



PCCS GROUP BERHAD

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



Annual Report 2005

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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of the Company will be held at **Plum Blossom Room, Level 2, Garden Hotel, No. 29, Jalan Jenang, 83000 Batu Pahat, Johor Darul Takzim on Wednesday, 24 August 2005 at 11.00 a.m.** for the following purposes: -

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 March 2005 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 4.0% for the financial year ended 31 March 2005. **Resolution 1**
3. To approve the Directors' fees for the financial year ended 31 March 2005 **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 Chow Tek **Resolution 3**
 - (b) Mr. Chan Chor Ngiak **Resolution 4**
5. To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 5**
6. As Special Business

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

ORDINARY RESOLUTION NO. 1

- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, and the approvals of the relevant governmental/regulatory authorities, the Directors

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

Resolution 6

ORDINARY RESOLUTION NO. 2

- PROPOSED 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 29 July 2005 ("the Circular") with the related parties mentioned therein PROVIDED THAT:

- (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are on terms not to the detriment of the minority shareholders; and
- (b) disclosure is made in the annual report breakdown of the aggregate value of transactions conducted during the financial year pursuant to the approval hereby given;

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

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company following this AGM, at which the approval hereby given will lapse, unless by a resolution passed at an AGM whereby the approval is renewed;
- (b) the expiration of the period within which the next AGM of the Company after this AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the Act) (but such period shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT, the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorized by this resolution.” **Resolution 7**

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that the First and Final Tax Exempt Dividend of 4.0% will be payable on 13 October 2005 to depositors who are registered in the Record of Depositors at the close of business on 14 September 2005, if approved by members at the forthcoming Eleventh 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 2005 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
29 July 2005

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 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 a Shareholders' Mandate to enable the Group to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Notes:

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

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

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

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

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

Statement Accompanying Notice of Annual General Meeting

1. *Details of Annual General Meeting*

The Eleventh Annual General Meeting of PCCS Group Berhad will be held on Wednesday, 24 August 2005 at 11.00 a.m. at Plum Blossom Room, Level 2, Garden Hotel, No. 29, Jalan Jenang, 83000 Batu Pahat, Johor Darul Takzim.

2. *Directors standing for re-election*

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

- i. Mr. Chan Chow Tek (Article 94 of the Company's Articles of Association)
- ii. Mr. Chan Chor Ngiak (Article 94 of the Company's Articles of Association)

Their particulars can be found on pages 5 and 6 of the Annual Report. Their shareholdings in the Company are stated on Page 73 of the Annual Report.

3. *Information on Board Meetings*

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

Profile Of Directors

Chan Choo Sing

(Non-Independent Executive Chairman and Managing Director), a Malaysian, aged 51 was appointed to the Board of PCCS on 21 June 1995. Mr. Chan started his career when he ventured into a garment business known as Chan Trading in 1973. In 1981, he founded Perusahaan Chan Choo Sing Sdn Bhd ("PCCSSB"), which is primarily involved in the manufacturing of garments. Mr. Chan's entrepreneurial skills and his ability to recognise business and expansion opportunities have led to successful business ventures which include the forming of a number of companies actively involved in the garment industry. PCCSSB and its associate companies were successfully listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 August 1995 as PCCS Group Berhad ("PCCS"). He was appointed as the Group Managing Director of PCCS in 1995.



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

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



Chan Chow Tek

(Non-Independent Executive Director), a Malaysian, aged 48 was appointed to the Board of PCCS on 21 June 1995. He leads all the marketing activities in the Group and has more than 25 years of experience in textile and apparel marketing and merchandising. He started his career in 1973 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

(Non-Independent Non-Executive Director), a Malaysian, aged 43 was appointed to the Board of PCCS on 21 June 1995. He started his career in 1980 assisting his father and his brother in marketing the products of Chan Trading to local departmental stores. He is currently the Managing Director of HRB and was appointed to the Board of HRB on 8 April 1997. He joined Harta in 1991 as Marketing Manager. During his employment with Harta, his determination and enthusiasm had driven Harta to become a leader of packaging business in Peninsular Malaysia within a short period of time. He was subsequently promoted to the position of Managing Director of HRB in July 1996. He oversees the Group's packaging business, as well as being responsible for identification and penetration of new and potential markets for the Group. His vast experience in marketing coupled with his good interpersonal and negotiating skills enable him to aggressively penetrate and secure new customers from different types of industries. He is the Vice-Chairman of the Chinese Chamber of Commerce in Batu Pahat and Treasurer of the Chinese Association in Parit Raja, Batu Pahat. He also sits on the board of several private limited companies.



Chan Chor Ang

(Non-Independent Non-Executive Director), a Malaysian, aged 42, was appointed to the Board of PCCS on 21 June 1995. He joined PCCSSB in 1981 and was transferred to Jusca Garments Sdn Bhd as the Factory Manager in 1985. He has more than 20 years of experience in the textile and garment industry. He is currently the Executive Director of HRB and was appointed to the Board of HRB on 8 April 1997. He joined Harta as the Factory Manager in 1990 and was redesignated as Maintenance Manager in 1994. His responsibilities include organising and managing the total maintenance and machinery upkeep for the packaging group of companies. He has undergone training on production management, machine maintenance and productivity enhancement under various expatriate factory managers from Hong Kong, Taiwan and China. He is currently the Purchasing Director of Harta and also oversees the daily operation of Chiga Light Industries Sdn Bhd. He also sits on the board of several private limited companies.

Cha Peng Koi @ Chia Peng Koi

(Independent Non-Executive Director), a Malaysian, aged 54 was appointed to the Board of PCCS on 21 June 1995. He has more than 20 years of experience in the fields of Finance and Operations Management. He graduated with Bachelor of Science (Hons) from University of Malaya in 1977, Post Graduate Diploma in Public Administration (INTAN) in 1981 and Masters in Business Administration (MBA) from the University of California, Los Angeles (UCLA) in 1986. In 1990, he set up his own business consulting firm specialising in Productivity and Quality Management. Prior to setting up his own businesses, he was a government officer with the Administrative and Diplomatic Services and has served in various Ministries and Departments including The Public Enterprises Ministry and the Public Services Department. He also sits on the board of Orisoft Technology Berhad, a public listed company listed on the MESDAQ market of Bursa Securities.



Tan Chuan Hock

(Independent Non-Executive Director), a Malaysian, aged 44 was appointed to the Board of PCCS on 4 November 1998. He is the managing partner and also the founder of William C. H. Tan & Associates (“WTA”), a Chartered Accountants firm. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Taxation and a Fellow Member of the Association of Chartered Certified Accountants.

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

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 services. He was appointed as director of several private limited companies. He also sits on the board of Orisoft Technology Berhad and Grand-Flo Solution Berhad, which are public listed companies listed on the MESDAQ market of Bursa Securities.

Tey Ah Tee @ Teo Ah Tee

(Independent Non-Executive Director), a Malaysian, aged 60, was appointed to the Board of PCCS on 15 June 2001. He holds a Diploma in Education from the Technical Teacher's College. He has extensive experience in the teaching of Industrial Arts and English Language. A self motivated person, he is currently doing private tutoring. He is presently managing a registered private limited company.



Note :

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

Directors Standing For Re-Election

Directors standing for re-election at the Annual General Meeting of the Company to be held at the Plum Blossom Room, Level 2, Garden Hotel, No. 29 Jalan Jenang, 83000 Batu Pahat, Johor Darul Takzim, Malaysia on Wednesday, 24 August, 2005 at 11.00 a.m.

Directors standing for re-election

- Chan Chow Tek
- Chan Chor Ngiak

Details of attendance at Board Meetings held during the financial year ended 31 March, 2005 (Total of four (4) meetings held)

Name of Director	Date of appointment	Date of resignation/ retirement	No. of Meetings attended
Chan Kok Hiang @ Chan Kock Hiang	21/06/1995	24/08/2004	1/2
Chan Choo Sing	21/06/1995		4/4
Chan Chow Tek	21/06/1995		3/4
Chan Chor Ngiak	21/06/1995		4/4
Chan Chor Ang	21/06/1995		4/4
Cha Peng Koi @ Chia Peng Koi	21/06/1995		4/4
Tan Chuan Hock	04/11/1998		3/4
Halimi Bin Hussain	15/11/2000	20/08/2004	2/4
Tey Ah Tee @ Teo Ah Tee	15/06/2001		4/4

Details of the Board Meetings held during the financial year ended 31 March, 2005.

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

Date : 26 May, 2004

Time : 12.00 noon

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

Date : 20 August, 2004

Time : 12.00 noon

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

Date : 22 November, 2004

Time : 1.30 p.m.

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

Date : 18 February, 2005

Time : 12.30 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)

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 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 (formerly known as Malaysia Securities Exchange Berhad) ("BMSB") Listing Requirements.

At least one 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 3 years of working experience and:
 - i. he must have passed the examinations specified in Part I of the 1st 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 2005. (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	4/4
Tan Chuan Hock	04/11/1998	3/4
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,

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

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

10. Review of the Audit Committee

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

11. Duties and Responsibilities

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

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

an opportunity to submit his/her reasons for resigning, if necessary;

- To provide liaison between the external auditors, the management and the Board of Directors and also to review the assistance given by the management to the external auditors;
- To review the findings of the internal and external auditors;
- To review the quarterly results and financial statements and annual report prior to submission to the Board of Directors;
- To monitor any related party transactions that may arise within the Group and to report, if any, transactions between the Group and any related party outside the Group which are not based on arms-length terms and on terms which are disadvantageous to the Group;
- To report its findings on the financial and management performance, and other material matters to the Board of Directors;
- To 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 BMSB on Corporate Governance and recommendations made to the Board on action plan to address the identified gaps between the Group's existing corporate governance practices and the prescribed corporate governance principles and best practices under the Malaysian Code on Corporate Governance; and
- (vi) Established and formalised Risk Management Framework and action plan to manage the risk identified on an ongoing process.

