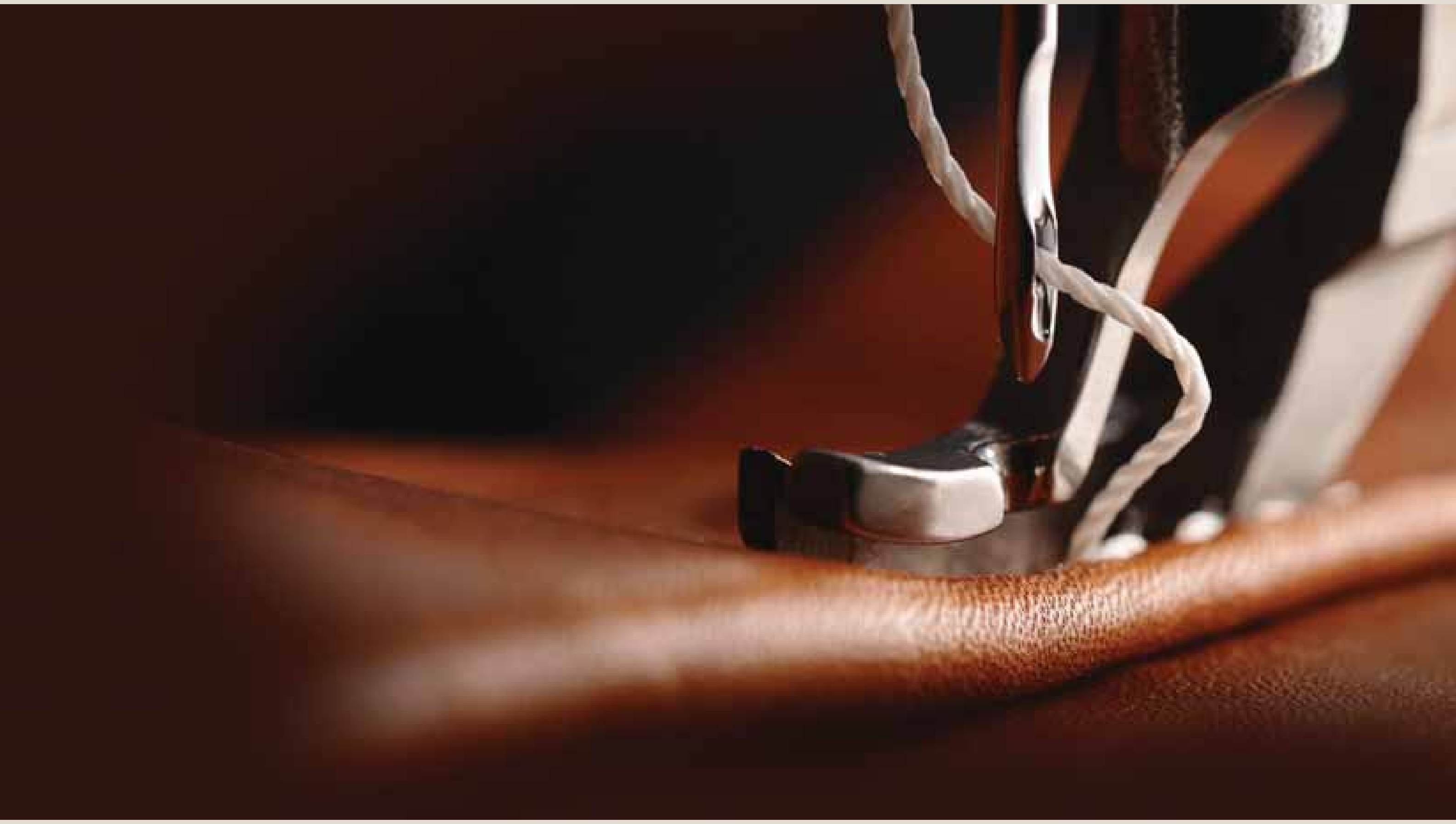
PECCA
GROUP BERHAD
(Company No. 909531-D)



2016 ANNUAL REPORT

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ABOUT US

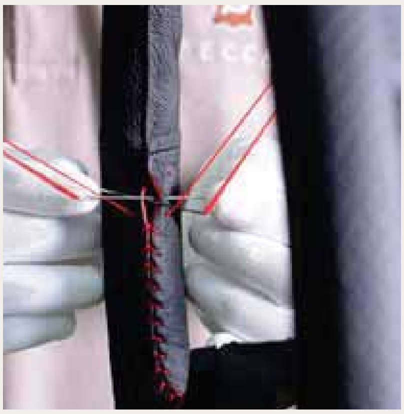
PECCA GROUP BERHAD'S

principal business activities are in the styling, manufacturing, distribution and installation of leather upholstery for car seat covers as well as, the supply of leather cut pieces to the automotive leather upholstery industry.

VISION - *To be the leading leather upholstery manufacturer globally.*

MISSION - *To keep exceeding our customer expectation in design, quality and innovation.*

Products & Services



CORPORATE INFORMATION

DIRECTORS

DATO' MOHAMED SUFFIAN BIN AWANG	(Independent Non-Executive Chairman)
DATUK TEOH HWA CHENG	(Group Managing Director)
DATIN SAM YIN THING	(Executive Director)
TAN JIN SUN	(Executive Director)
SAM CHEE KENG	(Executive Director)
DATO' DR NORRAESAH BINTI HAJI MOHAMAD	(Independent Non-Executive Director)
LEONG KAM WENG	(Independent Non-Executive Director)

AUDIT & RISK MANAGEMENT COMMITTEE

LEONG KAM WENG (Chairman)
DATO' MOHAMED SUFFIAN BIN AWANG
DATO' DR NORRAESAH BINTI HAJI MOHAMAD

NOMINATION COMMITTEE

DATO' MOHAMED SUFFIAN BIN AWANG (Chairman)
DATO' DR NORRAESAH BINTI HAJI MOHAMAD
LEONG KAM WENG

REMUNERATION COMMITTEE

DATO' DR NORRAESAH BINTI HAJI MOHAMAD (Chairman)
LEONG KAM WENG
DATUK TEOH HWA CHENG

COMPANY SECRETARIES

TAI YIT CHAN (MAICSA 7009143)
TAN AI NING (MAICSA 7015852)

REGISTERED OFFICE

Lot 6.05, Level 6,
KPMG Tower, 8,
First Avenue,
Bandar Utama,
47800 Petaling Jaya
Selangor Darul Ehsan
Telephone No. (03) 7720 1188
Facsimile No. (03) 7720 1111

SHARE REGISTRAR

Boardroom Corporate Services (KL) Sdn Bhd
(3775-X)

Lot 6.05, Level 6,
KPMG Tower
8, First Avenue,
Bandar Utama,
47800 Petaling Jaya
Selangor Darul Ehsan
Telephone No. (03) 7720 1188
Facsimile No. (03) 7720 1111

BUSINESS ADDRESS

No.1, Jalan Perindustrian Desa Aman 1A,
Industri Desa Aman, Kepong, 52200 K. Lumpur.
Telephone No. (03) 6275 1800
Facsimile No. (03) 6277 9809
Email: enquiry@peccaleather.com
Website: www.peccaleather.com

STOCK LISTING

Main Market of Bursa Malaysia Securities Berhad
(Listed on 19 April 2016)
Stock Code 5271
Stock Name PECCA

AUDITORS

Crowe Horwath
Level 16, Tower C, Megan Avenue II,
12, Jalan Yap Kwan Seng, 50450 K Lumpur.
Telephone No. (03) 2788 9999
Facsimile No. (03) 2788 9998

CORPORATE STRUCTURE

PECCA GROUP BERHAD

Pecca Leather Sdn Bhd (PLeather) 100%

- Styling, manufacturing, distribution and installation of leather upholstery for car seat
- Supply of leather cut pieces to the automotive leather upholstery industry
- Styling, manufacturing, distribution and installation of car door trim covers and covers for car accessories
- Supply of leather hides to the automotive upholstery industry
- Provision of sewing services for fabric car seat covers
- Provision of wrapping and stitching services

Pecca Leather Aviation Services Sdn Bhd (PAviation) 60%

- Manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat covers and provision of parts refurbishment services to the aviation industry

Everest Empire Sdn Bhd 100%

- Currently dormant. Intended principal activity of operating retail outlets selling car seat covers for after market

BOARD OF DIRECTORS

MR. TAN JIN SUN
Executive Director

DATO' MOHAMED SUFFIAN BIN AWANG
Independent Non-Executive Chairman

DATUK TEOH HWA CHENG
Group Managing Director

PROFILE OF DIRECTORS

DATO' MOHAMED SUFFIAN BIN AWANG
Male, aged 45, a Malaysian

Dato' Mohamed Suffian bin Awang was appointed as the Independent Non-Executive Director of Pecca Group Berhad on 3 December 2014. Subsequently he was re-designated as the Independent Non-Executive Chairman on 4 February 2015. He obtained his Diploma in Public Administration and Bachelor of Law Degree from Universiti Teknologi Mara Shah Alam in 1992 and 1996 respectively. He has 14 years of legal practice and 6 years of civil service working experience.

Presently, he is attached to Perumahan Rakyat 1 Malaysia (PR1MA) as Vice President of the Chairman's Office, which he assumed since 2014. He is involved in the preparation and development of proposals involving special projects initiated by the Government Ministries and State Regulators for Chairman's office.

He is also the independent Non-Executive Director of Felda Global Ventures Holdings Berhad. He sits on the boards of Koperasi Permodalan Sukarelawan Kuala Lumpur Berhad and Perbadanan Nasional Berhad.

Dato' Mohamed Suffian had attended all the 2 board meetings held in financial year 2016.

He is the Chairman of our Nomination Committee and a member of our Audit and Risk Management Committee.

