings (excluding hire purchase and lease payables)		
Within one year	**69,919**	70,609
More than 1 year and less than 2 years	**8,502**	8,372
More than 2 years and less than 5 years	**10,427**	6,057
	88,848	85,038

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

18. BORROWINGS (CONT'D)

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

	Group	
	2007 %	2006 %
Bank overdrafts	6.4	7.3
Bankers' acceptances	4.3	3.9
Short term revolving credit	6.3	5.9
Export credit refinancing	4.3	3.2
Trade loans	6.4	5.1
Trust receipts	7.1	5.2
Term loans	6.7	6.2

The unsecured short term borrowings and term loans of the Group are guaranteed by the Company and with negative pledges over certain assets of the Group as disclosed in Note 10 and Note 11.

The secured term loans are secured by certain land and buildings of the Group as disclosed in Note 10.

19. HIRE PURCHASE AND LEASE PAYABLES

	Group	
	2007 RM'000	2006 RM'000
Minimum hire purchase and lease payments:		
Not later than 1 year	4,736	3,268
Later than 1 year and not later than 2 years	3,202	2,613
Later than 2 years and not later than 5 years	2,114	1,640
	10,052	7,521
Less: Future finance charges	(892)	(707)
Present value of hire purchase and lease liabilities	9,160	6,814
Present value of hire purchase and lease liabilities:		
Not later than 1 year	4,148	2,858
Later than 1 year and not later than 2 years	2,954	2,412
Later than 2 years and not later than 5 years	2,058	1,544
	9,160	6,814
Analysed as:		
Due within 12 months (Note 18)	4,148	2,858
Due after 12 months (Note 18)	5,012	3,956
	9,160	6,814

The hire purchase bore interest at the balance sheet date of between 2.40% to 4.20% (2006: 2.40% to 4.10%) per annum.

20. TRADE PAYABLES

Trade payables are non-interest bearing and the normal trade terms granted to the Group ranges from 30 to 90 days.

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

	Group	
	2007 RM'000	2006 RM'000
HPI Resources Berhad and its subsidiaries #	**248**	101

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

21. OTHER PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Due to fellow subsidiaries	**–**	–	**10,856**	8,987
Other payables and accruals	**11,740**	14,938	**426**	327
	11,740	14,938	**11,282**	9,314

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

	Group	
	2007 RM'000	2006 RM'000
HPI Resources Berhad and its subsidiaries #	**1,205**	609
Other companies	**65**	59
	1,270	668

The amounts due to fellow subsidiaries and companies in which certain directors have interests are unsecured, interest free and are repayable on demand.

22. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
Authorised	**100,000**	100,000	**100,000**	100,000
Issued and fully paid	**60,012**	60,012	**60,012**	60,012

22. SHARE CAPITAL (CONT'D)

Employee Share Option Scheme

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

The main features of the ESOS are as follows:

(a) The number of new shares to be offered under the ESOS shall be subject to a maximum of 10% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS. Furthermore, not more than 50% of the shares available under the ESOS should be allocated, in aggregate to directors and senior management and not more than 10% of the shares available under the ESOS should be allocated to any individual director or employee who either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up share capital of the Company;

(b) Any Malaysian employee (including Executive Directors) employed full time by the Company or its subsidiaries (excluding dormant companies) shall be eligible to participate in the ESOS if he or she has been confirmed after two years of service with the Group;

(c) ESOS granted may be exercised on any working day over a period of 5 years from 7 November 2001 until 6 November 2006;

(d) The exercise price for each ordinary share price under the ESOS shall be the weighted average market price as shown in the daily Official List issued by the Bursa Malaysia Securities Berhad for the five market days immediately preceding the date on which the options are offered with a discount of not more than 10% or at the par value of the shares whichever is higher; and

(e) The options granted do not confer any right to the parties concerned to participate in any share issue of any other company.

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

	Number of Options over Ordinary Shares of RM1 Each				
	1.4.2006	**Granted**	***Lapsed**	**Expired**	**31.3.2007**
Options at a price of RM1.30 per share expiring on 6 November 2006	3,449,000	–	(192,000)	(3,257,000)	–

* Options lapsed due to resignation of the entitled individuals.