Internal Audit Function

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

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

Audit plan for the Group is presented to the Audit Committee for approval. All adverse findings and weaknesses noted during the audit visit are forwarded to management for its attention and further action. The report on the audit findings together with management's comments are reported to the Audit Committee on a quarterly basis. In this regard, the Board is pleased to report that there were no significant adverse findings during the financial year ended 31 March 2005 that adversely affect the Group's reputation or financial position.

Corporate Information

BOARD OF DIRECTORS

Chan Choo Sing

Executive Chairman and Managing Director

Chan Chow Tek

Executive Director

Chan Chor Ngiak

Chan Chor Ang

Cha Peng Koi @ Chia Peng Koi

Tan Chuan Hock

Tey Ah Tee @ Teo Ah Tee

AUDIT COMMITTEE

Cha Peng Koi @ Chia Peng Koi (Chairman)

Independent Non-Executive Director

Chan Choo Sing

Executive Chairman and Managing Director

Tan Chuan Hock

Independent Non-Executive Director

Tey Ah Tee @ Teo Ah Tee

Independent Non-Executive Director

COMPANY SECRETARY

Chua Siew Chuan (MAICSA 0777689)

REGISTERED OFFICE

PLO 10, Kawasan Perindustrian Parit Raja,

86400 Batu Pahat, Johor Darul Takzim

Tel No: 07-454 8888 Fax No: 07-454 1320

REGISTRAR

Securities Services (Holdings) Sdn Bhd (36869-T)

Level 7, Menara Milenium,

Jalan Damanlela,

Pusat Bandar Damansara,

Damansara Heights,

50490 Kuala Lumpur

Tel No: 03-2084 9000

Fax No: 03-2094 9940 / 2095 0292

AUDITORS

Ernst & Young

Chartered Accountants

Lot 1, 6th Floor, Menara Pertam,

Jalan BBP 2, Taman Batu Berendam Putra,

Batu Berendam,

75350 Melaka

SOLICITORS

Enoilil Loo

Advocates & Solicitors

Unit 1627 Block A, Damansara Intan,

No.1, Jalan SS20/27,

47400 Petaling Jaya,

Selangor Darul Ehsan

PRINCIPAL BANKERS

Citibank Berhad (297089-M)

HSBC Bank Malaysia Berhad (127776-V)

Malayan Banking Berhad (3813-K)

OCBC Bank (Malaysia) Berhad (295400-W)

Standard Chartered Bank Malaysia Berhad (115793 P)

SUBSIDIARY COMPANIES

Perusahaan Chan Choo Sing Sdn Bhd (70765-W)

Jusca Garments Sdn Bhd (135950-M)

Beauty Electronic Embroidering Centre Sdn Bhd
(102438-U)

Mega Labels & Stickers Sdn Bhd (190144-X)

Mega Labels & Stickers (Selangor) Sdn Bhd (533197-W)

Keza Sdn Bhd (138288-U)

Shern Yee Garments Sdn Bhd (206960-W)

PCCS Garments Limited

E. M. I. Embroidery Sdn Bhd (411070-V)

PCCS Capital Sdn Bhd (382952-M)

Cross Creek Distribution Sdn Bhd (293746-U)

Jusca Development Sdn Bhd (391830-P)

Beauty Silk Screen (M) Sdn Bhd (583304-X)

Beauty Silk Sreen Limited

Jusca Garments (Cambodia) Limited

PCCS Marketing Sdn Bhd (612578-V)

Blopak China Private Limited

Top Cheer Sdn Bhd (632767-A)

China Roots Packaging Pte Ltd

PCCS (Hong Kong) Limited

PCCS Garments (Suzhou) Ltd

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad Main Board

HOME PAGE:

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

Statement On Corporate Governance

The Code

The Board of Directors of PCCS is pleased to report on the manner in which the Principles and Best Practices of Corporate Governance are applied and the extent of compliance thereof as set out in Part 1 and Part 2 of the Malaysian Code on Corporate Governance (the Code) pursuant to paragraph 15.26 of the Listing Requirements (LR) of Bursa Malaysia Securities Berhad (Bursa Securities).

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

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

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

The Board of Directors

Board Composition

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

All members of the Board have attended the Mandatory Accreditation Training Programme (MAP) prescribed by Bursatra Sdn Bhd (formerly known as Bursa Malaysia Training Sdn Bhd), the training arm of Bursa Securities. Directors are also aware of their duty to attend continuous education programmes. Most of the Directors have attended seminars to keep themselves updated on the expectations of their roles and other market developments.

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

separately in this Annual Report.

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

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.

Board Meetings

During the financial year ended 31 March 2005, a total of four (4) Board Meetings have been held and were attended by most of the Directors. Details of attendance are provided on page 9 of this Annual Report. Additional meetings are held as and when required.

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

All Directors are each provided with written reports together with supporting information before the Meetings and in sufficient time to enable the Directors to obtain further explanations, where applicable, for them to be well-informed before the date of holding the Meeting. During the Meetings, the Board reports and tables, 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 members, with Mr. Cha Peng Koi @ Chia Peng Koi, an Independent Non-Executive Director, in the Chair. One of the remaining members is a member of the Malaysian Institute of Accountants. Fuller details of the composition of the Committee are found on page 10 of this Annual Report.

The Audit Committee met four times during the year. A majority of the Committee members attended all meetings. Details of their attendance are provided on page 11 of this Annual Report.

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

Re-election

In accordance with the amended Memorandum and Articles of Association of the Company, an election of Directors shall take place each year. At the Annual General Meeting 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 Code. For the forthcoming Annual General Meeting, Mr. Chan Chow Tek and Mr. Chan Chor Ngiak have volunteered themselves for re-election.

Nomination Committee

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

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

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

Remuneration Committee

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

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

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

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	734	52	125	911
Non-Executive Directors	-	-	129	129

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

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	5
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	2	-
RM350,001 to RM400,000	-	-

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.

Shareholders

Disclosure Between the Company and Analyst / Investors

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

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

Annual General Meeting

The Annual General Meeting (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 Managing Director will respond to shareholders' questions during the meeting.

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

Accountability and Audit

Financial Reporting

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

Internal Control

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

Relationship with the Auditors

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

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

Statement On Internal Control

The Board of Directors (the Board) recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. This is to provide shareholders with a return on their investment that is consistent with a responsible assessment and management of risk.

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. The concept of reasonable assurance recognises that the cost of controls should not exceed the expected benefits.

Internal Control and Control Environment

The Board has put in place an organisation structure with formally defined lines of responsibility and delegation of authority. There are also adequate procedures manuals equipped for all management and staff in performing their jobs. These manuals are being updated from time to time to incorporate the changes that will enhance working efficiency.

The Group has developed its authority chart for all its capital and revenue expenditure. Yearly budget for the Group are prepared for monitoring the performance of the respective business units. All material variances identified are explained in the monthly financial reports reviewed by management team. In addition, management team also analysed the quarterly group performance with comparison with previous quarter and previous corresponding quarter. Business trends and development, detailed strategic and action plans for marketing and production are also presented during this process. The performance analysis is then reported to the Board.

A comprehensive "Company Manual" is developed to foster long-lasting and harmonious working relationship among the employees and setting out the rules and regulations to be adhered by all employees in performing their duties. The Vision of the Group is clearly spelled in the Company Manual and well communicated to all levels of employees. "Health and Safety Manual" is also developed to assist in maintaining a safe working environment for all employees and acts as a guideline to protect the Group's assets.

The Board has assigned the Audit Committee with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. The Audit Committee receives reports from the internal auditors.

Regular reviews are conducted by internal auditors to monitor compliance with the established internal control procedures and the risk profiles of the major business units of the Group. The external auditors form an opinion on the financial statements of the Group based on their annual statutory audit. Further, any areas for improvement identified during the course of the statutory audit by the external auditors are brought to the attention of the Audit Committee.

Where appropriate, certain subsidiaries have ISO 9001:2000 certifications for their operational processes. Internal procedures and standard operating procedures had been properly documented and surveillance audits are conducted yearly by assessors of the ISO certification body to ensure that the system is implemented as per ISO 9001:2000 requirement.

Risk Management Framework

A risk assessment exercise was conducted in March 2002 to identify, evaluate and manage the significant risks faced by the Group. Subsequently, a risk management policy and risk management framework was put in place. A Risk Management Committee was set up to ensure the processes is conducted in accordance to the "Statement on Internal Control: Guidance For Directors of Public Listed Companies" issued by Bursa Malaysia Berhad. During the financial year, the Board continued its ongoing process of identifying, evaluating and managing the significant risk faced by the Group. As an integral part of the Group's risk management process, business continuity plans are implemented to minimize business disruption in the event of critical failure in IT systems and operational processes.

Based on the above, the Board is of the opinion that the current system of internal control within the Group is adequate. The Board, in striving for continuous improvement will put in place appropriate action plans, when necessary, to further enhance the Group's system of internal control.

Statement made in accordance with the resolution of the Board of the Directors dated 20 July 2005.