DATUK TEOH HWA CHENG
Male, aged 48, a Malaysian

Datuk Teoh Hwa Cheng is the Group Managing Director and founder of our Pecca Group. He was appointed to the Board of Pecca Group Berhad on 27 July 2010. He brings with him more than 25 years of business experience in the leather goods industry.

He established Pecca Leather Sdn Bhd (PLeather) in 2000 to focus on the automotive leather upholstery industry. He was instrumental in our continual expansion in the leather seat covers business, both locally and internationally. He is responsible for leading the overall strategic planning and the charting of long term objectives of our Pecca Group.

He does not hold any directionship in other public companies or listed issuers.

Datuk Teoh Hwa Cheng had attended all the 2 board meetings held in financial year 2016.

He is a member of our Remuneration Committee.

DATIN SAM YIN THING
Female, aged 45, a Malaysian

Datin Sam Yin Thing is the Executive Director of Pecca Group Berhad. She was appointed to the Board on 31 October 2011. She is currently responsible for overseeing the purchasing functions of our Pecca Group, especially those in relation to vendor development for key raw materials. These include leather and PVC raw materials, where she has extensive knowledge from her involvement in the leather industry for the past 20 years.

She does not hold any directionship in other public companies or listed issuers.

Datin Sam Yin Thing had attended all the 2 board meetings held in financial year 2016.

TAN JIN SUN
Male, aged 47, a Malaysian

Tan Jin Sun was appointed as the Executive Director of Pecca Group Berhad on 3 December 2014. He is also the Chief Executive Officer of PLeather. He obtained his Associate membership of the Chartered Institute of Management Accountants (CIMA) in 1996 and is a Chartered Accountant with Malaysian Institute of Accountants.

He has more than 25 years of working experience in finance and management.

In July 2011, he joined PLeather as Chief Financial Officer. He was subsequently promoted to Chief Executive Officer of PLeather in 2012 and is responsible to ensure the development of and proper management of organisation resources for the implementation of business strategies to achieve long term financial objectives to sustain the business of the Pecca Group.

He does not hold any directorship in other public companies or listed issuers.

Mr. Tan Jin Sun had attended all the 2 board meetings held in the financial year 2016.

Profile of Directors
(cont'd)

SAM CHEE KENG
Male, aged 37, a Malaysian

Sam Chee Keng was appointed as the Executive Director of Pecca Group Berhad on 3 December 2014. He is also the Executive Director of PLeather. He has more than 20 years of working experience specialising in research and development of car seat covers.

He does not hold any directorship in other public companies or listed issuers.

Mr. Sam Chee Keng attended all the 2 board meetings held in financial year 2016.

DATO' DR NORRAESAH BINTI HAJI MOHAMAD
Female, aged 68, a Malaysian

Dato' Dr Norraesah binti Haji Mohamad is our Independent Non -Executive Director. She was appointed to our Board on 30 July 2015. She obtained a PhD (Economics Science) International Economics and International Finance from University of Paris I, Pantheon-Sorbonne, France in 1986.

She has over forty three (43) years of working experience in the field of banking, finance, investment, international trade and commerce.

She is currently the Chairman of the World Islamic Businesswomen Network of the World Islamic Economic Forum ("WIEF'') and sits on its Board of Trustees and is a member of the International Advisory Panel. She sits on the Board of Directors of My E.G. Services Berhad as Executive Chairman. She also sits on the Board of Directors of Adventa Berhad, Malaysian Genomics Resource Centre Berhad, Utusan Melayu (Malaysia) Berhad and Institut Kajian Pembangunan Bangsa.

Dato' Dr Norraesah had attended all the 2 board meetings held in financial year 2016.

She is the Chairman of our Remuneration Committee, and a member of our Audit and Risk Management Committee and Nomination Committee.

LEONG KAM WENG
Male, aged 52, a Malaysian

Leong Kam Weng is our Independent Non–Executive Director. He was appointed to our Board on 11 September 2014. He graduated with a Bachelor of Economics Degree and a Bachelor of Laws Degree, both from Monash University, Australia. He is a Fellow of CPA Australia and a Chartered Accountant of the Malaysian Institute of Accountants. He is a certified mediator on the panel of the Malaysian Mediation Centre. He was called to the Malaysian Bar in 1989 and was in legal practice for 3 years before he joined TA Enterprise Berhad in 1992. Since 1999, he has been a Partner of the law firm, Messrs Iza Ng Yeoh & Kit.

He sits on the Board of Directors of TA Enterprise Berhad, TA Global Berhad and Xin Hwa Holdings Berhad, all of which are listed on Bursa Malaysia Securities Berhad. He is also a director of several non-listed public companies namely, Tokio Marine Life Insurance Malaysia Berhad, Asian Outreach (M) Berhad and Pusat Penyayang KSKA.

Mr. Leong Kam Weng had attended all the 2 board meetings held in the financial year 2016.

He is the Chairman of our Audit and Risk Management Committee and a member of our Remuneration Committee and Nomination Committee.

KEY MANAGEMENT PROFILE

LEONG WAI MING
Male, aged 47, a Malaysian

Leong Wai Ming was appointed as the Chief Financial Officer of Pecca Group Berhad on 18 August 2016.

He obtained his Bachelor of Economics from the University of Adelaide, Australia. He is a member of the Malaysian Institute of Accountants.

Mr. Leong Wai Ming has over 25 years of working experience in the area of financial management, corporate function, restructuring, merger and acquisition.

He does not hold any directorship in public companies or listed issuers.

CHU SHU LIP
Male, aged 48, a Malaysian

Chu Shu Lip was appointed as the Chief Marketing Officer of PLeather on 11 July 2016.

He obtained his Bachelor Degree in Business Administration from University of Arkansas, USA.

Mr. Chu Shu Lip has over 23 years of sales experience in automotive industry.

He does not hold any directorship in public companies or listed issuers.

LIEW YOON FATT
Male, aged 52, a Malaysian

Liew Yoon Fatt was appointed as the Chief Operating Officer of PLeather on 16 December 2014.

He obtained his Diploma in Technology from Tunku Abdul Rahman College and Professional Degree in Mechanical Engineering from the Engineering Council (United Kingdom). He is a member of the Institution of Engineers Malaysia since 1996.

Mr. Liew Yoon Fatt has over 28 years of working experience gained from the motorcycle, lighting, insulation, plastics and medical industries. He has extensive experience in quality control of products, production and planning, process improvements, preventive maintenance, engine development and engine part procurement. He is also familiar with skill training, Kaizen initiatives and ISO certifications.

He does not hold any directorship in public companies or listed issuers.

OOI ENG HUAT
Male, aged 31, a Malaysian

Ooi Eng Huat was appointed as the Executive Director cum Quality Assurance Manager of PAviation on 1 October 2014.

Mr. Ooi Eng Huat has over 12 years of working experience gained mostly from the aviation industries. He has extensive experience in inspection, repair services, maintenance, overhaul and refurbishment of aircraft and commercial airlines targeting seat and interior cabin parts.

He does not hold any directorship in public companies or listed issuers.

Key Management Profile
(cont'd)

SAM CHEE SIONG
Male, aged 42, a Malaysian

Sam Chee Siong was appointed as the Operation Manager of PLeather in 2010. He joined PLeather in 2007 as the R&D and Planning Manager.

Mr. Sam Chee Siong has over 24 years of working experience in the operations of small leather goods, leather car seat covers and other materials wrap and covers for components mainly in the automotive and fashion businesses. He has extensive experience in product quality, production process efficiency and improvements. He currently oversees production planning, warehousing and logistics, skill set development program, preventive maintenance, work safety and health programmes.

He does not hold any directorship in public companies or listed issuers.

SIAH CHEE BOON
Male, aged 45, a Malaysian

Siah Chee Boon was appointed as the Financial Controller of PLeather in 2012.

He obtained his professional qualification from the Association of International Accountants in1999.

Mr. Siah Chee Boon has over 25 years of working experience gained from the audit, manufacturing, oil and gas industries. He has extensive experience in the area of auditing, accounting, finance and treasury.

He does not hold any directorship in public companies or listed issuers.

MAT NIZAM BIN MAT DARON
Male, aged 46, a Malaysian

Mat Nizam Bin Mat Daron was appointed as the General Manager of Sales and Marketing of PLeather on 1 July 2016.

He obtained his Certificate of Civil Engineering from Politeknik Sultan Haji Ahmad Shah and both his Executive Bachelors in General Management and Executive Masters in Entrepreneurship from Asia e University.

Mr. Mat Nizam bin Mat Daron has over 26 years of working experience gained from the manufacturing industries making plastic injection mould, rubber components and automotive body kits. He has extensive experience in quality assurance, quality systems audit and production process improvements. His forte is in sales and marketing specialising in local OEM/ PDI (Pre Delivery Inspection, "PDI") contracts. He is also familiar with implementation of ISO/TS certifications.

He does not hold any directorship in public companies or listed issuers.

Notes:

a) Relationships and Associations
   i) Datin Sam Yin Thing is the spouse of Datuk Teoh Hwa Cheng;
   ii) Datin Sam Yin Thing, Sam Chee Keng and Sam Chee Siong are siblings;
   iii) Sam Chee Keng and Sam Chee Siong are the brother-in-laws of Datuk Teoh Hwa Cheng.

   Save as disclosed above, there are no family relationships or association between substantial shareholders, Directors and key management.

b) In the past 5 years, other than traffic offences, none of the Directors and key management have been convicted of offences. There were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

c) Save as disclosed in Section 6 of Additional Compliance Information of this Annual Report, none of the Directors and key management has any conflict of interests with the Company.

CHAIRMAN'S STATEMENT

DATO' MOHAMED SUFFIAN BIN AWANG
Independent Non-Executive Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Pecca Group Berhad ("Pecca Group" or the "Company"), I am pleased to present the first Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 30 June 2016 (FYE 2016).