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

	Number of Share Options	
	2007	**2006**
At 1 April	**3,449,000**	3,696,000
Lapsed	**(192,000)**	(247,000)
Expired	**(3,257,000)**	–
At 31 March	**–**	3,449,000

23. RETAINED EARNINGS

As at 31 March 2007, the Company has tax exempt profits available for distribution of approximately RM14,721,000 (2006: RM17,436,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit in the tax exempt account and under Section 108 of the Income Tax Act 1967 to frank the payment of dividends out of its entire retained profits as at 31 March 2007.

24. DEFERRED TAXATION

	Group	
	2007	**2006**
	RM'000	**RM'000**
At 1 April	**4,918**	5,049
Recognised in the income statement (Note 7)	**(887)**	(131)
At 31 March	**4,031**	4,918

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

25. LEGAL RESERVE FUND

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

26. COMMITMENTS

(a) Capital Commitments

	Group	
	2007	**2006**
	RM'000	**RM'000**
Capital expenditure:		
Approved and contracted for	**1,678**	3,185

(b) Operating Lease Commitments

	Group	
	2007	**2006**
	RM'000	**RM'000**
Future minimim rentals payables:		
Not later than 1 year	**3,523**	2,705
Later than 1 year and not later than 2 years	**3,050**	2,692
Later than 2 years and not later than 5 years	**7,952**	5,420
Later than 5 years	**25,538**	24,890
	40,063	35,707

27. CONTINGENT LIABILITIES – UNSECURED

	Company	
	2007 RM'000	2006 RM'000
Corporate guarantee issued to financial institutions for credit facilities utilised by subsidiaries	98,008	91,332

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Transactions with subsidiaries				
– Management fees received from Beauty Electronic Embroidering Centre Sdn.Bhd., Keza Sdn. Bhd., Mega Labels & Stickers Sdn. Bhd., Beauty Silk Screen Limited and Perusahaan Chan Choo Sing Sdn. Bhd.	–	–	437	437
– Dividend income received from Perusahaan Chan Choo Sing Sdn. Bhd.	–	–	3,047	2,488
Transactions with HPI Resources Berhad and its subsidiaries #				
– Purchases of packing materials	4,948	3,408	–	–

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on negotiated and mutually agreed basis.

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

29. SIGNIFICANT EVENTS

(i) On 20 January 2007, the Company through its wholly-owned subsidiary, Beauty Electronic Embroidering Centre Sdn. Bhd. ("BEEC") completed its voluntary winding-up proceedings of its 90% owned subsidiary, E.M.I Embroidery Sdn. Bhd.

(ii) On 26 December 2006, a wholly-owned subsidiary of the Company, BEEC had invested a total of USD1,000,000 or approximately RM3,630,000, representing 100% equity interest in JIT Embroidery Limited ("JIT"), a company incorporated in Cambodia, resulting in the Company to become the ultimate holding company of JIT.

(iii) On 24 November 2006, the Company through its wholly-owned subsidiary, Jusca Development Sdn. Bhd. completed the acquisition of 60,000 ordinary shares of RM1 each in Beauty Silk Screen (M) Sdn. Bhd. ("BSSM"), representing a 30% equity interest in BSSM for a total cash consideration of RM900,000 resulting in BSSM to become a 85% owned subsidiary of the Company.

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

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

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

(c) Foreign Currency Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars, Singapore Dollars and Hong Kong Dollar, Euro and Chinese Renminbi. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transactions exposures are hedged, mainly with the derivative financial instruments such as forward foreign exchange contracts.

30. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign Currency Risk (cont'd)

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies					
	Ringgit Malaysia RM'000	Euro RM'000	United States Dollars RM'000	Hong Kong Dollars RM'000	Singapore Dollars RM'000	Total RM'000
Functional Currency of Group companies						
At 31 March 2007:						
Ringgit Malaysia	**–**	**(4)**	**(8,025)**	**(375)**	**(464)**	**(8,868)**
Chinese Renminbi	**–**	**(14)**	**(8,915)**	**–**	**–**	**(8,929)**
United States Dollars	**(211)**	**–**	**–**	**28**	**–**	**(183)**
Hong Kong Dollars	**–**	**–**	**6,011**	**–**	**–**	**6,011**
	(211)	**(18)**	**(10,929)**	**(347)**	**(464)**	**(11,969)**
At 31 March 2006						
Ringgit Malaysia	–	(1)	(32,991)	(246)	(869)	(34,107)
Chinese Renminbi	–	(1,705)	(14,858)	(2)	–	(16,565)
Hong Kong Dollars	–	–	376	–	–	376
	–	(1,706)	(47,473)	(248)	(869)	(50,296)