Statement Of Directors' Responsibility In Relation To The Financial Statements

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

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

The Directors consider that in preparing the financial statements:-

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

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

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

Other Information Required By The Listing Requirements Of Bursa Securities

Share Buy-backs

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

Options or Warrants

Other than as disclosed in Note 21 to the Financial Statements for the year ended 31 March 2005 on page 61, 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 amounted to RM49,000 and RM18,000 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 year ended 31 March 2005 on page 65, none of the Directors have any material contracts with the Company and/or its subsidiaries during the financial year under review.

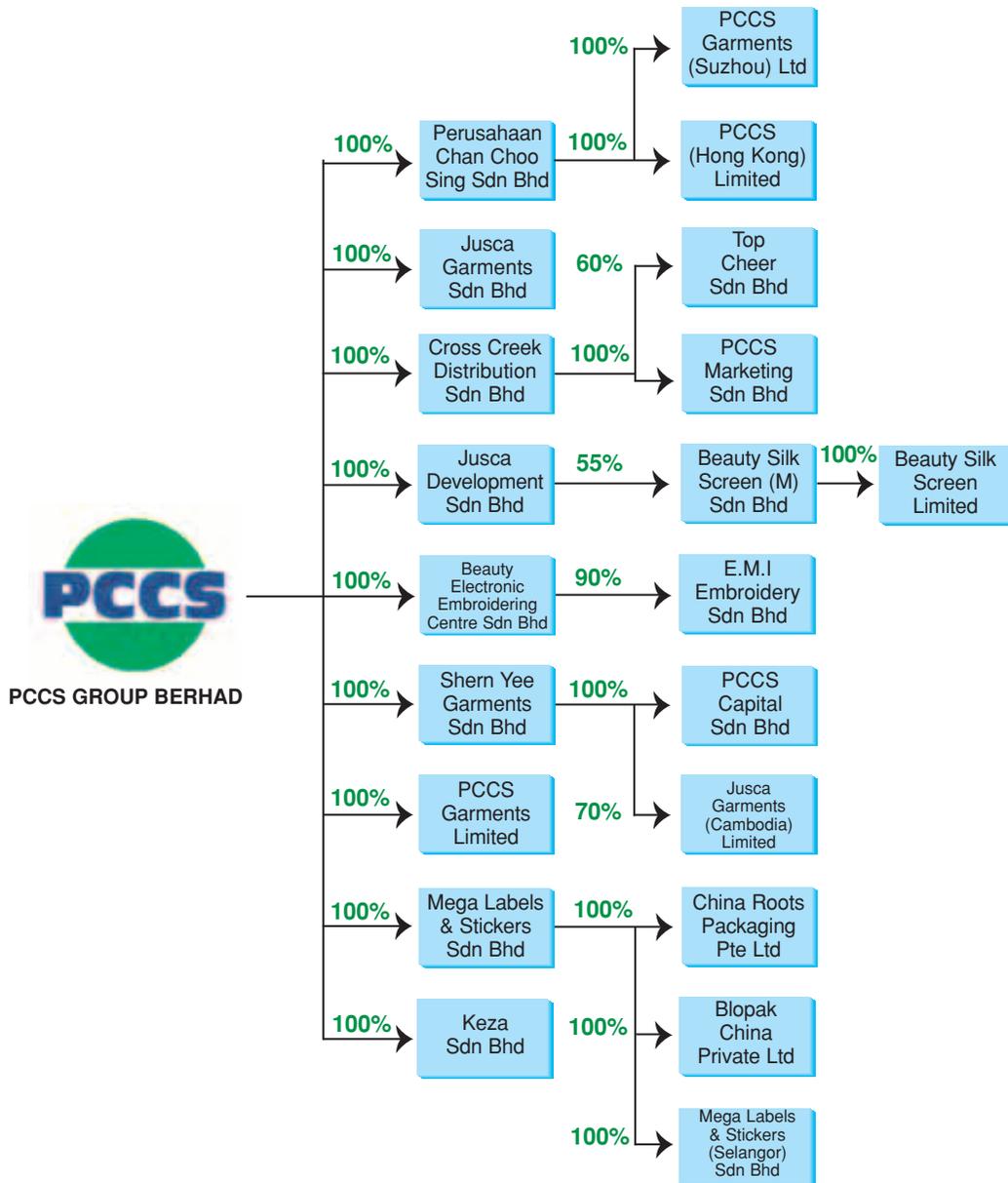
Profit Estimate, Forecast or Projection

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

Profit Guarantee

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

Corporate Structure



Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 March 2005.

FINANCIAL REVIEW

The Group recorded a higher turnover of RM408.131 million in the financial year ended 31 March 2005 over the previous year of RM304.567 million. Pre-tax profit of the Group increased from RM1.077 million to RM13,486 million. Net earnings per share for the Group stood at RM 0.185.

DIVIDEND

The Board is pleased to recommend a first and final tax-exempt dividend of 4% for the financial year ended 31 March 2005 subject to the shareholders' approval at the forthcoming Annual General Meeting.

CORPORATE DEVELOPMENTS

As at 2 July 2005, PCCS Group Berhad ("PCCS") has undertaken and completed the following transactions:

1. During 1 July 2004 to 25 May 2005, PCCS through its wholly-owned subsidiary, Mega Labels & Stickers Sdn. Bhd. ("MEGA"), had invested additional USD6,110,000/- or approximately RM23,218,000/- in China Roots Packaging Pte. Ltd. ("CRPL").
2. On 26 May 2005, PCCS through its wholly-owned subsidiary, Perusahaan Chan Choo Sing Sdn. Bhd. ("PCCSSB"), had invested USD500,000/- or approximately RM1,900,000/-, representing 100% equity interest, in PCCS Garments (Suzhou) Ltd. ("SGL"), a company incorporated in The People's Republic of China, resulting in PCCS becoming the ultimate holding company of SGL. The Authority in The People's Republic of China had granted approval for SGL to invest in the manufacturing and sale of garments and related products up to a maximum total of USD6,000,000/-.
3. Acquisition of 1,000 shares of HKD1/- each amounting to HKD 1,000/-, representing 100% equity interests in PCCS (Hong Kong) Limited ("PCCSHK") by PCCSSB, a wholly-owned subsidiary of PCCS on 9 June 2005. The acquisition has resulted in PCCS becoming the ultimate holding company of PCCSHK. The acquisition is expected to benefit PCCSSB through management integration and operational efficiency of the entire apparel division.
4. On 27 June 2005, PCCS had entered into a Share Sale Agreement with Mr. Low Chee Kheong and Ms. Chee Sook Yin for the disposal of 500,000 Ordinary Shares of



RM1/- each in Cross Creek Distribution Sdn Bhd (“Cross Creek”), representing 100% of the total paid-up capital of Cross Creek at a total consideration of RM1,088,000/-. As a result, the following companies ceased to be subsidiaries of PCCS :

a) Cross Creek; b) PCCS Marketing Sdn Bhd, a 100% owned subsidiary of Cross Creek; and c) Top Cheer Sdn Bhd, a 60% owned subsidiary of Cross Creek.

REVIEW OF GROUP PERFORMANCE

APPAREL DIVISION

During the financial year ended 31 March 2005, the apparel division recorded a higher turnover and better performance as compared to the previous corresponding financial year.

In the continuing effort to strengthen its global market positioning, PCCS has set up another sample room facility in the Province of Suzhou, The People’s Republic of China. The sample room facility is strategically located close to our existing main buyers and suppliers. The management of PCCS believes that geographical proximity to buyers and suppliers provides us better operational flexibility and agility, particularly in our sample making activity, thereby enabling us to offer higher value-added services, and enhance our ability to anticipate and respond rapidly to changes in the market place. This in turn will contribute to higher product and service standards we offer to our clients. Our expansion is financed mostly via our internally generated funds.



In our continuing efforts to improve manufacturing operations, we have identified a number of factors contributing to the low performance in Jusca Garments (Cambodia) Limited (“JGL”). Significant improvement activities had been undertaken in the direction of Lean Management Practice on our production and process management resulting in better performance for JGL for the financial year ended 31 March 2005.

The business environment for this Division is characterized by intense competition and market complexity, especially after World Trade Organisation. In such a challenging environment, we have always relished in our proven two-pronged strategies of continuing to enhance our operational efficiency at all stages of the supply chain and to ensure more effective execution within our Quality Management System in our efforts to provide higher quality products and services.



EMBROIDERY DIVISION

The turnover of the Group's Embroidery Division had improved slightly. However, growing competition has led to greater complexity in end user preferences, resulting in smaller order sizes and intense pressure on prices and profit margin.

Our strategies in better input sourcing management, productivity improvement and cost reduction initiatives have been able to contribute to our current level of competitiveness. Orders from existing major customers have grown steadily over the years.

The Division will continue to undertake efforts to enhance product quality, improve productivity, shorten delivery cycle time and develop new embroidery techniques in its production system in its attempt to exceed customers' requirements.

FABRIC KNITTING DIVISION

The turnover of the Fabric Knitting Division had increased as orders received for its fabric and elastic products from existing customers had improved. However, the pre-tax profit for the division declined as compared to the previous year.

Intense pressure on its product selling prices and increase in its raw material prices as a result of world wide oil price uncertainties have negative impact on this Division. The performance of the division is further dampened by the poor performance of its socks operation in Kajang.

With stiff competition facing the socks business, the management has decided to cease the operation of socks by this year.



LABELLING AND PLASTIC PACKAGING DIVISION

The overall performance of the Labelling and Plastic Packaging Division had improved over the previous corresponding period with higher turnover and pre-tax profit.