2016 marks an eventful year for Pecca Group with our successful listing on the Main Market of Bursa Malaysia Securities Berhad on 19 April 2016.

The Initial Public Offering (IPO) was a milestone for the Group. The IPO raised RM67.87 million for the Company from the Public Issue of 47.80 million new shares at an issue price of RM1.42 per share.

For 2016, Malaysia continues to grow but at a slower pace due to external headwinds. Being an open economy, we are impacted by slower growth in China and the fallout of Britain from the European Union.

Bank Negara Malaysia projects the economy to grow at between 4% and 4.5% in 2016, a slightly slower pace from the 5% in 2015. But the government has also put in place measures to ensure sustainable economic growth through various projects while continuing with its fiscal consolidation.

BNM has recently reduced the interest rate by 25 basis points to ease the burden of financing for businesses and consumers and to help sustain economic growth and personal consumption.

The Malaysian Automotive Association on 20 July 2016 forecasts a total of 580,000 vehicle to be sold in 2016, a decline of 13% from 2015 of 666,674 actual vehicle sold.

Pecca Group, which is involved in the automotive industry, has taken cognizance of the current economic situation. Despite the softer automotive market, Pecca Group continue to see a steady demand for its leather upholstery from our main segments which are Original Equipment Manufacturers ("OEM") and Pre-delivery Inspection ("PDI"). In addition, moving forward Pecca Group will not only focus on the local market but also the overseas market to drive growth. We will exercise prudence and continually stay focused to expand our overseas sales and explore new business opportunities to sustain and grow our businesses.

I am pleased to state that we have achieved commendable results for FYE 2016 despite a challenging global economy. With our listing proceeds, we are determined to build on our strengths and competitive advantages to continue to provide healthy returns to all our shareholders.

Chairman's Statement
(cont'd)

FINANCIAL HIGHLIGHTS

Pecca Group recorded a revenue of RM126.29 million, Profit Before Tax (PBT) of RM19.27 million and Profit After Tax (PAT) of RM14.44 million for FYE2016. Its basic earnings per share stood at 9.67 sen. Despite the softer automotive market, the Group manages to defend its revenue base with only a 2.5% decrease from FYE 2015 of RM129.54 million. PBT was however lower by 18.9% compared to FYE 2015 of RM23.77 million due to non-recurring listing expenses and corresponding non claimable Goods and Services Tax totaling RM2.05 million. However, I wish to emphasise that the listing of Pecca Group is vital for the Group to embark on its strategies for a sustainable long term growth.

BUSINESS PROSPECTS

Pecca Group is well-positioned for growth in the automotive leather upholstery industry, following the improved vehicle sales of 144,192 units in Q4 of FYE2016 from 131,267 units in Q3 of FYE2016 and favourable consumer trend of ever increasing percentage of new cars fitted with leather upholstery. According to Frost & Sullivan, total passenger vehicles fitted with leather upholstery was 27.7% of total production volume in 2011 and has increased to 35.4% in 2015.

Moving forward, we expect the demand for passenger vehicles to increase, underpinned by the rising income level of consumers, the country's car-centric culture as well as support from institutional policies.

We are confident that we will be able to leverage on this favourable trend, which offers a positive outlook as well as promising growth prospects for Pecca Group.

CORPORATE GOVERNANCE

The Board of Pecca Group highly values integrity, transparency, dedication and other positive traits. We also place much emphasis on good corporate governance and always strive to create the utmost value for our shareholders. The measures we have implemented towards this end are outlined in our Corporate Governance Statement, Audit and Risk Management Committee Report and Statement on Risk Management and Internal Control found further in this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

Pecca Group is committed to be responsible for the space where we operate. Our Corporate Social Responsibility activities focuses on four areas:

- Workplace
- Community
- Marketplace
- Environment

The activities held during the year are as follows:

5S Workplace Organisation Method
Date: Monthly cash award
Beneficiary: Best department

Blood Donation Campaign "Together we Donate Blood, Save Lives"
Date: 30 September 2015
Beneficiary: Pusat Darah Negara

Strategic Planning Coaching
Date: 3 October 2015
Conducted by: Malaysian Automotive Institute

Fire Rescue Training
Date: 13 February 2016
Conducted by: Jabatan Bomba dan Penyelamat Malaysia

Donation – 2 wheel chairs
Date: 17 March 2016
Beneficiary: Pertubuhan Membantu Pesakit Parah Miskin Malaysia

Donation Cash RM10,000
Date: 8 June 2016
Beneficiary: LianKahYee-CP-Funds

DIVIDEND

In view of Pecca Group's commendable financial performance, the Board of Directors had on 24 May 2016 declared and on 28 June 2016 paid an interim single-tier dividend of 2.0 sen per share totaling RM3.76 million to reward its shareholders.

In line with our dividend policy to distribute 40% of our annual Group's PAT, the Board is also recommending a final dividend of 2.0 sen per share for your consideration.

APPRECIATION

On behalf of the Board of Directors, I wish to extend my heartfelt gratitude to all our shareholders for their steadfast support and confidence in the Group. Rest assured that Pecca Group will continue to deliver value to its shareholders.

To our management and employees, a big heartfelt thank you for your dedication and contributions toward the continued success of Pecca Group.

Dato' Mohamed Suffian bin Awang
Independent Non-Executive Chairman

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

DATUK TEOH HWA CHENG
Group Managing Director

DEAR SHAREHOLDERS,

On behalf of the Management Team, I am pleased to present the operations review of Pecca Group Berhad ("Pecca Group" or the "Company") for the financial year ended 30 June 2016.

BUSINESS OVERVIEW

Pecca Group's principal business activities comprise two segments, namely the automotive and aviation segments.

The automotive segment focuses on the styling, manufacturing, distribution and installation of leather upholstery for car seat covers and accessory covers, and the supply of leather cut pieces for the OEM segment, PDI segment and Replacement Equipment Manufacturer (REM) segment.

The Group's products and services although focused in Malaysia are also exported to the United States, the Netherlands, Thailand, Australia, Japan, New Zealand, Singapore, Indonesia, the United Kingdom and Mauritius. In Malaysia, our products are for the OEM, PDI and REM market segments, whereas our export-designated sales are from the PDI and REM segments.

The aviation segment currently involves the provision of repair and restoration of non-structural cabin interior parts and aviation leader upholstery material under the Part 145 Repair Station license granted by Department of Civil Aviation, Malaysia ("DCA").

OPERATIONS REVIEW

The automotive segment registered a total revenue and PBT of RM125.88 million and RM19.48 million respectively, while the aviation segment recorded a revenue of RM0.42 million and loss before tax of RM0.21million in FYE 2016.

Revenue from leather upholstery for car seat covers of RM99.41 million remains the largest contributor to the Group, accounting for approximately 76.9% of the total revenue recorded, followed by leather cut pieces supply of RM21.02 million which accounted for approximately 16.6% of total revenue in FYE 2016.

Revenue derived from core segment which is the OEM leather car seat covers (OE Fit) of RM59.72 million continued to dominate and was the largest contributor segment, accounting for approximately 47.3% of the total revenue. However, PDI (Smart Fit) revenue increased significantly by 58.4% from RM12.23 million in FYE 2015 to RM19.37 million in FYE 2016 reflecting a greater acceptance of our patented Smart Fit product.

Group Managing Director's Review of Operations (cont'd)

In terms of geographical breakdown for revenue achieved in FYE2016, 86.2% was derived from the local market and the remaining 13.8% was from the export market. The export market grew by 39.8% from RM12.51 million in FYE 2015 to RM17.49 million in FYE 2016 due to our persistent efforts to win and grow the export markets.

Currently, Pecca Group is capable of producing 120,000 sets of car seat covers annually. Our group practice is to ensure there is a buffer production capacity of about 15% at all times to cope with any ad hoc orders from our customers which typically have short lead times. As they are Tier 1 customers/ manufacturers which cannot afford any downtime in their production schedule, it is essential that we are in a position to increase production to meet their requirements. We have been operating at 87% capacity to cater for the existing car models as well as new models.

We are planning to increase our production floor area and to purchase new machinery from part of the proceeds raised from our listing exercise. This will increase our operating capacity by an additional 50,000 sets of car seat covers to 170,000 sets annually. The increase in capacity will underpin our business activities and meet the anticipated increase in demand from new contracts.

In respect of our new aviation business, the Group managed to complete a refurbishment project with Execujet Malaysia Sdn Bhd for RM0.42 million while it was applying for the part refurbishment scope of Part 145 Repair Station license. However, due to the low initial level of operations, the Aviation segment reported a loss before tax of RM0.21 million.

Pecca Group obtained DCA approval on 9 March 2016 for repair of broken or cracked non-structural cabin interior vinyl, plastic and composite materials components. Since then, the Group has received its order for part refurbishment from airline companies. More significantly, the Group had recently on 7 September 2016 obtained approval from DCA to include in our license the scope for wrapping, cutting and sewing leather or fabric seat cover and cabin interior sidewall and ceiling panel. With the licences, I am hopeful that this division will continue to develop into a significant revenue contributor to the Group in the future.

FUTURE PLANS AND PROSPECTS

Our listing on Bursa Malaysia on 19 April 2016 has raised the profile of Pecca Group and strengthened our position as the largest automotive leather upholstery supplier for OEM passenger vehicles in Malaysia with a market share of 67.7% in 2015.

Under the flotation exercise, the Company raised RM67.87 million from the Public Issue of 47.80 million new shares. The proceeds from the initial public offer will enable us to increase the production capacity in anticipation of greater demand for leather upholstery for car seat covers and accessory covers. We expect the new capacity to come on stream in 4Q FYE 2017.

We also plan to sell our products directly to end-users and further penetrate the REM market with the gradual opening of retail outlets across Malaysia where we will focus on selling our Smart Fit and Quick Fit products and car accessory covers.

This will also create brand awareness as the retail outlets will be able to showcase the various designs and demonstrate to customers the features of our products.