As at balance sheet date, the Group entered into forward foreign exchange contracts with the following notional amount and maturity:

		Notional Amount	
		2007 RM'000	2006 RM'000
Forwards used to hedge trade receivables – United States Dollars	Maturity within 1 year	**8,675**	15,582

(d) Liquidity Risk

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

30. FINANCIAL INSTRUMENTS (CONT'D)

(e) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

The Group does not have any significant exposure to any individual customer or counterparty except for the amounts due from a debtor as disclosed in Note 15. The directors believe that this will not create significant problems for the Group in view of the length of relationship and because the Group works closely with its customers to provide customer satisfaction through timely delivery and the provision of high quality products and services at competitive cost.

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group at the balance sheet date approximated their fair values except for the followings:

		Group	
	Note	Carrying Amount RM'000	Fair Value RM'000
As at 31 March 2007:			
Hire purchase and finance lease liabilities	19	**9,160**	**9,216**
Forward foreign exchange contracts	30(c)	**–**	**(98)**
As at 31 March 2006:			
Hire purchase and finance lease liabilities	19	6,814	6,793
Forward foreign exchange contracts	30(c)	–	(108)

The fair value of the amounts due from/to subsidiaries as disclosed in Note 16 and Note 21, cannot be practically determined in view of the lack of repayment terms entered into by the parties involved and without incurring excessive costs.

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

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

31. SEGMENTAL INFORMATION

(a) Primary reporting segment – Geographical segments

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

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on negotiated and mutually agreed basis.

31 March 2007

	Malaysia RM'000	Cambodia RM'000	The People's Republic of China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	365,171	5,554	42,296	4,031	–	417,052
Inter–segment sales	18,789	237,894	–	1,347	(258,030)	–
Total revenue	383,960	243,448	42,296	5,378	(258,030)	417,052
Results						
Operating profit/(loss)	9,589	10,245	(5,419)	(1,921)	–	12,494
Interest expense						(5,039)
Profit before tax						7,455
Income tax expense						(763)
Profit for the year						6,692
Assets						
Segment assets	131,606	66,985	76,956	5,283	–	280,830
Consolidated total assets						280,830
Liabilities						
Segment liabilities	86,103	17,234	36,764	4,856	–	144,957
Consolidated total liabilities						144,957
Other segment information						
Capital expenditure	12,259	10,109	5,335	3,972	–	31,675
Depreciation	7,085	5,526	4,582	82	–	17,275

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

31. SEGMENTAL INFORMATION (CONT'D)

(a) Primary reporting segment – Geographical segments (cont'd)

31 March 2006

	Malaysia RM'000	Cambodia RM'000	The People's Republic of China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	243,393	181,255	24,115	–	–	448,763
Inter–segment sales	20,046	25,808	5,737	183	(51,774)	–
Total revenue	263,439	207,063	29,852	183	(51,774)	448,763
Result						
Operating profit/(loss)	10,849	13,234	(1,550)	(1,313)	–	21,220
Interest expense						(3,928)
Profit before tax						17,292
Income tax expense						(2,599)
Profit for the year						14,693
Assets						
Segment assets	105,122	82,832	76,323	728	–	265,005
Consolidated total assets						265,005
Liabilities						
Segment liabilities	101,187	12,093	26,139	121	–	139,540
Consolidated total liabilities						139,540
Other segment information						
Capital expenditure	7,805	11,152	23,824	225	–	43,006
Depreciation	7,026	4,653	2,600	37	–	14,316

31. SEGMENTAL INFORMATION (CONT'D)

(b) Secondary reporting segment – Business segments

The Group is organised into three major significant business segments:

(i) Apparel – manufacturing and marketing of apparels.

(ii) Labelling – printing of labels and stickers.

(iii) Packaging – manufacturing, value adding and sale of plastic packaging materials.

(iv) Others – investment holding and provision for management services, embroidering of logos and emblems, printing and marketing of silk screen printing products.