The success of the division is built on the organic growth in its business activities and the continual improvements of its production processes over the years. With investment in new printing machines, sales of labels and stickers had increased during the year.

Putting emphasis on human resources development, the division offers on-the-job training and staff are sent for overseas training to develop and improve skills in advance production techniques and design innovation.

Our on-going strategy in diversification includes continuing efforts in seeking investment opportunities overseas. We are pleased to report that our investment in Blopak China Private Limited ("Blopak") in Guangzhou, China has begun to bear fruits. Blopak began contributing positive returns earlier than expected. We further anticipate that with the newly established China Roots Packaging Pte. Ltd. ("China Roots"), the division's market position in China will be further strengthened.



China Roots had executed an agreement with Guangzhou Economic & Trade Development Zone for the purchase of a piece of land at the East Zone with an area of 29,835 square meters. China Roots' factory is being constructed on this site. Production operation from this new facility is expected to commence by end of July 2005.

SILK SCREEN DIVISION

The performance of the Silk Screen Division had improved over the previous corresponding period with higher turnover and pre-tax profit.

Orders received were mainly from the Group's Apparel Division and other garments manufacturers in Cambodia. To cater for the increasing demands from its existing customers, Beauty Silk Screen Limited ("BSSL") had upgraded its factory facilities incorporating, among others, better printing technology.

MARKETING AND DISTRIBUTION DIVISION

The Division had recorded a higher turnover for the financial year ended 31 March 2005 but suffered a minor pre-tax loss due to the increase in operating expenses.

As an account of recent developments of the Group, the Board has decided to dispose of the Marketing and Distribution Division so that resources and efforts can best be channeled and concentrated on more viable activities.

PROSPECT

In our business strategy, we are committed to become sufficiently diversified and well poised to take advantage of the business opportunities available from time to time against the background of increased market dynamism and challenges of globalization.

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

Barring any unforeseen circumstances, the Board anticipates that the performance of the current financial year will be very much better compared to the previous year.



APPRECIATION

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

My sincere appreciation is also to the 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 cannot be enumerated without the contribution of our people, both past and present. For these reasons, it gives me great honor and excitement to accept the challenges as the Executive Chairman of the Group.

CHAN CHOO SING

Chairman

29 July, 2005

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2005.

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 after taxation	11,469	246
Minority interests	(383)	–
Net profit for the year	11,086	246

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

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

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

At the forthcoming Annual General Meeting, a first and final tax exempt dividend in respect of the current financial year ended 31 March 2005 of 4% on 60,012,002 ordinary shares amounting to a total dividend of RM2,400,480 (4 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 March 2006.

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 Kok Hiang @ Chan Kock Hiang	(Retired on 24 August 2004)
Chan Choo Sing	
Chan Chow Tek	
Chan Chor Ngiak	
Chan Chor Ang	
Cha Peng Koi @ Chia Peng Koi	
Tan Chuan Hock	
Halimi Bin Hussain	(Resigned on 20 August 2004)
Tey Ah Tee @ Teo Ah Tee	

Directors' Report (cont'd)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 Each				
	1.4.2004	Bought	Sold	31.3.2005	
Direct interest –					
Chan Choo Sing	1,511,853	18,300	–	1,530,153	
Chan Chow Tek	1,644,883	1,243,900	1,345,200	1,543,583	
Chan Chor Ang	1,009,550	–	–	1,009,550	
Chan Chor Ngiak	329,550	–	–	329,550	
Indirect interest –					
Chan Choo Sing	26,731,117	–	–	26,731,117	
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					
	1.4.2004	Granted	Exercised	Lapsed	31.3.2005
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.

Directors' Report (cont'd)

EMPLOYEE SHARE OPTION SCHEME

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

The salient features and other terms of the ESOS are disclosed in Note 21 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings which is less than 100,000 ordinary shares of RM1.00 each.

The name of employees who have been granted options above 100,000 ordinary shares of RM1.00 each are as follows:

Name	Number of Options over Ordinary Shares of RM1 Each			31.3.2005
	1.4.2004	Lapsed	Exercised	
Chan Choo Sing	200,000	–	–	200,000
Chan Chow Tek	200,000	–	–	200,000
Tan Kwee Kee	120,000	–	–	120,000
Chan Choo Keng	120,000	–	–	120,000
Gan Hoe Lian	120,000	–	–	120,000
Chew Seng Ker	120,000	–	–	120,000

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.

Directors' Report *(cont'd)*

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SUBSEQUENT EVENTS

The subsequent 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

CHAN CHOO SING

Melaka, Malaysia

Date:15 July 2005

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 34 to 70 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

CHAN CHOO SING
Melaka, Malaysia
Date:15 July 2005

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 34 to 70 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed, CHAN CHOO SING,)
at Melaka in the State of Melaka)
on 15 July 2005) CHAN CHOO SING

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

Report Of The Auditors To The Members Of PCCS Group Berhad

(Incorporated In Malaysia)

We have audited the accompanying financial statements set out on pages 34 to 70. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 March 2005 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

Melaka, Malaysia
Date: 15 July 2005

LEE AH TOO
No. 2187/09/05(J)
Partner

Income Statements

For The Year Ended 31 March 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	3	408,131	304,567	748	307
Cost of sales		(341,681)	(256,564)	–	–
Gross profit		66,450	48,003	748	307
Other operating income		1,429	1,151	–	–
Administrative expenses		(30,763)	(24,475)	(445)	(507)
Selling and marketing expenses		(21,082)	(15,425)	–	–
Profit/(loss) from operations	4	16,034	9,254	303	(200)
Finance costs, net	7	(2,548)	(1,903)	–	–
Share of results of associate		–	2,781	–	–
		13,486	10,132	303	(200)
(Loss)/gain on disposal of investment in an associate		–	(9,055)	–	12,203
Profit before taxation		13,486	1,077	303	12,003
Taxation	8	(2,017)	(2,584)	(57)	–
Profit/(loss) after taxation		11,469	(1,507)	246	12,003
Minority interests		(383)	1,206	–	–
Net profit/(loss) for the year		11,086	(301)	246	12,003
Earnings/(loss) per share (sen)					
Basic	9	18.5	(0.5)		

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

Balance Sheets

As At 31 March 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	112,405	94,488	–	–
Investment in subsidiaries	12	–	–	44,034	44,034
Negative goodwill	23	(9,921)	(9,921)	–	–
		102,484	84,567	44,034	44,034
CURRENT ASSETS					
Inventories	13	33,252	35,720	–	–
Trade receivables	14	42,278	41,556	–	–
Other receivables	15	11,147	14,680	47,155	34,760
Cash and bank balances	16	29,705	22,934	46	4,794
Tax recoverable		121	486	98	72
		116,503	115,376	47,299	39,626
CURRENT LIABILITIES					
Short term borrowings	17	52,610	47,268	–	–
Trade payables	19	21,527	24,166	–	–
Other payables	20	11,490	12,136	7,818	365
Dividend payable		–	26	–	26
		85,627	83,596	7,818	391
NET CURRENT ASSETS		30,876	31,780	39,481	39,235
		133,360	116,347	83,515	83,269
FINANCED BY:					
Share capital	21	60,012	60,012	60,012	60,012
Reserves		53,239	42,109	23,503	23,257
Shareholders' equity		113,251	102,121	83,515	83,269
Minority interests		752	369	–	–
		114,003	102,490	83,515	83,269
Long term borrowings	17	14,308	8,821	–	–
Deferred taxation	24	5,049	5,036	–	–
Non-current liabilities		19,357	13,857	–	–
		133,360	116,347	83,515	83,269

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

Statements Of Changes In Equity

For The Year Ended 31 March 2005

	← Non-distributable →				Distributable	
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Reserve RM'000	Legal Reserve Fund RM'00	Retained Profits RM'000	Total RM'000
Group						
At 1 April 2003	60,011	3	1,199	107	45,300	106,620
Issue of share capital	1	1	–	–	–	2
Net loss for the year	–	–	–	–	(301)	(301)
Transfer to legal reserve fund (Note 25)	–	–	–	108	(108)	–
Realisation of foreign exchange reserve from disposal of investment in an associate	–	–	(1,199)	–	–	(1,199)
Dividends	–	–	–	–	(3,001)	(3,001)
At 31 March 2004	60,012	4	–	215	41,890	102,121
Net profit for the year	–	–	–	–	11,086	11,086
Transfer to legal reserve fund (Note 25)	–	–	–	225	(225)	–
Foreign exchange difference arising on investment in subsidiary*	–	–	44	–	–	44
At 31 March 2005	60,012	4	44	440	52,751	113,251

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

	Non-distributable		Distributable	
	Share Capital RM'000	Share Premium RM'000	Retained Profits (Note 22) RM'000	Total RM'000
Company				
At 1 April 2003	60,011	3	14,251	74,265
Issue of share capital	1	1	–	2
Net profit for the year	–	–	12,003	12,003
Dividends (Note 10)	–	–	(3,001)	(3,001)
At 31 March 2004	60,012	4	23,253	83,269
Net profit for the year	–	–	246	246
At 31 March 2005	60,012	4	23,499	83,515