The retail outlets will focus on the mass replacement market, particularly new and reconditioned car owners.

The listing also has provided the Group with the necessary resources to establish our market presence in Thailand and the incorporation of Thailand entity is in progress.

In order to diversify our exposure in the automotive industry, we have ventured into the aviation part refurbishment business with the ultimate aim to use our leather expertise to supply leather upholstery to the aviation industry.

These above initiatives are expected to lead our Group closer to our Vision to be the leading leather upholstery manufacturer globally.

BUSINESS AND INDUSTRY OUTLOOK

The automotive leather upholstery industry is in the growth stage of its industry lifecycle. There is ample room for growth as the government aims to double the production volume of passenger vehicles to about 1.1 million by 2020.

Also, the local completely-knocked-down (CKD) production for premium continental brands has started. These OEMs are more likely to have leather upholstery installed in their vehicles and this will spur their competitors to do the same.

Leather upholstery is increasingly being used in developed automotive markets in the US, Canada and Europe. Consumers in China are also expected to demand such quality products as their disposable income increases in line with the growth of their economy.

As for the aviation upholstery industry in Malaysia, demand is expected to increase in line with the purchase of more aircraft by airlines.

The purchase of these aircraft is to cope with the surge in air travel not only in Malaysia but also regionally, and this in turn will spur the demand for our products. For long-haul flights, there is a greater proposition for leather aviation upholstery. The highly engineered aviation leather is lighter and more durable than conventional fabric upholstery, thus reducing wear and tear and makes maintenance easier.

APPRECIATION

I take this opportunity to thank all our customers, suppliers, the Government, business partners and shareholders for their unwavering support to Pecca Group. My deepest gratitude also goes to the management and staff for their commitment and dedication throughout the years. And to my colleagues on the Board, I would like to put on record my deepest appreciation for your dedication, effort and enthusiasm to serve the Group.

Datuk Teoh Hwa Cheng
Group Managing Director

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Pecca Group Berhad acknowledges the importance of the Principles and Best Practices as set out in the Malaysian Code on Corporate Governance 2012 ("the MCCG") and is committed to adhere to the highest standards of corporate governance ("CG") throughout the Group.

The following statement outlines the CG principles and best practices duly adopted by the Group during the financial year ended 30 June 2016 ("FYE 2016"):-

Principle 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

- **Roles and Responsibilities of the Board and Management**

  The Directors bring to the Board diverse wealth of knowledge, business and professional experience relevant to the Company in the pursuit of its business objectives.

  The Board is collectively responsible for the overall conduct of the Group's business and for the performance of the Company and the Group. The following matters are reserved for its decision making:
  - Conflict of interest issues relating to a substantial shareholder or a director including approving related party transactions,
  - Material acquisition and disposition of assets not in the ordinary course of business,
  - Strategic investments, merger and acquisitions and corporate exercises,
  - Limits of authority,
  - Treasury policy,
  - Risk management policies,
  - Key human resources issues.

  The members of the Board ensure high ethical standards are applied by exercising due diligence and care in discharging their responsibilities and through compliance with relevant rules and regulations, directives and guidelines in addition to adopting the best practices in the MCCG. The Board is always mindful to act in the best interest of major as well as minority shareholders of the Company.

  The Group has put in place a Board Charter that sets out, among others, the roles of the Board, division of responsibilities between the Chairman and the Managing Director, structures of the Board Committees, procedures for the conduct of meetings and conflict of interest. More information on the Board Charter can be found on the Group's website (www.peccaleather.com).

  The following are among the key responsibilities of the Board:

  (a) Reviewing and adopting the Company's strategic plans.
  (b) Overseeing the conduct of the Company's business.
  (c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures to monitor and manage the risks.
  (d) Succession planning for the Board and key management.
  (e) Overseeing the development and implementation of a shareholder communications policy.
  (f) Reviewing the adequacy and integrity of management information and internal control system.

- **Code of Conduct and Ethics, Whistleblowing Policy and Sustainability Policy**

  The Board has established the Code of Ethics to set the standard of conduct expected of all its board members. Details of the Code of Ethics can be viewed at the Group's website.

  A Whistleblowing Policy was formalised by the Board to encourage reporting of suspected improprieties. Improper activities disclosure, including those relating to financial reporting, unethical or illegal conduct may be reported directly to the Chairman of Audit and Risk Management Committee, Mr. Jory Leong Kam Weng (email : joryleong@inyk.com). Whereas employment related concerns can be reported to the Managing Director, Datuk Kelvin Teoh Hwa Cheng (email: kelvinteoh@peccaleather.com) or the Executive Director, Mr. Michael Tan Jin Sun (email: michaeltan@peccaleather.com)

The Board is mindful of the importance of business sustainability and the impact of the Group's business on its surroundings in particular the environment and the society. The Group is committed to incorporate sustainability and corporate social responsibility into its strategy and daily operation and has formalised a Sustainability Policy. The Group's activities on corporate social responsibilities for FYE 30 June 2016 are disclosed on page 12.

- **Conflict of Interest**

  Members of the Board are required to make a declaration to that effect at the Board meeting in the event that they have interests in proposals being considered, including where such interest arises through close family members or related parties.

  Any interested Directors would abstain from deliberations and decision of the Board on the subject proposal and, where appropriate, excuse themselves from being present in the deliberations.

- **Insider Trading**

  In line with Bursa Malaysia's Main Market Listing Requirements ("MMLR") and the Capital Markets and Services Act 2007, Directors, key management personnel and principal officers of the Company and the Group are prohibited from trading in securities when in possession of price sensitive information which have not been publicly announced.

- **Company Secretary**

  The Company Secretaries ("Company Secretary") appointed are members of the Malaysian Institute of Chartered Secretary and Administrators and is suitably qualified, competent and capable of carrying out the duties required. The Company Secretary is responsible for ensuring the Board meetings procedures are followed and for advising the Board on issues relating to compliance with the relevant laws, rules, procedures, regulations affecting the Group in particular advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. All Directors have full and unrestricted access to the advice and services of the Company Secretary.

- **Access to Information and Advice**

  All Board members are provided with Board papers before the Board meeting to enable them to consider the agenda items to be discussed. Whenever necessary, senior management or external advisors are invited to attend the Board and Board Committee meetings to provide further clarity on agenda items being discussed.

  The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities. As and when the need arises, the Directors are also provided with ad-hoc reports, information papers and relevant training where necessary to ensure they are updated on key business, operational, corporate, regulatory and industry matters.

  The Board has complete and unrestricted access to the advice and services of the Company Secretary to enable them to effectively discharge their duties.

  Authority is also given to the Board to seek independent professional advice, if necessary, at the Company's expense from time to time in the performance of their duties. All Board Committees also have access to independent professional advice on the same basis.

Principle 2: STRENGTHEN COMPOSITION

- **Board Composition and Balance**

Under the Company's Articles of Association, the number of Directors shall be not less than two (2). As at the date of this Statement, there are seven (7) members of the Board, comprising of three (3) Independent Non-Executive Directors, three (3) Executive Directors and one (1) Managing Director, the composition of which is in compliance MMLR.

The composition of the Board fairly reflects the interest of the significant shareholders, without compromising the interest of the minority shareholders. The composition is fairly balanced and mix in terms of skills and experiences which is valuable in formulating the strategic direction of the Group.

The presence of Independent Non-Executive Directors on the Board, not only act as a caretaker of the minority shareholders but also fulfils a pivotal role in corporate accountability. The Board places great importance on its Independent Non-Executive Directors since they serve as an essential source of impartial and professional guidance to protect the interest of minority shareholders and add value to all shareholders.

- **Board Diversity**

The Board recognizes the importance of boardroom diversity to provide a broader view for its decision making process. In this regard, the Board consider diversity from a number of different aspects, including gender, age, ethnicity, professional experience, skills and length of service. With regards to gender diversity, the Board targets to maintain at least one (1) woman Director or a minimum 20% women representation on the Board, whichever higher number. The Board current has 2 female members which represents 29% of the board. The Board strives to maintain this target and will consider female candidates as new Directors of the Company as and when the opportunities arises, however, the Board is also mindful that it is also important to have the right mix of skills at the Board in order to enable the Board to carry out its duties effectively

In addition to diversity in the boardroom, the Group is also committed to workplace diversity ensuring that the Group value and respect differences and that our workplace is fair, accessible, flexible and inclusive and free from discrimination.

A brief profile of each Director is stated on the Profile of Directors Section in the page 7 of this Annual Report.

- **Board Committees**

The Board has set up several Board Committees to assist the Board in discharging its duties and responsibilities. The Chairman of the various committees will report to the Board on the outcome of the respective committee meetings and such reports are incorporated in the minutes of the Board meeting.

(a) Audit and Risk Management Committee ("ARMC")

The ARMC was formed primarily to oversee financial reporting and evaluate the internal and external audit process. The ARMC is authorized by the Board to investigate any activities within its terms of reference and has unrestricted access to both the internal and external auditors and senior management of the Group. The composition of the ARMC and the activities carried out by the ARMC are summarised in the Audit and Risk Management Committee Report as stated on page 27 of this Annual Report.

The details of the function and terms of reference of the ARMC are published in the Group's website.

(b) Nomination Committee ("NC")

The NC was set up to carry out primarily the following functions:-

- To propose new nominees for the Board of the Company. In proposing the nominee, the NC having evaluated the balance of skill, knowledge, experience and diversity in the Board will assess candidates based on:
  - skills, knowledge, expertise, experience, competence and ability
  - integrity and professionalism,
  - commitment
  - background and character
- To appraise each individual Director and assess their effectiveness and contribution in carrying out their obligations and duties.
- To examine the ability of each Director to contribute to the effective decision making process and ensure that the Board is functioning actively, efficiently and effectively in all its decision making.
- To assess the effectiveness, size and composition of the Board of Director as a whole and the committees of the Board.