31 March 2007

	Apparel RM'000	Labelling RM'000	Packaging RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	346,112	21,768	19,789	29,383	–	417,052
Inter–segment sales	232,997	2,722	–	22,311	(258,030)	–
Total revenue	579,109	24,490	19,789	51,694	(258,030)	417,052
Results						
Operating profit/(loss)	4,823	3,753	(3,326)	7,244	–	12,494
Interest expense						(5,039)
Profit before tax						7,455
Income tax expense						(763)
Profit for the year						6,692
Assets						
Segment assets	171,827	23,287	56,180	29,536	–	280,830
Consolidated total assets						280,830
Liabilities						
Segment liabilities	100,706	12,533	19,307	12,411	–	144,957
Consolidated total liabilities						144,957
Other segment information						
Capital expenditure	17,230	7,053	4,781	2,611	–	31,675
Depreciation	10,286	1,837	4,012	1,140	–	17,275

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*
31 MARCH 2007

31. SEGMENTAL INFORMATION (CONT'D)

(b) Secondary reporting segment – Business segments (cont'd)

31 March 2006

	Apparel RM'000	Labelling RM'000	Packaging RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	382,708	17,984	20,837	27,234	–	448,763
Inter–segment sales	26,855	3,464	5,737	15,718	(51,774)	–
Total revenue	409,563	21,448	26,574	42,952	(51,774)	448,763
Results						
Operating profit	14,572	3,283	311	3,054	–	21,220
Interest expense						(3,928)
Profit before tax						17,292
Income tax expense						(2,599)
Profit for the year						14,693
Assets						
Segment assets	159,606	14,964	64,793	25,642	–	265,005
Consolidated total assets						265,005
Liabilities						
Segment liabilities	101,308	5,606	24,573	8,053	–	139,540
Consolidated total liabilities						139,540
Other segment information						
Capital expenditure	23,258	754	17,857	1,137	–	43,006
Depreciation	8,901	1,542	2,414	1,459	–	14,316

GROUP PROPERTIES
AS AT 31 MARCH 2007

No.	Location	Description and Existing Use	Tenure	Land Area (build–up area) sq. ft.	Age of Building No. of Years	Net Book Value RM	Date of Acquisition/ Revaluation*
	Perusahaan Chan Choo Sing Sdn Bhd						
1	Plo 7, Kawasan Perindustrian Parit Raja, 86400 Batu Pahat, Johor, Malaysia.	3 Blocks Office and Factory Buildings	Leasehold expiring 07/09/2050	87,120 (46,684)	16	1,854,181	13/08/1993*
2	No. 18, Jalan Keris Naga, Taman Pasifik Selatan, 83000 Batu Pahat, Johor, Malaysia.	4 Storey Building Complex	Freehold	6,056 (13,946)	14	827,725	04/04/1994*
3	No. 8 & 10, Jalan Perdana 2, Taman Kota Yong Peng, 83700 Yong Peng, Batu Pahat, Johor, Malaysia.	Office and Factory Block	Freehold	6,000 (7,800)	15	333,867	04/04/1994*
4	No. 9, 11, Jalan Perdana 1, Taman Kota Yong Peng, 83700 Yong Peng, Batu Pahat, Johor, Malaysia.	Office and Factory Block	Freehold	6,000 (7,800)	15	544,671	21/08/1995
5	No. 16, Jalan Pisang, Taman Maju, Parit Raja, 86400 Batu Pahat, Johor, Malaysia.	Single Storey Semi–Detached House	Freehold	24,001 (1,414)	14	55,057	04/04/1994*
6	No. 5, Jalan TP 7/3, Seksyen 26, Shah Alam, 40000 Selangor, Malaysia.	1 1/2 Storey Office and Factory Block	Freehold	3,000 (3,000)	11	546,053	04/10/1996
7	Plo 10, Kawasan Perindustrian Parit Raja, 86400 Parit Raja, Batu Pahat, Johor, Malaysia.	3 Blocks Office and Factory Buildings	Leasehold expiring 10/09/2051	114,127 (82,720)	11	5,404,258	21/04/1995
8	Lot 1376, GM 127, Mukim Simpang, Kanan, Jalan Kluang, 83000 Batu Pahat, Johor, Malaysia.	Office and Factory Building	Freehold	185,130# (88,000)	9	9,335,270	12/12/1997
9	Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor, Malaysia.	2 Blocks of Hostel Building	Freehold	74,104 (148,844)	4	4,651,315	31/03/2004
10	No. 32, Jalan Ikhtiari 2, Taman Ikhtiari, 84900 Tangkak, Muar, Johor, Malaysia.	Double Storey Terrace House	Freehold	4,864 (3,080)	1	198,182	01/03/2006
11	No. 8 to 15, Jalan Ikhtiari 1, Taman Ikhtiari, 84900 Tangkak, Muar, Johor, Malaysia.	8 Units of Double Storey Shophouses	Freehold	14,880 (14,080)	1	1,491,643	01/03/2006
12	No. 2, Jalan Ikhtiari 1, Taman Ikhtiari, 84900 Tangkak, Muar, Johor, Malaysia	1 Unit of Double Storey Shophouses	Freehold	1,760 (3,520)	3	175,427	21/11/2003
	# Inculding 74,104 sq ft for Hostel – Item 9						