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

Cash Flow Statements

For The Year Ended 31 March 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	13,486	1,077	303	12,003
Adjustments for:				
Depreciation	12,999	10,595	—	—
Bad and doubtful debts	10	—	—	—
Dividend income	—	—	(597)	(119)
Impairment losses on property, plant and equipment	650	—	—	—
Loss/(gain) on disposal of investment in an associate	—	9,055	—	(12,203)
Share of results in associate	—	(2,781)	—	—
Property, plant and equipment written off	14	18	—	—
Inventories written off	10	—	—	—
Interest expense	2,646	1,978	—	—
Gain on disposal of property, plant and equipment	(555)	(417)	—	—
Interest income	(98)	(75)	—	—
Operating profit/(loss) before working capital changes	29,162	19,450	(294)	(319)
Decrease/(increase) in receivables	2,801	(8,242)	—	—
Decrease/(increase) in inventories	2,458	(11,559)	—	—
(Decrease)/increase in payables	(3,246)	3,757	(5)	11
Cash generated from/(used in) operations	31,175	3,406	(299)	(308)
Interest paid	(2,646)	(1,978)	—	—
Tax (paid)/refunded	(1,639)	(1,154)	84	(14)
Net cash generated from/(used in) operating activities	26,890	274	(215)	(322)

Cash Flow Statements (cont'd)

For The Year Ended 31 March 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from issuance of shares by subsidiaries	–	1,340	–	–
Purchase of property, plant and equipment	(32,063)	(24,505)	–	–
Interest received	98	75	–	–
Proceeds from issuance of shares	–	2	–	2
Acquisition of a subsidiary	–	(3,761)	–	–
Additional placement of deposits	(1)	–	–	–
Proceeds from disposal of investment in an associate	–	16,478	–	16,478
Proceeds from disposal of property, plant and equipment	1,584	1,707	–	–
Net cash (used in)/generated from investing activities	(30,382)	(8,664)	–	16,480
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances to subsidiaries	–	–	(4,507)	(8,402)
Dividends paid	(26)	(2,996)	(26)	(2,996)
Drawdown of hire purchase and lease financing	1,589	7,449	–	–
Repayment of hire purchase and lease financing	(2,543)	(1,395)	–	–
Drawdown of term loans	9,469	6,123	–	–
Repayment of term loans	(3,861)	(4,730)	–	–
Short term borrowings	5,114	12,675	–	–
Net cash generated from/(used in) financing activities	9,742	17,126	(4,533)	(11,398)
NET INCREASE/(DECREASE) IN				
CASH AND CASH EQUIVALENTS	6,250	8,736	(4,748)	4,760
EFFECT OF EXCHANGE RATE CHANGES	44	–	–	–
CASH AND CASH EQUIVALENTS AT				
BEGINNING OF YEAR	22,912	14,176	4,794	34
CASH AND CASH EQUIVALENTS				
AT END OF YEAR (NOTE 16)	29,206	22,912	46	4,794

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

Notes To The Financial Statements

31 March 2005

1. CORPORATE INFORMATION

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

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

The number of employees in the Group at the end of the year was 8,596 (2004 : 8,656).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 July 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

(b) Basis of Consolidation

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

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

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

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

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

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

31 March 2005

(c) Goodwill

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

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

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

Goodwill is not amortised.

(d) Investments in Subsidiaries

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

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

(e) Property, Plant and Equipment and Depreciation

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

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective leases which range from 50 years to 60 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

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

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

(f) Inventories

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

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

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

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

31 March 2005

(g) Cash and Cash Equivalents

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

(h) Hire Purchase and Finance Leases

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

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

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

(i) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(j) Income Tax

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

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.

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

31 March 2005

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 in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(k) Revenue Recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(iii) Dividend income

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

(iv) Rental income

Rental income is recognised on accrual basis.

(v) Revenue from services

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

(l) Foreign Currencies

(i) Foreign currency transactions

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

All exchange rate differences are taken to the income statement.

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

31 March 2005

(ii) Foreign entities

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

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

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

	2005	2004
	RM	RM
Hong Kong Dollar	0.49	0.49
United States Dollar	3.80	3.80
Singapore Dollar	2.30	2.24
Chinese Renminbi	0.46	0.46
Sterling Pound	7.14	7.12
Euro Dollar	4.91	4.76

(m) Impairment of Assets

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

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

(n) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

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

31 March 2005

(iii) Equity compensation benefits

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

(o) Financial Instruments

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

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

(i) Trade Receivables

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

(ii) Trade 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.

(iii) Interest-Bearing Borrowings

Interest-bearing loans and overdrafts are recorded at the amount of proceeds received, net of transaction 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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset.

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

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

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

31 March 2005

(iv) Equity Instruments

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

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

(v) Derivative Financial Instruments

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

Forward foreign exchange contracts

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

3. REVENUE

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Sales of goods	403,594	302,187	–	–
Commission income	4,537	2,380	–	–
Dividend income	–	–	597	119
Management fee	–	–	145	145
Interest income	–	–	6	43
	408,131	304,567	748	307

Notes To The Financial Statements (cont'd)

31 March 2005

4. PROFIT/(LOSS) FROM OPERATIONS

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Staff costs (Note 5)	73,008	63,587	254	236
Auditors' remuneration				
– Statutory audit				
Company's auditors	83	67	27	27
Other auditors	32	30	–	–
– Other services				
Company's auditors	44	92	18	18
Other auditors	5	12	–	–
Property, plant and equipment written off	14	18	–	–
Depreciation	12,999	10,595	–	–
Rental expenses	3,017	2,654	–	–
Impairment losses on property, plant and equipment	650	–	–	–
Gain on foreign exchange	(43)	(3)	–	–
Gain on disposal of property, plant and equipment	(516)	(417)	–	–
Dividend income	–	–	(597)	(119)
Management fee	–	–	(145)	(145)
Rental income	(169)	(244)	–	–

5. STAFF COSTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Wages and salaries	65,957	58,309	254	236
Annual leave	–	109	–	–
Social security costs	362	358	–	–
Pension costs				
– defined contribution plan	2,994	2,806	–	–
Other staffs related expenses	3,695	2,005	–	–
	73,008	63,587	254	236

* Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM882,000 (2004 : RM1,050,000) and RM125,000 (2004 : RM125,000) respectively as further disclosed in Note 6.

Notes To The Financial Statements (cont'd)

31 March 2005

6. DIRECTORS' REMUNERATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	542	710	–	–
Fees	125	125	125	125
Bonus	40	40	–	–
Benefits-in-kind	29	52	–	–
	736	927	125	125
Non-Executive:				
Fees	129	111	129	111
Directors of Subsidiaries				
Executive:				
Salaries and other emoluments	163	163	–	–
Bonus	12	12	–	–
	175	175	–	–
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind	882	1,050	125	125
Total non-executive directors' remuneration	129	111	129	111
Total excluding benefits-in-kind	1,011	1,161	254	236

7. FINANCE COSTS, NET

	Group	
	2005 RM'000	2004 RM'000
Interest expense	2,646	1,978
Interest income	(98)	(75)
	2,548	1,903

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

31 March 2005

8. TAXATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income tax:				
Malaysian income tax	1,871	1,022	121	–
Foreign tax	110	37	–	–
	1,981	1,059	121	–
Under/(over)provided in prior years in respect of:				
Malaysian income tax	60	(62)	(64)	–
Foreign tax	(37)	–	–	–
	2,004	997	57	–
Deferred tax (Note 24):				
Relating to origination and reversal of temporary difference	13	474	–	–
Underprovided in prior years	–	24	–	–
	13	498	–	–
Share of taxation of associates	–	1,089	–	–
	2,017	2,584	57	–

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004 : 28%) of the estimated assessable profit for the year. Taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

31 March 2005

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

	2005 RM'000	2004 RM'000
Group		
Profit before taxation	13,486	1,077
Taxation at Malaysian statutory tax rate of 28%	3,776	302
Effect of income subject to tax rate of 20%	(231)	(161)
Effect of different tax rates in other countries	(521)	278
Tax exempted under tax holiday in foreign country	(371)	(605)
Effect of income not subject to tax	(203)	(75)
Loss on disposal of investment not deductible for tax purposes	–	2,535
Effect of expenses not deductible for tax purposes	443	478
Utilisation of current year's reinvestment allowances	(262)	(892)
Utilisation of previously unrecognised tax losses	(532)	(174)
Utilisation of previously unrecognised unutilised reinvestment allowance	(566)	(912)
Underprovision of deferred tax in prior year	–	24
Overprovision of income tax in prior years	23	(62)
Deferred tax assets not recognised during the year	461	1,848
Tax expense for the year	2,017	2,584
Company		
Profit before taxation	303	12,003
Taxation at Malaysian statutory tax rate of 28%	85	3,361
Effect of income not subject to tax	–	(3,417)
Effect of expenses not deductible for tax purposes	36	55
Deferred tax assets not recognised during the year	–	1
Overprovided of income tax expense in prior years	(64)	–
Tax expense for the year	57	–
Tax savings recognised during the year arising from utilisation of current year tax losses	48	–

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

31 March 2005

9. EARNINGS PER SHARE

(a) Basic

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

	Group	
	2005	2004
Net profit/(loss) for the year (RM '000)	11,086	(301)
Weighted average number of ordinary shares in issue ('000)	60,012	60,012
Basic earnings/(loss) per share (sen)	18.5	(0.5)

(b) Diluted

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

10. DIVIDENDS

	Amount		Net Dividends per Share	
	2005	2004	2005	2004
	RM'000	RM'000	Sen	Sen
Group and Company				
First and final tax exempt dividend of 4%	2,400	–	4	–

At the forthcoming Annual General Meeting, a first and final tax exempt dividend in respect of the current financial year ended 31 March 2005 of 4% on 60,012,002 ordinary shares amounting to a total dividend of RM2,400,480 (4 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 March 2006.