The full details of the NC's terms of reference are published in the Group's website.

The Nomination Committee ("NC") comprises of entirely Independent Non-Executive Directors, of which complied with the recommendations under the Code as follows:

- Dato' Mohamed Suffian bin Awang - Chairman of NC
- Dato' Dr Norraesah binti Haji Mohamad - Member of NC
- Leong Kam Weng - Member of NC

The Chairman of the NC is the Senior Independent Director of the Company which is in compliance with the MCCG.

Since listing of the Company on 19 April 2016, the NC met for the first time on 25 August 2016 to deliberate the following matters:

- To review the terms of reference for the NC.
- To review and conduct the annual assessment in respect of the effectiveness of the Board as a whole and of the committees of the Board, the time commitment of each Director, the mix of skills and experience of each individual Director, the level of independence of the Directors and the diversity of Board composition.
- To recommend the Directors who shall retire from office at the forthcoming AGM and shall be eligible for re-election.
- To discuss the Directors' Continuing Education training.

A formal evaluation of the Board's effectiveness assessment has been developed as part of the Company Board's annual activities to assess not only the Board's performance but also to bring improvement actions on the Board's administration and process. The annual performance evaluation of the Board was based primarily on the answers to a detailed questionnaire which took into consideration the principles in the MCCG.

(c) Remuneration Committee ("RC")

The Board establishes the RC to primarily oversee the remuneration arrangements for Directors and key management team of the Group. The Group has a Remuneration Policy and Procedure to provide a framework for remuneration paid to the members of the Board in compliance with the MCCG.

The Remuneration Policy embodies the following principles:
- Providing fair and competitive rewards to attract and retain key management.
- Motivating the Company's Directors and executives to achieve superior performance.
- A remuneration framework that incorporates both short and long term incentives linked to Company performance and total shareholder return.

The details of the RC's terms of reference are published in the Company's website.

The RC is responsible for recommending to the Board the remuneration of the Executive Directors and key management. The RC assesses the appropriateness of Executive Directors and key management team remuneration on an annual basis by reference to the strategies and long term vision of the Group, overall employment market conditions, the inflation price index, scope of work, the Company's financial position and the individual performance. The Group operates a bonus scheme for all employees, including the Executive Directors. Bonuses payable to the Executive Directors are reviewed by the RC and approved by the Board. The remuneration packages of the Independent Non-Executive Directors shall be determined by the Board as a whole based on their experience, expertise and level of responsibilities undertaken by them. The Board member concerned should abstain from discussing their own remuneration.

The RC comprised the following members:-
- Dato' Dr Norraesah binti Haji Mohamad - Chairman of RC
- Leong Kam Weng - Member of RC
- Datuk Teoh Hwa Cheng - Member of RC

The RC held its first meeting on 25 August 2016 to deliberate the following matters:

- To review the terms of reference of the RC.
- To recommend to the Board the remuneration packages for the Executive Directors and key management for FYE 2016
- To recommend to the Board the remuneration packages for the Non-executive Directors for FYE 2016

Details of Directors' remuneration for the financial year ended 30 June 2016 are set out as below:-

	The Group		**The Company**	
	Executive Directors (RM)	**Non-Executive Directors (RM)**	**Executive Directors (RM)**	**Non-Executive Directors (RM)**
Salaries	1,403,461	-	-	-
Fees	120,000	219,000	-	219,000
Other emoluments	165,440	8,000	-	8,000

The number of Directors whose total remuneration falls within the following bands for the financial year ended 30 June 2016 are as follows:-

	The Group		**The Company**	
Range of Remuneration	**Executive Directors (Individual)**	**Non-Executive Directors (Individual)**	**Executive Directors (Individual)**	**Non-Executive Directors (Individual)**
RM50,000 and below	-	1	-	1
RM50,001 - RM100,000	-	2	-	2
RM250,001 - RM300,000	1	-	-	-
RM350,001 - RM400,000	1	-	-	-
RM400,001 - RM450,000	1	-	-	-
RM650,001 - RM700,000	1	-	-	-

- **Re-election of Directors**

  In accordance with the Articles of Association of the Company, one-third (1/3) of the Board, shall retire from office by rotation and be eligible for re-election at each AGM. The Directors to retire in every year shall be those who have been longest in office since their last re-election or appointment and all Directors shall retire at least once in every three (3) years. Newly appointed Directors during the year must offer themselves to the shareholders for re-election at the first AGM following their appointment.

  In accordance with the Companies Act, 1965, Directors who are of or over the age of seventy (70) years old are required to retire from office at every AGM and may offer themselves for re-appointment to hold office until the conclusion of the next AGM. None of the Company's Director has reached the age of seventy (70) years old.

Principle 3: REINFORCE INDEPENDENCE

- **Assessment of Independent Directors**

  The Board recognised the importance of independence and objectivity in the decision making process. On an annual basis, each of the Independent Non-Executive Directors will declare his/her independence to the Board using a checklist. In addition, each Director is also individually responsible to declare any conflict of interest in relation to any proposal being considered and to abstain from deliberations and decision of the Board on the subject proposal.

- **Separation of Position of Chairman and Managing Director**

  The Group complies with the MCCG as the position of Chairman and Managing Director were held by different individuals and the Chairman is a Non-Executive Member of the Board.

- **Tenure of Independent Directors**

  The Board is mindful that the tenure of the Independent Director should not exceed a cumulative term of nine (9) years. As at the date of this statement, none of the Independent Directors has served more than nine (9) years on the Board.

- **Composition of the Board**

  Currently, the Board comprises of three (3) Independent Non-Executive Directors and four (4) Executive Directors. This composition complies with the MMLR which requires at least two (2) directors or one-third (1/3) of the Board whichever is higher, to be independent.

Principle 4: FOSTER COMMITMENT

- **Time Commitment of the Board Members**

  The Board is mindful of the importance of devoting sufficient time and effort to discharge their responsibilities. Each director is expected to commit sufficient time and required to notify the Board prior to accepting any additional appointment of directorships in other public listed companies. The notification shall include an indication of time commitment required under the new appointment as recommended by MCCG.

- **Board Meetings**

  The Board is scheduled to meet quarterly with additional meetings to be convened when urgent matter needs to be discussed and approved. Notices of meetings are given to the Board members in sufficient time prior to the meetings in order for them to be present.

Corporate Governance Statement (cont'd)

The Board has held two (2) Board Meetings during the financial year and the attendance record is as follows:-

Directors	Total Number of Meetings Attended in FYE 2016
Dato' Mohamed Suffian Bin Awang	2/2
Datuk Teoh Hwa Cheng	2/2
Datin Sam Yin Thing	2/2
Tan Jin Sun	2/2
Sam Chee Keng	2/2
Dato' Dr Norraesah Binti Haji Mohamad	2/2
Leong Kam Weng	2/2

- **Directors' Training**

All Directors of the Company had attended and successfully completed the Mandatory Accreditation Programme (MAP) as required by the MMLR,

The Board firmly believes that it is essential for its Directors to invest time and effort to update their knowledge and enhance their skill through relevant training programs to enable effective contribution in board deliberations. The Nomination Committee is tasked to assess the training needs of each Director and review the fulfilment of such training. During the FYE 2016, the Directors have attended the following training programmes:

Directors	Name of Conferences, Seminars and Training Programmes	Date
Dato' Mohamed Suffian Bin Awang	• CG Breakfast Series for Directors – Improving Board Risk Oversight Effectiveness	26 February 2016
Datuk Teoh Hwa Cheng	• Mandatory Accreditation Programme for Directors of Public Listed Companies	4 & 5 May 2016
Datin Sam Yin Thing	• Mandatory Accreditation Programme for Directors of Public Listed Companies	4 & 5 May 2016
Tan Jin Sun	• Mandatory Accreditation Programme for Directors of Public Listed Companies	4 & 5 May 2016
Sam Chee Keng	• Mandatory Accreditation Programme for Directors of Public Listed Companies	4 & 5 May 2016
Dato' Dr Norraesah Binti Haji Mohamad	• 11th World Islamic Economic Forum - 2015 Organised by WIEF Foundation	3 - 5 November 2015
Leong Kam Weng	• MIA International Accountants Conferences 2015 • Budget 2016 Highlight & Latest Tax Developments • Financial Institutions Directors' Education Programme Module A (Insurance) • Financial Institutions Directors' Education Programme Module B (Insurance)	26 & 27 October 2015 17 November 2015 28 September - 1 October 2015 19 - 21 October 2015

Principle 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

- **Compliance with Applicable Financial Reporting Standards**

  The Board aims to provide and present a clear, balanced and comprehensive view of the Group's financial performance and prospects, primarily through the annual reports and quarterly reports as well as corporate announcement on significant developments affecting the Group in accordance with the MMLR. The ARMC, under its terms of reference, is tasked to assist the Board in making sure that the Financial Statements are prepared in accordance with the approved and applicable financial reporting standards and with the provision of the Companies Act, 1965.

- **Assessment of External Auditors**

  The Board maintains a transparent and professional relationship with the external auditors through the ARMC. The key features underlying the ARMC's relationship with the external auditors are detailed in the ARMC Report of this Annual Report at page 27. The ARMC has met with the external auditors two (2) times during the FYE 2016 to discuss their audit plan, audit findings and the Group's financial statement.

  To the best of the ARMC's knowledge, the ARMC is not aware of any non-audit services that had compromised the external auditors' independence for the financial year ended 30 June 2016. The Board has also obtained from the external auditors written assurance in respect of its independence to act as the external auditor for the Company.

- **Directors' Responsibility Statement in respect of Financial Statements**

  The Directors have the overall responsibilities for taking such steps are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors are required by the Companies Act, 1965 to prepare the financial statements for each financial year so as to give a true and fair view of the state of affairs of the Company and the Group as at end of the financial year and of the results and cash flow of the Company and the Group for the financial year then ended.