GROUP PROPERTIES *(cont'd)*
AS AT 31 MARCH 2007

No.	Location	Description and Existing Use	Tenure	Land Area (build–up area) sq. ft.	Age of Building No. of Years	Net Book Value RM	Date of Acquisition/ Revaluation*
	Beauty Electronic Embroidering Centre Sdn Bhd						
13	Plo 5, Kawasan Perindustrian Parit Raja, 86400 Parit Raja, Batu Pahat, Johor, Malaysia.Building	2 Blocks Detached Factory and Ancillary	Leasehold expiring 01/03/2043	43,560 (30,292)	22	905,468	04/04/1994*
14	No. 53, Jalan Bunga Dahlia 9, Taman Aman, 81400 Senai, Johor, Malaysia.	Single Storey Terrace House	Freehold	1,200	20	100,800	22/09/1998
	China Roots Packaging Pte Ltd						
15	Lot JGQ–C2, East Zone of Guangzhou Economic Development Zone, Guangzhou, Guangdong Province P.R.C.	1 Block Detached Factory and 1 Ancillary Building	Leasehold expiring 26/03/2054	321,141 (179,940)	2	21,236,119	05/04/2005
	PCCS (Hong Kong) Limited						
16	450, Shanghai Cao Yang Road, 1301,1302,1303, The One Building, Pu Tuo Qu, Chang Shou Lu Jie Dao, 122 Jie Fang 9/3 Qiu, Shanghai, China.	Office Building	Leasehold expiring 25/03/2055	451 (451)	1	3,680,478	28/12/2006

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

ANALYSIS OF SHAREHOLDINGS
AS AT 29 JUNE 2007

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

DISTRIBUTION OF SHAREHOLDINGS AS AT 29 JUNE 2007

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1– 99	187	5.84	9,686	0.02
100 – 1,000	284	8.87	246,822	0.41
1,001 – 10,000	2,352	73.48	8,332,774	13.88
10,001 –100,000	341	10.65	8,921,640	14.87
100,001 to 3,000,599 (*)	36	1.13	18,501,002	30.83
3,000,600 and above (**)	1	0.03	24,000,078	39.99
TOTAL	3,201	100.00	60,012,002	100.00

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

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 29 JUNE 2007

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

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

Notes:

(1) Deemed interested by virtue of his direct interest of 27.0% in the equity of Setia Sempurna Sdn Bhd and by virtue of his spouse, Madam Tan Kwee Kee's shareholding in PCCS.

(2) Deemed interested by virtue of his direct interest of 20.0% in the equity of Setia Sempurna Sdn Bhd.

(3) Deemed interested by virtue of his direct interest of 14.0% in the equity of Setia Sempurna Sdn Bhd.

(4) Deemed interested by virtue of his direct interest of 14.0% in the equity of Setia Sempurna Sdn Bhd and by virtue of his spouse, Madam Chia Lee Kean's shareholding in PCCS.

(5) Deemed interested by virtue of his direct interest of 22.0% in the equity of Setia Sempurna Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS *(cont'd)*
AS AT 29 JUNE 2007

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 29 JUNE 2007

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

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

Notes:

(1) Deemed interested by virtue of his direct interest of 27.0% in the equity of Setia Sempurna Sdn Bhd and by virtue of his spouse, Madam Tan Kwee Kee's shareholding in PCCS.

(2) Deemed interested by virtue of his direct interest of 20.0% in the equity of Setia Sempurna Sdn Bhd.

(3) Deemed interested by virtue of his direct interest of 14.0% in the equity of Setia Sempurna Sdn Bhd.

(4) Deemed interested by virtue of his direct interest of 14.0% in the equity of Setia Sempurna Sdn Bhd and by virtue of his spouse, Madam Chia Lee Kean's shareholding in PCCS.