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

31 March 2005

11. PROPERTY, PLANT AND EQUIPMENT

	* 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
Group						
Cost						
At 1 April 2004	32,231	98,442	18,326	6,987	–	155,986
Additions	4,155	14,337	3,406	1,618	9,132	32,648
Disposals	(508)	(1,572)	(34)	(853)	–	(2,967)
Adjustments	(39)	–	–	–	–	(39)
Written off	–	–	(33)	–	–	(33)
At 31 March 2005	35,839	111,207	21,665	7,752	9,132	185,595
Accumulated Depreciation						
At 1 April 2004	2,907	47,559	6,548	4,484	–	61,498
Depreciation charge for the year (Note 4)	524	9,371	2,030	1,074	–	12,999
Impairment losses for the year (Note 4)	–	650	–	–	–	650
Disposals	(47)	(1,056)	(16)	(819)	–	(1,938)
Written off	–	–	(19)	–	–	(19)
At 31 March 2005	3,384	56,524	8,543	4,739	–	73,190
Analysed as:						
Accumulated depreciation	3,384	55,874	8,543	4,739	–	75,540
Accumulated impairment losses	–	650	–	–	–	650
	3,384	56,524	8,543	4,739	–	73,190

Notes To The Financial Statements (cont'd)

31 March 2005

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	* Land and buildings RM'000	Plant and machinery, air- conditioners, factory equipment and electrical installation RM'000	Renovation, furniture, fittings, office equipment RM'000	Motor vehicles RM'000	Capital work- in- progress RM'000	Total RM'000
Net Book Value						
At 31 March 2005	32,455	54,683	13,122	3,013	9,132	112,405
At 31 March 2004	29,324	50,883	11,778	2,503	–	94,488
Details at 1 April 2003						
Cost	28,711	69,518	12,957	6,116	921	118,223
Accumulated depreciation	2,629	32,052	4,809	3,789	–	43,279
Depreciation charge for 2004	379	7,749	1,515	952	–	10,595

Notes To The Financial Statements (cont'd)

31 March 2005

* LAND AND BUILDINGS

	Freehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Total RM'000
Cost				
At 1 April 2004	8,254	2,222	21,755	32,231
Additions	–	3,143	1,012	4,155
Disposals	(165)	–	(343)	(508)
Adjustments	–	–	(39)	(39)
At 31 March 2005	8,089	5,365	22,385	35,839
Accumulated Depreciation				
At 1 April 2004	–	385	2,522	2,907
Charge for the year	–	79	445	524
Disposals	–	–	(47)	(47)
At 31 March 2005	–	464	2,920	3,384
Net Book Value				
At 31 March 2005	8,089	4,901	19,465	32,455
At 31 March 2004	8,254	1,837	19,233	29,324
Details at 1 April 2003				
Cost	8,440	2,222	18,049	28,711
Accumulated depreciation	–	354	2,275	2,629
Depreciation charge for 2004	–	31	348	379

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

	Group	
	2005 RM'000	2004 RM'000
Plant and machinery	6,891	6,273
Motor vehicles	1,408	1,456
	8,299	7,729

(b) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM32,648,000 (2004 : RM25,085,000) of which RM585,000 (2004 : RM580,000) were acquired by means of hire purchase.

(c) The net book value of building pledged to bank for credit facilities granted to the Group is RM803,600 (2004 : RM Nil).

Notes To The Financial Statements (cont'd)

31 March 2005

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares, at cost	44,799	44,799
Less : Provision for diminution in value	(765)	(765)
	44,034	44,034

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of incorporation	Effective Equity Interest Held (%)		Principal Activities
		2005	2004	
Subsidiaries of the Company				
Perusahaan Chan Choo Sing Sdn. Bhd.	Malaysia	100	100	Manufacturing of apparels
Beauty Electronic Embroidering Centre Sdn. Bhd.	Malaysia	100	100	Embroidering of logos and emblems
Jusca Garments Sdn. Bhd.	Malaysia	100	100	Temporarily ceased operations
Keza Sdn. Bhd.*	Malaysia	100	100	Fabric-knitting and manufacturing of elastic bands and socks
Mega Labels & Stickers Sdn. Bhd.*	Malaysia	100	100	Printing of labels and stickers
Cross Creek Distribution Sdn. Bhd.*	Malaysia	100	100	Marketing and retailing of golf apparels
Shern Yee Garments Sdn. Bhd. *	Malaysia	100	100	Renting of fleets and motor vehicles
Jusca Development Sdn. Bhd. *	Malaysia	100	100	Temporarily ceased operations
PCCS Garments Limited	Cambodia	100	100	Manufacturing of apparels
Subsidiary of Beauty Electronic Embroidering Centre Sdn. Bhd.				
E.M.I. Embroidery Sdn. Bhd.*	Malaysia	90	90	Embroidering of logos and emblems

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

31 March 2005

Name of Subsidiaries	Country of incorporation	Effective Equity Interest Held (%)		Principal Activities
		2005	2004	
Subsidiaries of Mega Labels & Stickers Sdn. Bhd.				
Mega Labels & Stickers (Selangor) Sdn. Bhd. *	Malaysia	100	100	Printing of labels and stickers
Blopak China Private Ltd*	The People's Republic of China	100	100	Manufacturing, value adding and sale of plastic packaging materials
China Roots Packaging Pte. Ltd.*	The People's Republic of China	100	—	Dormant
Subsidiaries of Shern Yee Garments Sdn. Bhd.				
PCCS Capital Sdn. Bhd.*	Malaysia	100	100	Dormant
Jusca Garments (Cambodia) Ltd.	Cambodia	70	70	Manufacturing of apparels
Subsidiaries of Cross Creek Distribution Sdn. Bhd.				
PCCS Marketing Sdn. Bhd.*	Malaysia	100	100	Marketing and retailing of sport apparels and products
Top Cheer Sdn. Bhd.*	Malaysia	60	60	Marketing and retailing of socks
Subsidiary of Jusca Development Sdn. Bhd.				
Beauty Silk Screen (M) Sdn. Bhd.*	Malaysia	55	55	Marketing of silk screen printing products
Subsidiary of Beauty Silk Screen (M) Sdn. Bhd.				
Beauty Silk Screen Limited	Cambodia	55	55	Printing of silk screen products

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

Notes To The Financial Statements (cont'd)

31 March 2005

Acquisition of subsidiary:

On 5 April 2004, the Company through its wholly-owned subsidiary, Mega Labels & Stickers Sdn. Bhd. ("Mega"), had incorporated a wholly-owned subsidiary, China Roots Packaging Pte. Ltd. ("CRPL"), in The People's Republic of China, with a total authorised capital of USD8,000,000 or approximately RM30,400,000. During the financial year, Mega had invested USD6,011,000 or approximately RM22,841,800 in the paid up capital of CRPL.

13. INVENTORIES

	Group	
	2005	2004
	RM'000	RM'000
At cost :		
Raw materials	11,944	17,236
Work-in-progress	9,118	6,447
Finished goods	6,906	7,575
	27,968	31,258
At net realisable value:		
Raw materials	1,724	2,243
Finished goods	3,560	2,219
	33,252	35,720

14. TRADE RECEIVABLES

	Group	
	2005	2004
	RM'000	RM'000
Trade receivables	42,283	41,556
Less : Provision for doubtful debts	(5)	-
	42,278	41,556

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 no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors except for 3 (2004 : 3) debtors which accounted for 58% (2004 : 60%) of total trade receivables as at balance sheet date.

Notes To The Financial Statements (cont'd)

31 March 2005

15. OTHER RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due from subsidiaries	–	–	47,148	34,754
Due from a shareholder of a subsidiary, Go Hout Hing	–	1,140	–	–
Sundry receivables	1,796	950	–	–
Advance to suppliers of materials	3,134	–	–	–
Deposits and prepayments	5,584	5,375	7	6
Prepayment for subscription of shares	–	4,564	–	–
Deposits and prepayments for acquisition of properties	633	2,651	–	–
	11,147	14,680	47,155	34,760

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

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

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash on hand and at banks	20,432	17,163	46	44
Deposits with licensed banks	9,273	5,771	–	4,750
Cash and bank balances	29,705	22,934	46	4,794
Less: Bank overdrafts (Note 17)	(476)	–	–	–
	29,229	22,934	46	4,794
Less : Deposits pledged to banks	(23)	(22)	–	–
	29,206	22,912	46	4,794

Deposits with licensed banks of the Group are pledged to banks for banking facilities granted to certain subsidiaries as referred to in Note 17.

The weighted average effective interest rates and average maturities of deposits at the balance sheet date were 1.9% (2004 : 3.8%) per annum and 10 days (2004 : 365 days) respectively.