  In preparing the financial statements, the Directors have taken the necessary steps and actions as follows:-

  - Adopted suitable accounting policies and applied them consistently;
  - Made judgments and estimates that are prudent and reasonable;
  - Complied with the applicable approved financial reporting standards and the provisions of the Companies Act, 1965; and
  - Prepared the financial statements on a going concern basis.

  The Directors have the responsibility in ensuring that the Group keeps accounting records which discloses with reasonable accuracy the financial position of the Company and the Group which enable them to ensure that the financial statements comply with the Companies Act, 1965, MMLR and applicable approved accounting standard.

  The Board is satisfied that in preparing the financial statements of the Company and the Group for the financial year ended 30 June 2016, the Company and the Group have used appropriate accounting policies and applied them consistently and prudently. The Board is of the opinion that the financial statements have prepared in accordance with all relevant approved financial reporting standards and have been prepared on a going concern basis.

Principle 6: RECOGNISE AND MANAGE RISKS

- **Framework to Manage Risk**

  The Board acknowledges the importance for maintaining a sound risk management framework and internal control system, which are designed to manage the Group's risk within the acceptable risk appetite rather than to eliminate the all risks, fraud or loss.

  The Statement on Risk Management and Internal Control which provides an overview of the state of risk management and internal control within the Group is disclosed on page 30 of this Annual Report.

- **Internal Audit**

  The Internal Audit function is outsourced to Boardroom Business Solution Sdn Bhd (the "IA"). The Internal Auditors assist the ARMC and Board in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's governance, risk management and internal control processes. Details of the Group's internal control system and framework is elaborated in the Statement on Risk Management and Internal Control of this Annual Report.

Principle 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

- **Corporate Disclosure Policy**

  The Board is committed to provide accurate, clear, timely and complete disclosure of material information pertaining to the Group's performance and operations to shareholders, stakeholders and public generally. In responding to the recommendations contained in the MCCG and the disclosure obligations contained in the MMLR, the Group has formalized a Corporate Disclosure Policy.

  The disclosures made by the Company and the Group to Bursa Securities, shareholders, investors and media are handled by the Managing Director or Company Secretary in accordance with the disclosure requirements under the MMLR.

- **Company Website**

  To comply with MMLR, the Group also maintains a website at www. peccaleather.com that allows all shareholders and investors to gain access to the information relating to annual reports, policies, financial highlights and terms of reference of the respective Board Committees.

Principle 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

- **Communication with Shareholders**

  The Board recognizes the importance of an effective communication channel between the Board, stakeholders, institutional investors and the investing public at large, both in Malaysia and internationally, with the objective of providing a clear and complete picture of the Group's performance and financial position.

  In this respect, the Company is committed to keeping the shareholders and investors informed of the Group's business and corporate developments. Such information is disseminated via the Group's annual reports, circulars to shareholders, quarterly financial reports and the various prescribed announcements made to Bursa Securities from time to time in the Bursa Securities' website or via the Company's website.

- **General Meetings**

  The Group's Annual General Meeting represent the primary platforms for direct two-way dialogue and communication between the shareholders and Management of the Group. Shareholders are notified of the meeting and provided with a copy of the Company's annual report at least twenty one (21) days before the meeting. They are encouraged and will be given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders are encouraged to participate in the question and answer session on the resolutions to be proposed or about the Group's operations in general.

- **Poll Voting**

  The MMLR requires all resolution in general meetings held on or after 1 July 2016 to be voted by poll. The Board will ensure compliance to such requirement in the forthcoming AGM.

COMPLIANCE STATEMENT

The Board considers that the Group has substantially complied with the Best Practices of the Malaysian Code on Corporate Governance 2012 throughout the financial year ended 30 June 2016. Where a specific recommendation of the MCCG 2012 has not been observed during the year under review, the non-observance has been explained and the reasons thereof been included in this Statement.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds raised from Corporate Proposal

Pecca Group Berhad was listed on the Main Market of Bursa Malaysia on 19 April 2016. In conjunction with the Listing, the Company undertook a public issue of 47,796,000 new ordinary shares of RM0.50 each at an issue price of RM1.42 per share, raising gross proceeds of RM67.87 million. The status of the utilisation of the gross proceeds as at 30 June 2016 is as follows :

Purpose	Timeframe for Utilisation	Amount (RM'000)	Utilised Amount (RM'000)	Unutilised Balance (RM'000)
Working Capital	Within 12 months	26,970	(14,934)	12,036
Repayment of bank borrowings	Within 6 months	17,100	(16,967)	133
Purchase of new machineries for production of car leather seat covers	Within 24 months	7,550	(178)	7,372
Construction of an additional storey of production floor area on the existing factory building	Within 24 months	5,000	-	5,000
Opening of retail outlets	Within 24 months	3,750	-	3,750
Establishment of market presence in Thailand	Within 24 months	1,500	-	1,500
Expansion of Pecca Aviation Sevices Sdn Bhd's business	Within 24 months	1,000	-	1,000
Listing Expenses	Immediate	5,000	(4,111)	889
Total		**67,870**	**(36,190)**	**31,680**

2. Non-audit Fees Payable to External Auditors

The amount of non-audit fees paid to the external auditors for the FYE 2016 amounted to RM176,121.12.

3. Sanctions and/or Penalties

No sanctions and/or penalties have been imposed by any regulatory bodies on the Company or its subsidiaries, the Directors or Management of the Company or its subsidiaries.

4. Material Contracts

There were no material contracts subsisting or entered into by the Company or its subsidiaries involving any Directors or substantial shareholders of the Company or any persons connected to a Director or major shareholder of the Company during the financial year.

5. Variation in Results, Profit estimate, forecast or projection

No profit estimates, forecast or projection was announced or published by the Company.

6. Recurrent Related Party Transactions (RRPTs)

The below transaction entered into were in the ordinary course of business and are on terms and conditions not more favourable to the related party than those generally available to public. The details of the RRPT for FYE2016 are as follows:

Related Party	Interested Director/ Substantial Shareholder	Interest in our Group	Nature of Transaction	Actual Value (RM)
Tint Auto (M) Sdn Bhd	Datuk Teoh Hwa Cheng	Director and substantial shareholder	Rental of partial production area located at 3rd Floor, No.1, Jalan Perindustrian Desa Aman 1A, Industri Desa Aman, Kepong, 52200 Kuala Lumpur from Pecca Leather Sdn Bhd to Tint Auto (M) Sdn Bhd.	216,000
	Datin Sam Yin Thing	Director and substantial shareholder		

7. Share Buy-Back

The Company did not undertake any share buy-back exercise during the FYE 2016

8. Options or Convertible Securities

No options or convertible securities were issued during the FYE 2016.

9. Depository Receipt Programme

The Company did not sponsor any Depository Receipt Programme during the FYE 2016.

10. Profit Guarantee

There was no profit guarantee given or received by the Company during the FYE 2016.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

1. CONSTITUTION

The Audit and Risk Management Committee comprises of the following Independent Non-Executive Directors:-

- **Leong Kam Weng** - Chairman of ARMC, is a Fellow of CPA Australia and a Chartered Accountant of the Malaysian Institute of Accountants.
- **Dato' Mohamed Suffian Bin Awang** - Member of ARMC
- **Dato' Dr Norraesah Binti Haji Mohamad** - Member of ARMC

2. MEETINGS OF THE COMMITTEE

During the financial year ended 30th June 2016, two (2) ARMC meetings were held and the details of attendance of the meetings are as follows:-

Name	Total Meetings attended by Directors	Percentage Attendance
• Leong Kam Weng	2/2	100%
• Dato' Mohamed Suffian Bin Awang	2/2	100%
• Dato' Dr Norraesah Binti Haji Mohamad	2/2	100%

The representatives of the external auditors, internal auditors and other officers of the Group were also invited to attend and brief the members on specific issues during the ARMC Meeting.

3. TERMS OF REFERENCE OF THE AUDIT and RISK MANAGEMENT COMMITTEE

3.1 Objectives

The primary function of the ARMC is to assist the Board to :
- oversee financial reporting; and
- evaluate the internal and external audit processes, including issues pertaining to the system of internal control and risk management within the Group.

3.2 Composition

The Committee shall comprise of no fewer than three (3) Directors (none of whom shall be Executive) and the majority shall be Independent Non-Executive Directors. All the members shall be financially literate and at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if not a member of MIA, must have at least three (3) years of working experience and:
- must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
- must be a member of the associations of accountants specified in Part II of the Accountants Act 1967; or
- fulfils such other requirements as prescribed or approved by Bursa Securities.

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

3.3 Quorum and Meeting Procedures

Meetings shall be conducted at least four (4) times annually. The Chairman may call for a meeting of the Committee if a request is made by any Committee member, the Group Managing Director or the internal or external auditors.

Audit and Risk Management Committee Report (cont'd)

In order to form a quorum for the meeting, at least two (2) member must be present and the majority of the members present must be Independent Non-Executive Directors.

The Company Secretary shall be appointed Secretary of the Committee (the "Secretary") who shall keep all the minutes of meetings of the ARMC.

The Committee may, as and when deemed necessary, invite other Board members and Senior Management members to attend the meetings.

The Committee shall meet at least twice annually with the external and internal auditors without the presence of any executive Board members, Management or employees.

3.4 Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is also authorised to seek any information it requires from any employee and such employees are directed to co-operate with any request made by the Committee. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary in the discharge of its responsibilities.