ANALYSIS OF SHAREHOLDINGS *(cont'd)*
AS AT 29 JUNE 2007

THIRTY (30) LARGEST SHAREHOLDERS AS AT 29 JUNE 2007

No.	Shareholders	Number of Shares	Percentage of Issued Capital
1.	Setia Sempurna Sdn Bhd	24,000,078	39.99
2.	Tan Kwee Kee	2,781,039	4.63
3.	Chan Choo Sing	1,832,653	3.05
4.	Yap Shing @ Yap Sue Kim	1,342,566	2.24
5.	Amanah Raya Nominees (Tempatan) Sdn Bhd *Skim Amanah Saham Bumiputera*	1,327,766	2.21
6.	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chan Chow Tek*	957,200	1.60
7.	Ng Choon Fatt	851,733	1.42
8.	Chan Chor Ang	809,550	1.35
9.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Mohd Radzuan Bin Ab Halim*	661,666	1.10
10.	Lim Poh Teot	642,466	1.07
11.	Ng Cheu Peng	613,800	1.02
12.	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chan Chow Tek*	603,500	1.01
13.	Go Hout Hing	561,966	0.94
14.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chan Chow Tek*	504,000	0.84
15.	Yap Nyet Yune	468,333	0.78
16.	Wetex Industries Sdn Bhd	441,000	0.73
17.	Citigroup Nominees (Asing) Sdn Bhd *Citigroup GM Inc for SC Fundamental Value Fund LP*	323,046	0.54
18.	Chan Chor Ngiak	319,550	0.53
19.	Tan Kim Kee @ Tan Kee	310,000	0.52
20.	Tan Poay Jong	305,000	0.51
21.	Gan Surt Neo	275,900	0.46
22.	Yung Lay Kiang	256,666	0.43
23.	Chan Kok Hiang @ Chan Kock Hiang	226,333	0.38
24.	Wong Shak On	208,000	0.35
25.	Tan Hock Seng	200,000	0.33
26.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Loo Huck Siew*	200,000	0.33
27.	Citigroup Nominees (Asing) Sdn Bhd *Citigroup GM Inc for SC Fundamental Value BVI Ltd*	199,554	0.33
28.	Yeo Eck Liong	166,666	0.28
29.	Yeo Eck Liong	166,100	0.28
30.	Ho, Wei–Hua	163,300	0.27
		41,719,431	69.52

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PCCS GROUP BERHAD

Company No. 280929-K
(Incorporated in Malaysia)

FORM OF PROXY

(Before completing this form, please see the notes below)

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

*I/We ____
(Full Name In Capital Letters)

of ____
(Full Address)

being a *Member/Members of PCCS GROUP BERHAD, do hereby appoint ____

____
(Full Name In Capital Letters)

of ____
(Full Address)

or failing *him/her, ____
(Full Name In Capital Letters)

of ____
(Full Address)

or failing *him/her, the CHAIRMAN OF THE MEETING, as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at PCCS Group Berhad's Corporate Office, Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim on Friday, 24 August 2007 at 11:00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the spaces provided below how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

1.	To receive the Audited Financial Statements for the financial year ended 31 March 2007 together with the Reports of the Directors and the Auditors thereon.		
	Resolutions	**For**	**Against**
2.	To approve the declaration of the First and Final Tax Exempt Dividend of 3.5% for the financial year ended 31 March 2007. (Resolution 1)		
3.	To approve the Directors' fees for the financial year ended 31 March 2007. (Resolution 2)		
4(a)	To re-elect Mr. Chan Choo Sing in accordance with Article 94 of the Company's Articles of Association. (Resolution 3)		
4(b)	To re-elect Mr. Tan Chuan Hock in accordance with Article 94 of the Company's Articles of Association. (Resolution 4)		
4(c)	To re-elect Mr. Tey Ah Tee @ Teo Ah Tee in accordance with Article 94 of the Company's Articles of Association. (Resolution 5)		
5.	To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorize the Directors to fix their remuneration. (Resolution 6)		
6.	As Special Business Ordinary Resolution No. 1 Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 (Resolution 7)		
6.	As Special Business Ordinary Resolution No. 2 Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad (Resolution 8)		

* Strike out whichever not applicable

Signed this .... day of 2007

....
Signature of Member/Common Seal

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Sections 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.
3. Where a holder appoints two or more proxies, he shall specify the proportions of his shareholdings to be represented by each proxy.
4. 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.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at PLO 10, Kawasan Perindustrian Parit Raja, 86400 Batu Pahat, Johor Darul Takzim not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.