Notes To The Financial Statements (cont'd)

31 March 2005

17. BORROWINGS

	Group	
	2005	2004
	RM'000	RM'000
Short Term Borrowings		
Unsecured:		
Bank overdrafts	476	–
Short term revolving credit	3,809	5,332
Export credit refinancing	5,902	5,000
Bankers' acceptances	25,022	16,303
Trade loans	7,055	13,895
Trust receipts	4,660	804
Term loans	2,711	3,521
Hire purchase and lease payables (Note 18)	–	35
	49,635	44,890
Secured:		
Term loans	128	138
Hire purchase and lease payables (Note 18)	2,847	2,240
	2,975	2,378
	52,610	47,268
Long Term Borrowings		
Term loans – unsecured	10,050	3,714
Secured:		
Term loans	398	306
Hire purchase and lease payables (Note 18)	3,860	4,801
	14,308	8,821
Total Borrowings		
Bank overdrafts (Note 16)	476	–
Short term revolving credit	3,809	5,332
Export credit refinancing	5,902	5,000
Bankers' acceptances	25,022	16,303
Trade loans	7,055	13,895
Trust receipts	4,660	804
Term loans	13,287	7,679
Hire purchase and lease payables (Note 18)	6,707	7,076
	66,918	56,089

Notes To The Financial Statements (cont'd)

31 March 2005

17. BORROWINGS (cont'd)

	Group	
	2005	2004
	RM'000	RM'000
Maturity of borrowings (excluding hire purchase and lease payables)		
Within one year	49,763	44,993
More than 1 year and less than 2 years	2,611	2,790
More than 2 year and less than 5 years	7,837	1,230
	60,211	49,013

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

	Group	
	2005	2004
	%	%
Bank overdrafts	7.5	7.5
Bankers' acceptances	4.0	3.6
Short term revolving credit	3.2	3.2
Export credit refinancing	3.3	3.3
Trade loans	2.5	2.5
Trust receipts	2.5	2.5
Term loans	6.1	6.1

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

The secured term loans are secured by certain buildings of the Group and fixed deposits as disclosed in Note 11 and Note 16 respectively.

18. HIRE PURCHASE AND LEASE PAYABLES

	Group	
	2005	2004
	RM'000	RM'000
Minimum hire purchase and lease payments:		
Not later than 1 year	3,202	2,659
Later than 1 year and not later than 2 years	2,450	2,623
Later than 2 years and not later than 5 years	1,788	2,732
	7,440	8,014
Less : Future finance charges	(733)	(938)
Present value of hire purchase and lease liabilities	6,707	7,076

Notes To The Financial Statements (cont'd)

31 March 2005

18. HIRE PURCHASE AND LEASE PAYABLES (cont'd)

	Group	
	2005	2004
	RM'000	RM'000
Present value of hire purchase and lease liabilities:		
Not later than 1 year	2,847	2,275
Later than 1 year and not later than 2 years	2,139	2,336
Later than 2 years and not later than 5 years	1,721	2,465
	6,707	7,076
Analysed as:		
Due within 12 months (Note 17)	2,847	2,275
Due after 12 months (Note 17)	3,860	4,801
	6,707	7,076

The hire purchase bore interest at the balance sheet date of between 2.90% to 5.90% (2004 : 3.05% to 5.90%) per annum.

19. TRADE PAYABLES

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

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

	Group	
	2005	2004
	RM'000	RM'000
HPI Resources Berhad and its subsidiaries #	177	102

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

20. OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Due to a director of a subsidiary	90	-	-	-
Due to directors	254	238	254	238
Due to fellow subsidiaries	-	-	7,458	-
Other payables and accruals	11,146	11,898	106	127
	11,490	12,136	7,818	365

Notes To The Financial Statements (cont'd)

31 March 2005

20. OTHER PAYABLES (cont'd)

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

	Group	
	2005 RM'000	2004 RM'000
HPI Resources Berhad and its subsidiaries #	151	–
Other companies	179	102
	330	102

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

21. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
Group and Company				
Authorised	100,000	100,000	100,000	100,000
Issued and fully paid				
At 1 April	60,012	60,011	60,012	60,011
Employee Share Options exercised during the year	–	1	–	1
At 31 March	60,012	60,012	60,012	60,012

The new ordinary shares rank pari passu in all respects with existing ordinary shares.

Notes To The Financial Statements (cont'd)

31 March 2005

21. 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 scheme should be allocated, in aggregate to directors and senior management and not more than 10% of the shares available under the ESOS scheme should be allocated to any individual director or employee who either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up share capital of the Company;
- (b) Any Malaysian employee (including Executive Directors) employed full time by the Company or its subsidiaries (excluding dormant companies) shall be eligible to participate in the 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				
	1.4.2004	Granted	*Lapsed	Exercised	31.3.2005
Options at a price of RM1.30 per share expiring on 6 November 2006	4,022,000	—	(326,000)	—	3,696,000

* Options lapsed due to resignation of the entitled individuals.

Notes To The Financial Statements (cont'd)

31 March 2005

21. SHARE CAPITAL (cont'd)

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

	Number of Share Options	
	2005	2004
At 1 April	4,022,000	4,214,000
Exercised	—	(1,000)
Lapsed	(326,000)	(191,000)
At 31 March	3,696,000	4,022,000

Details of share options exercised during the financial year and the fair value, at exercise date of ordinary shares issued are as follows:

Exercised date	Exercise Price RM	Fair Value of Ordinary Shares RM	Number of Share Options	Consideration Received RM
2004				
July 2003	1.30	1.40	1,000	1,300
Less: Par value of ordinary				(1,000)
Share premium				300

22. RETAINED PROFITS

As at 31 March 2005, the Company has tax exempt profits available for distribution of approximately RM17,350,000 (2004 : RM17,350,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit in the tax exempt account and under Section 108 of the Income Tax Act 1967 to frank the payment of dividends out of its entire retained profits as at 31 March 2005.

Notes To The Financial Statements (cont'd)

31 March 2005

23. NEGATIVE GOODWILL

	Group	
	2005	2004
	RM'000	RM'000
At 1 April	9,921	8,538
Acquisition of a subsidiary (Note 12(a))	–	1,383
At 31 March	9,921	9,921
Negative goodwill arising from acquisition of subsidiaries	9,941	9,941
Goodwill arising from acquisition of subsidiaries	(20)	(20)
	9,921	9,921

24. DEFERRED TAXATION

	Group	
	2005	2004
	RM'000	RM'000
At 1 April	5,036	4,538
Transfer from income statement (Note 8)	13	498
At 31 March	5,049	5,036

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

	Group	
	2005	2004
	RM'000	RM'000
Capital expenditure:		
Approved and contracted for	7,391	370

Notes To The Financial Statements (cont'd)

31 March 2005

27. CONTINGENT LIABILITIES – UNSECURED

	Company	
	2005	2004
	RM'000	RM'000
Corporate guarantee issued to financial institutions for credit facilities utilised by subsidiaries	59,577	48,569

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Transactions with subsidiaries				
Management fees received from Beauty Electronic Embroidering Centre Sdn. Bhd., Keza Sdn. Bhd. and Mega Labels & Stickers Sdn. Bhd.	–	–	145	145
Dividend income received from Perusahaan Chan Choo Sing Sdn. Bhd.	–	–	597	119
Transactions with HPI Resources Berhad and its subsidiaries *				
– Carriage outwards	182	303	–	–
– Packaging materials purchased	3,066	1,446	–	–

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 terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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

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

31 March 2005

29. SUBSEQUENT EVENTS

- (i) On 25 May 2005, Mega had invested additional USD1,300,000 or approximately RM4,940,000 in CRPL. With the additional investment, the total issued and paid-up share capital of CRPL is USD7,311,000 or approximately RM27,781,800.
- (ii) On 26 May 2005, the wholly owned subsidiary of the Company, Perusahaan Chan Choo Sing Sdn. Bhd. ("PCCSSB") had invested in total USD500,000 or approximately RM1,900,000 which representing 100% equity interest in PCCS Garments (Suzhou) Ltd. ("PCCSSZL"), a company incorporated in The People's Republic of China, resulting in the Company became the ultimate holding company of PCCSSZL.
- (iii) On 9 June 2005, PCCSSB is authorised by the Board of Directors to invest in PCCS (Hong Kong) Limited ("PCCSHK") by the acquisition of the entire share capital of HKD1,000 in PCCSHK for a purchase consideration of HKD1,000.
- (iv) On 27 June 2005, the Company had entered into a sales and purchases agreement to dispose of 500,000 ordinary shares of RM1 each in Cross Creek Distribution Sdn. Bhd. ("Cross Creek"), representing 100% paid-up capital of Cross Creek for a total consideration of RM1,088,000.

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Company had no substantial long-term interest-bearing assets as at 31 March 2005.

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

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

Notes To The Financial Statements (cont'd)

31 March 2005

(c) Foreign Exchange Risk

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

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

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 Currency				
	Euro	United States	Hong Kong	Singapore	Total
	Dollar	Dollar	Dollar	Dollar	
RM'000	RM'000	RM'000	RM'000	RM'000	
Functional Currency of Group companies					
At 31 March 2005:					
Ringgit Malaysia	–	–	(105)	(454)	(559)
Chinese Renminbi	(28)	(2,145)	–	–	(2,173)
<hr/>					
At 31 March 2004 :					
Ringgit Malaysia	–	–	(172)	(1,360)	(1,532)
Chinese Renminbi	(287)	(4,516)	–	–	(4,803)
<hr/>					

At the balance sheet date, the Group has 13 (2004 : 6) outstanding open forward contracts with banks to sell United States Dollars used to hedge anticipated sales with settlement date of one month. The local currency amounts to be received and the corresponding contracted rates of the above outstanding contracts were RM12,363,374 at USD1 = RM3.800 (2004 : RM53,107,623 at USD1 = RM3.8123).

(d) Liquidity Risk

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

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

31 March 2005

(e) Credit Risk

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

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments except as disclosed in Note 14. To mitigate this risk, the Group works closely with its customers to provide customer satisfaction through timely delivery and the provision of high quality products and services at competitive cost.

(f) Fair Values

The fair values of the financial assets and liabilities as at the balance sheet date approximate their carrying amount as shown in the balance sheets except that the fair value of the amounts due from subsidiaries and due to directors or a director of a subsidiaries or companies in which certain directors have interests as disclosed in Note 15 and Note 20, cannot be practically determined in view of the lack of repayment terms entered into by the parties involved and without incurring excessive costs.