The Committee shall have full and unlimited access to any information pertaining to the Group. The Committee shall have direct communication channels with the internal and external auditors and shall be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary. The Committee shall have the resources that are required to perform its duties.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

3.5 Responsibilities and duties

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

i. review the Committee's terms of reference.

ii. review with the external auditors, the audit scope and plan.

iii. ensure the internal audit function is independent of the activities it audits and the reports functionally to the ARMC directly.

iv. take cognisance of resignations of internal audit staff members and the reasons for resigning.

v. review the adequacy of the internal audit scope and plan.

vi. review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken.

vii. review major audit findings.

viii. review the non-audit services provided by the external auditors.

ix. review the appointment and resignation of external auditors.

x. review the risk profile of the Group and the Risk Management team's plans to mitigate business risks.

xi. review the adequacy and integrity of risk management systems, internal control systems and management information system.

xii. review investigation reports on any major defalcations, frauds and theft.

xiii. review the quarterly results and the year-end financial statements, prior to approval by the Board.

xiv. review procedures in place to ensure that the Group is in compliance with the Companies Act, 1965 and MMLR and other legislative and reporting requirements.

xv. review any related party transaction and conflict of interest situation.

4. SUMMARY OF ACTIVITIES OF THE AUDIT and RISK MANAGEMENT COMMITTEE

The main activities carried out by the ARMC during the financial year ended 30 June 2016 were as follows:-

i. Reviewed the Terms of Reference for the Committee.

ii. Established of Internal Audit function for the Group.

iii. Considered the mandate to prepare a Risk Register and Risk Management Framework for the Group.

iv. Reviewed the unaudited Second Quarter ended 31 December 2015 and Third Quarter ended 31 March 2016 financial results of the Company and Group and to recommend to the Board of Directors for their approval.

v. Reviewed the proposed declaration of Interim Dividend in respect year ended 30 June 2016.

vi. Reviewed with the Internal Auditors (Boardroom Business Solutions) the internal audit plans, their evaluation of the internal control system and the follow-up on the audit findings.

vii. Reviewed with the external auditors' (Messrs Crowe Horwath), their scope of work and audit planning memorandum and held a first meeting with the external auditors without the presence of Executive Board members and Management of the Company.

viii. Reviewed related party transactions entered into by the Group and the Company.

5. SUMMARY OF THE ACTIVITIES OF INTERNAL AUDIT FUNCTIONS

The Group's internal audit function is outsourced to a professional internal audit service provider, Boardroom Business Solution Sdn Bhd which reports directly to the ARMC. The main role of the internal auditor is to provide assurance on the adequacy and effectiveness of the internal control system to the ARMC.

The summary of activities carried out by the outsourced internal auditor during the FYE 2016 include:-
- Developed the internal audit plan for period from June 2016 to May 2018.
- Performed internal audit reviews on Production Department.

Subsequent to FYE 2016, the internal auditor has issued a report on the results of the internal audit review on Production Department identifying weaknesses with suggested recommendations for improvements. Follow up actions were also taken to ensure management has implemented the improvements. The cost incurred for the internal audit function in respect of the FYE 2016 is RM 7,200.

6. ALLOCATION OF SHARE SCHEME FOR EMPLOYEES

During the FYE 2016, the Company did not establish any share scheme for employees.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to establish a sound risk management framework and internal controls which are fundamental for good corporate governance. This includes the establishment of an appropriate control environment and risk management processes and structures and continually reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets.

Whilst acknowledging its responsibilities, the Board is aware of the limitations that are inherent in any systems of internal control and risk management where such systems being designed to manage, rather than eliminate, the risks that may impede the achievement of the Group's business objectives. Accordingly, it can only provide a reasonable, but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations.

The Board is responsible for setting the business direction and for overseeing the conduct of the Group's operations through various Board Committees and this represents the main platform by which the Group's performance, risks and conduct are monitored. The Board is assisted by the ARMC to oversee the implementation of a system of risk management and internal controls whilst the Management is responsible for assisting the Board in implementing the processes for identifying, evaluating, monitoring and reporting risks throughout the period.

Risk Management

The Board recognises that an effective risk management framework will allow the Group to identify, evaluate and manage risks that affect the achievement of the Group's business objectives. As such, the ARMC has been entrusted to assist the Board in overseeing the risk management issues of the Group and to report directly to the Board on matters related to risk management.

As the Group was recently listed, it has yet to establish a formalised risk management framework. Nevertheless, an external service provider, Boardroom Business Solution Sdn Bhd, has been engaged by the Board to assist the Group in developing the risk management framework and the activities may include, amongst others, conduct of risk awareness workshop, developing risk appetite, policy and reporting requirement. The risk management framework to be developed will be based on the guidelines in ISO 31000 Risk Management.

Pending the development of a formalised risk management framework, the undergoing process to identify, evaluate, monitor and report the significant risks faced by the Group in its achievement of objectives is currently performed through the weekly Heads of Department and monthly Management meetings.

Internal Control System

In striving to operate a sound system of risk management and internal control that drives the Group towards achieving its goals, the Board have put in place numerous processes for identifying, evaluating and managing risks faced by the Group. The Group has continuously been undertaking efforts to enhance its internal control system within the Group and the key elements of the Group's internal control system in place for the financial year ended 30 June 2016 are as follows:

1. Organisation Structure

The organisation structure sets out a clear segregation of roles and responsibilities, lines of accountability and levels of authority to ensure effective and independent stewardship. The Board, which is responsible for the overall direction, strategy, performance and management of the Group, is governed by its Board Charter. In providing direction and oversight, the Board is supported by a number of Board committees, namely the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee. Each Committee has clearly defined terms of reference and responsibilities.

2. Code of Ethics

The Group is committed to conducting business fairly, impartially and ethically and in full compliance with all laws and regulations. In order to inculcate a standard of ethical behaviour for Directors, a Code of Ethics for Directors was established and this Code is intended to focus the Board and each Director on areas of ethical risk, provide guidance to Directors to help them recognise and deal with ethical issues, provide mechanisms to report unethical conduct and help foster a culture of honesty and accountability.

3. Policies and Procedures

Standard operating procedures are established to ensure operations undertaken by staff are properly guided for complete and accurate reporting. These policies and procedures covers Sales, Procurement, Production, Human Resource and Finance.

4. Annual Surveillance and Process Audit

The Company is an ISO/TS 16949: 2009 certified manufacturer and also holds the ISO 14001:2004 and OHSAS 18001:2007 certification. As such, the Company is subjected to annual surveillance audits performed by certifying bodies, TUV NORD and Bureau Veritas to ensure that the Company continues to meet the quality standards requirements.

The Company is also subjected to annual process audit which is conducted in accordance with VDA 6.3 Standards for the entire product life cycle processes and this is carried out by in-house certified VDA 6.3 process auditors. The qualification and compliance to VDA 6.3 Standard is a pre-requisite qualifying condition to be an approved vendor for one of our customer.

5. Internal Audit

The Group has engaged an external service provider, Boardroom Service Sdn Bhd, as the Internal Auditor to carry out the internal audit function in the Group by providing independent advice and assurance on the effectiveness of the Group's system of internal controls. The findings by the internal auditors are reported to the ARMC. The ARMC considers reports from the internal audit and from the Management, before reporting and making recommendations to the Board in strengthening the risk management, internal control and governance systems. The Committee presents its findings to the Board on a quarterly basis or earlier as appropriate.

Based on the internal audit review conducted, none of the weakness noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this Annual Report.

Further activities of the internal audit function are set out in the ARMC report on page 33 of this Annual Report.

6. Whistle-blower Policy

As the Group expects the highest standards of integrity, probity, transparency and accountability from all employees to preserve and protect the Group's interests and reputation, the Group takes a serious view of any acts of wrong doing by any of its employees.

The Board has approved a Whistle-blower Policy to allow employees to raise concerns without fear of reprisals on possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, and in an appropriate way.

7. Management Representation

The Board has received assurance from the Group Managing Director who was also the Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively, in all material respects during the FYE 2016.

Board Conclusion

Based on the processes taken through the Board and its Committees during the financial year under review and up to the date of issuance of the financial statements and assurance provided by the Group's Managing Director, the Board is of the view that the risk management and internal control system as described in this Statement is operating adequately and effectively, in all material aspects, to mitigate the Group's major risks. There were no material losses that have arisen from any inadequacy or failure of the Group's system of internal control which required additional disclosure in the financial statements. The Board will continue to ensure proper management of risks and take adequate measures to ensure ongoing adequacy and effectiveness of internal controls.

The above Statement is made in accordance with the approval given by the Directors during the Board Meeting held on 11 October 2016.

Review of the Statement by External Auditors

Pursuant to paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management & Internal Control for inclusion in the Annual Report for the financial year ended 30 June 2016. Their review was performed in accordance with Recommended Practice Guide (RPG) 5: Guidance for Auditors on the Review of Directors' Statement on Internal Control, issued by the Malaysian Institute of Accountants.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate. RPG 5 does not require the external auditors to, and they did not, consider whether this Statement covers all risk and controls, or to form an opinion on the effectiveness of the risk management and internal control systems of the Group.

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding whilst the principal activities of its subsidiaries are set out in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	14,446	8,795
Attributable to:-		
Owners of the Company	14,531	8,795
Non-controlling interest	(85)	-
	14,446	8,795

DIVIDENDS

Since the end of the previous financial year, the Company declared and paid an interim single-tier dividend of 2 sen per ordinary share of RM0.50 each amounting to RM3.76 million in respect of the financial year ended 30 June 2016 on 28 June 2016.

At the forthcoming Annual General Meeting a final single-tier dividend of 2 sen per ordinary share amounting to RM3.76 million in respect of the financial year ended 30 June 2016 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 equity as an appropriation of retained profits in the financial year ending 30 June 2017.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

On 16 November 2015, the Company subdivided its authorised and issued and paid-up share capital as follows:-

a) Subdivided its authorised share capital from RM100,000 comprising 100,000 ordinary shares of RM1.00 each into RM100,000 comprising 200,000 ordinary shares of RM0.50 each; and

b) Subdivided its issued and paid-up share capital from RM2 comprising 2 ordinary shares of RM1.00 each to 4 ordinary shares of RM0.50 each.