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

	Nominal/ Notional Amount RM'000	Net Fair Value RM'000
As at 31 March 2005:		
Forward foreign exchange contracts	12,363	12,403
As at 31 March 2004:		
Forward foreign exchange contracts	52,936	53,107

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 2005

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 terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

31 March 2005

	Malaysia RM'000	Cambodia RM'000	China RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	379,040	4,537	24,554	–	408,131
Inter-segment sales	9,694	70,537	–	(80,231)	–
Total revenue	388,734	75,074	24,554	(80,231)	408,131
Result					
Profit from operations	11,796	2,221	2,017	–	16,034
Finance costs, net					(2,548)
Taxation					(2,017)
Profit after taxation					11,469
Minority interests					(383)
Net profit for the year					11,086
Assets					
Segment assets	151,423	37,640	39,723		228,786
Consolidated total assets					228,786
Liabilities					
Segment liabilities	94,168	4,293	6,523		104,984
Consolidated total liabilities					104,984
Other information					
Capital expenditure	6,581	6,111	19,956		32,648
Depreciation	7,249	4,204	1,546		12,999
Impairment losses	650	–	–		650

Notes To The Financial Statements (cont'd)

31 March 2005

31. SEGMENTAL INFORMATION (cont'd)

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

31 March 2004

	Malaysia RM'000	Cambodia RM'000	China RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	295,963	2,380	6,224	–	304,567
Inter-segment sales	–	38,553	–	(38,553)	–
Total revenue	295,963	40,933	6,224	(38,553)	304,567
Result					
Profit/(loss) from operations	13,335	(4,224)	181	(38)	9,254
Finance costs, net					(1,903)
Loss on disposal investment in an associate					(9,055)
Share of results of associate					2,781
Taxation					(2,584)
Loss after taxation					(1,507)
Minority interests					1,206
Net loss for the year					(301)
Assets					
Segment assets	155,852	34,932	19,080		209,864
Consolidated total assets					209,864
Liabilities					
Segment liabilities	82,234	4,278	10,941		97,453
Consolidated total liabilities					97,453
Other information					
Capital expenditure	11,190	10,241	3,654		25,085
Depreciation	6,632	3,571	392		10,595

(b) Secondary reporting segment - Business segments

As the Group is principally involved in manufacturing activities, segment reporting by business segment is not prepared.

Group Properties

As At 31 March 2005

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*
1	Perusahaan Chan Choo Sing Sdn Bhd 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)	14	1,932,892	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)	12	848,726	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)	13	345,398	04/04/1994*
4	No. 5, 7, 9, 11, Jalan Perdana 1, Taman Kota Yong Peng, 83700 Yong Peng, Batu Pahat Malaysia,	Office and Factory Block	Freehold	12,000 (15,600)	13	1,097,122	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)	12	58,125	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)	9	562,433	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)	9	5,673,825	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)	7	9,626,305	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)	2	4,231,894	31/03/2004

Group Properties (cont'd)

As At 31 March 2005

No.	Location	Description and Existing Use	Tenure	Land Area (build-up area) sq. ft.	Age of Building No. of Years	Net Book Value RM	Date of Acquisition/ Revaluation*
10	No. 92 & 93, Jalan KIP 9, Taman Industrial KIP, 52200 Kuala Lumpur.	2 Blocks of Office Building	Freehold	4,000 (7,968)	9	803,600	01/04/2004
11	Beauty Electronic Embroidering Centre Sdn Bhd Plo 5, Kawasan Perindustrian Parit Raja, 86400 Parit Raja, Batu Pahat, Johor, Malaysia.	2 Blocks Detached Factory And Ancillary Building	Leasehold expiring 1.3.2043	43,560 (30,292)	20	954,914	04/04/1994*
12	No. 53, Jalan Bunga Dahlia 9, Taman Aman, 81400 Senai, Johor, Malaysia.	Single Storey Terrance House	Freehold	1,200	18	105,600	22/09/1998
13	Jusca Garments Sdn Bhd C.T. 3875 Lot 6061; HS(D) 19630 PTD 15722; HS(D) 19631 15723 Mukim of Tangkak, District fo Muar, Johor, Malaysia.	Vacant Land	Freehold	756,796	N/A	3,118,530	01/12/1996
14	China Roots Packaging Pte Ltd Lot JGQ-C2, East Zone of Guangzhou Economic Development Zone, Guangzhou, Guangdong Province P.R.C.	Vacant Land	Leasehold expiring 26/03/2054	321,141	N/A	3,096,054	05/04/2005

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

Including 74,104 sq ft for Hostel – Item 9

Analysis Of Shareholdings

As At 5 July 2005

Authorised Share Capital	:	RM100,000,000.00
Issued and Paid-Up Share Capital	:	RM60,012,002.00
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting rights	:	One Vote Per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS AS AT 5 JULY 2005

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	134	3.76	7,300	0.01
100 – 1,000	328	9.20	295,864	0.49
1,001 – 10,000	2,715	76.16	9,689,080	16.15
10,001 – 100,000	349	9.79	8,689,311	14.48
100,001 - 3,000,599 (*)	38	1.07	17,330,369	28.88
3,000,600 and above (**)	1	0.03	24,000,078	39.99
TOTAL	3,565	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 5 JULY 2005

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	1,530,153	2.55	26,731,117 (1)	44.54
Chan Chow Tek	1,742,083	2.90	24,000,078 (2)	39.99
Chan Chor Ngiak	329,550	0.55	24,000,078 (3)	39.99
Chan Chor Ang	809,550	1.35	24,040,078 (4)	40.06
Chan Kok Hiang @ Chan Kock Hiang	213,333	0.36	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 Kian'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 5 July 2005

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 5 JULY 2005

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

Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Chan Choo Sing	1,530,153	2.55	26,731,117 (1)	44.54
Chan Chow Tek	1,742,083	2.90	24,000,078 (2)	39.99
Chan Chor Ngiak	329,550	0.55	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 Kian's shareholding in PCCS.

Analysis Of Shareholdings *(cont'd)*

As At 5 July 2005

THIRTY (30) LARGEST SHAREHOLDERS AS AT 5 JULY 2005

No.	Shareholders	Number of Shares	Percentage of Issued Capital
1.	Setia Sempurna Sdn Bhd	24,000,078	39.99
2.	Tan Kwee Kee	2,731,039	4.55
3.	Chan Choo Sing	1,530,153	2.55
4.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Skim Amanah Saham Bumiputera</i>	1,327,766	2.21
5.	Yap Shing @ Yap Sue Kim	1,300,066	2.17
6.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Choon Fatt</i>	1,078,700	1.80
7.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chan Chow Tek</i>	951,200	1.59
8.	Chan Chor Ang	809,550	1.35
9.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohd Radzuan Bin Ab Halim</i>	666,666	1.11
10.	Lim Poh Teot	642,466	1.07
11.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chan Chow Tek</i>	618,000	1.03
12.	Tan Pean Khoon	500,000	0.83
13.	Yap Nyet Yune	468,333	0.78
14.	Wetex Industries Sdn Bhd	441,000	0.73
15.	Chan Chor Ngiak	329,550	0.55
16.	Gan Surt Neo	285,900	0.48
17.	Ng Cheu Peng	277,400	0.46
18.	Yung Lay Kiang	256,666	0.43
19.	Go Hout Hing	236,166	0.39
20.	Chan Kok Hiang @ Chan Kock Hiang	213,333	0.36
21.	Foo Choon Tow	205,000	0.34
22.	Tan Hock Seng	200,000	0.33
23.	Tan Poay Jong	200,000	0.33
24.	Chan Chow Tek	172,883	0.29
25.	Yeo Eck Liong	166,666	0.28
26.	Bin Bin Knitwear Manufacturer Sdn Bhd	160,000	0.27
27.	Yeo Eck Liong	144,300	0.24
28.	Ho, Wei-Hua	142,800	0.24
29.	Ling Hua Ee	134,000	0.22
30.	Chan Wee Boon	131,000	0.22
		40,320,681	67.19

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PCCS Group Berhad
(CO. NO. 280929-K)
(Incorporated in Malaysia)

Form of Proxy

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

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

of _____
(Full Address)

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

of _____
(Full Address)

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

of _____
(Full Address)

or failing *him/her, the CHAIRMAN OF THE MEETING, as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Eleventh Annual General Meeting of the Company to be held at Plum Blossom Room, Level 2, Garden Hotel, No. 29, Jalan Jenang, 83000 Batu Pahat, Johor Darul Takzim on Wednesday, 24 August 2005 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.

AGENDA			
1.	To receive the Audited Financial Statements for the financial year ended 31 March 2005 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 4.0% for the financial year ended 31 March 2005. (Resolution 1)		
3.	To approve the Directors' fees for the financial year ended 31 March 2005. (Resolution 2)		
4.	To re-elect the Director, Mr. Chan Chow Tek who retires pursuant to Article 94 of the Company's Articles of Association. (Resolution 3)		
5.	To re-elect the Director, Mr. Chan Chor Ngiak who retires pursuant to Article 94 of the Company's Articles of Association. (Resolution 4)		
6.	To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorize the Directors to fix their remuneration. (Resolution 5)		
7.	As Special Business Ordinary Resolution No. 1 Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 (Resolution 6)		
8.	As Special Business Ordinary Resolution No. 2 Proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad (Resolution 7)		

* Strike out whichever not applicable

Signed this day of 2005

.....
Signature of Member/Common Seal

Notes:-

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

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

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

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

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