The subdivided shares confer on the holder the same rights and privileges as that of the existing shares before the subdivision.

On 16 November 2015, the authorised share capital of the Company was increased from RM100,000 comprising 200,000 ordinary shares of RM0.50 each to RM250,000,000 comprising 500,000,000 shares of RM0.50 each by the creation of an additional 499,800,000 ordinary shares of RM0.50 each amounting to RM249,900,000.

On 17 November 2015, the Company issued an additional 2 new ordinary shares of RM0.50 each, by way of an allotment of one ordinary share each to Datuk Teoh Hwa Cheng and Chong Swee Main.

On 1 December 2015, the Company issued:

- 140,083,994 new ordinary shares of RM0.50 each at par for a total consideration of RM70,041,997 as full payment for the acquisition of the entire equity interest in Pecca Leather Sdn. Bhd.; and

- 120,000 new ordinary shares of RM 0.50 each at par for a total consideration of RM60,000 as full payment for the acquisition of 60% equity interest in Pecca Leather Aviation Services Sdn. Bhd..

On 23 March 2016, the Company issued 47,796,000 new ordinary shares of RM0.50 each as part of the Initial Public Offering at RM1.42 per ordinary share.

All the new ordinary shares issued during the financial year rank pari passu in all respects with existing ordinary shares of the Company.

There were no issues of debentures by the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that no allowance for impairment losses on receivables is required.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

Dato' Mohamed Suffian Bin Awang
Datuk Teoh Hwa Cheng
Datin Sam Yin Thing
Sam Chee Keng
Tan Jin Sun
Leong Kam Weng
Dato' Dr Norraesah Binti Haji Mohamad (Appointed on 30.7.2015)
Chew Kian Seng (Resigned on 15.7.2015)

DIRECTORS' INTERESTS

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

	← Number of Ordinary Shares Of RM0.50 Each →				
THE COMPANY	**At 1.7.2015**	**Share Split on 16.11.2015**	**Allotment/ Bought**	**Sold**	**At 30.6.2016**
Direct Interests					
Datuk Teoh Hwa Cheng	1*	2	18,367,851	8,200,000	10,167,853
Sam Chee Keng	-	-	550,000	-	550,000
Datin Sam Yin Thing	1*	2	24,000	-	24,002
Dato' Mohamed Suffian Bin Awang	-	-	100,000	-	100,000
Leong Kam Weng	-	-	100,000	-	100,000
Tan Jin Sun	-	-	450,000	-	450,000
Indirect Interests #					
Datuk Teoh Hwa Cheng	-	-	120,822,420	35,130,000	85,692,420
Datin Sam Yin Thing	-	-	120,822,420	35,130,000	85,692,420

\# Deemed interested by virtue of his/her shareholdings and their spouse's shareholding in a corporate shareholder of the Company.

* Ordinary shares of RM1.00 each.

By virtue of their shareholdings in the Company, Datuk Teoh Hwa Cheng and Datin Sam Yin Thing are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 6A of the Companies Act 1965 in Malaysia.

The other director holding office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in 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 the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 30 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 34 to the financial statements.

Signed in accordance with a resolution of the directors dated 11 October 2016.

Datuk Teoh Hwa Cheng

Sam Chee Keng

STATEMENT BY DIRECTORS

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

We, Datuk Teoh Hwa Cheng and Sam Chee Keng, being two of the directors of Pecca Group Berhad, state that, in the opinion of the directors, the financial statements set out on pages 41 to 89 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 30 June 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out on page 90, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 11 October 2016.

Datuk Teoh Hwa Cheng **Sam Chee Keng**

STATUTORY DECLARATION

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

I, Datuk Teoh Hwa Cheng, I/C No. 681002-09-5119, being the director primarily responsible for the financial management of Pecca Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 41 to 89 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Datuk Teoh Hwa Cheng, I/C No. 681002-09-5119,
at Kuala Lumpur in the Federal Territory
on this 11 October 2016.

Datuk Teoh Hwa Cheng

Before me

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PECCA GROUP BERHAD (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Pecca Group Berhad, which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 89.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 90 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Ooi Song Wan
Approval No: 02901/10/2018 J
Chartered Accountant

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	76,082	-
Property, plant and equipment	6	50,270	36,474	-	-
Other assets	7	269	269	-	-
		50,539	36,743	76,082	-
CURRENT ASSETS					
Inventories	8	19,832	20,325	-	-
Trade receivables	9	23,096	27,221	-	-
Other receivables, deposits and prepayments		1,357	2,357	4	-
Derivative assets	10	7	-	-	-
Amount owing by a subsidiary	11	-	-	11,756	-
Fixed deposits with licensed banks	12	26,515	2,307	17,129	-
Short-term investments with a licensed bank	13	36,684	-	33,178	-
Cash and bank balances		24,405	19,769	2,512	100
		131,896	71,979	64,579	100
TOTAL ASSETS		182,435	108,722	140,661	100

The annexed notes form an integral part of these financial statements.

Statements Of Financial Position
At 30 June 2016 (cont'd)

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	94,000	9,260	94,000	#
Reserves	15	63,055	60,525	46,580	(157)
Equity attributable to owners of the Company		157,055	69,785	140,580	(157)
Non-controlling interest		(128)	(43)	-	-
TOTAL EQUITY		156,927	69,742	140,580	(157)
NON-CURRENT LIABILITIES					
Deferred tax liabilities	16	4,984	1,542	-	-
Long-term borrowings	17	-	11,036	-	-
		4,984	12,578	-	-
CURRENT LIABILITIES					
Trade payables	18	16,343	14,083	-	-
Other payables and accruals		2,474	3,184	81	20
Amount owing to a director	19	370	268	-	14
Amount owing to a related party	20	-	-	-	223
Derivative liabilities	10	-	116	-	-
Short-term borrowings	21	-	6,279	-	-
Provision for taxation		1,337	2,472	-	-
		20,524	26,402	81	257
TOTAL LIABILITIES		25,508	38,980	81	257
TOTAL EQUITY AND LIABILITIES		182,435	108,722	140,661	100

# Denotes RM2.00

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE	24	126,293	129,536	10,672	-
COST OF SALES		(90,456)	(91,405)	-	-
GROSS PROFIT		35,837	38,131	10,672	-
OTHER INCOME		1,558	1,001	473	-
		37,395	39,132	11,145	-
SELLING AND DISTRIBUTION EXPENSES		(5,754)	(4,701)	-	-
ADMINISTRATIVE EXPENSES		(11,373)	(9,768)	(2,350)	(142)
FINANCE COST		(998)	(893)	-	-
PROFIT/(LOSS) BEFORE TAXATION	25	19,270	23,770	8,795	(142)
INCOME TAX EXPENSE	26	(4,824)	(5,907)	-	-
PROFIT/(LOSS) AFTER TAXATION FOR THE FINANCIALYEAR		14,446	17,863	8,795	(142)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment (Note 6)		14,341	-	-	-
Less : Deferred taxation (Note 16)		(3,442)	-	-	-
		10,899	-	-	-
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE FINANCIAL YEAR		25,345	17,863	8,795	(142)

The annexed notes form an integral part of these financial statements.

Statements Of Profit Or Loss And Other Comprehensive Income
For The Financial Year Ended 30 June 2016 (cont'd)

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		14,531	17,940	8,795	(142)
Non-controlling interest		(85)	(77)	-	-
		14,446	17,863	8,795	(142)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		25,430	17,940	8,795	(142)
Non-controlling interest		(85)	(77)	-	-
		25,345	17,863	8,795	(142)
EARNINGS PER SHARE (SEN)					
- basic	27	9.67	12.80		
- diluted	27	9.67	12.80		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

		Attributable to owners of the Company							
		Non-Distributable			Distributable				
	Note	Share Capital RM'000	Revaluation Reserve [Note 15(a)] RM'000	Merger Deficit [Note 15(b)] RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
The Group									
Balance at 1.7.2014		9,200	-	-	-	50,859	60,059	120	60,179
Acquisition from minority interest		-	-	-	-	-	-	(120)	(120)
Acquisition by minority interest		-	-	-	-	6	6	34	40
Profit after taxation/ Total comprehensive income for the financial year		-	-	-	-	17,940	17,940	(77)	17,863
Contribution by and distributions to owners of the Company :-									
Issuance of shares by PAviation		60	-	-	-	-	60	-	60
Dividends paid by PLeather	28	-	-	-	-	(8,280)	(8,280)	-	(8,280)
Total transactions with owners of the Company		60	-	-	-	(8,280)	(8,220)	-	(8,220)
Balance at 30.6.2015/1.7.2015		9,260	-	-	-	60,525	69,785	(43)	69,742

The annexed notes form an integral part of these financial statements.

Statements Of Changes In Equity
For The Financial Year Ended 30 June 2016 (cont'd)

		Attributable to owners of the Company							
		Non-Distributable				Distributable			
	Note	Share Capital RM'000	Revaluation Reserve [Note 15(a)] RM'000	Merger Deficit [Note 15(b)] RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
The Group									
Balance at 1.7.2015		9,260	-	-	-	60,525	69,785	(43)	69,742
Profit after taxation for the financial year		-	-	-	-	14,531	14,531	(85)	14,446
Other comprehensive income for the financial year									
- revaluation of land and buildings		-	10,899	-	-	-	10,899	-	10,899
Total comprehensive income for the financial year		-	10,899	-	-	14,531	25,430	(85)	25,345
Contribution by and distributions to owners of the Company :-									
Issuance of shares		94,000	-	-	43,972	-	137,972	-	137,972
Adjustment on the acquisition of subsidiaries		(9,260)	-	(60,822)	-	(20)	(70,102)	-	(70,102)
Share issue expenses		-	-	-	(2,270)	-	(2,270)	-	(2,270)
Dividend paid	28	-	-	-	-	(3,760)	(3,760)	-	(3,760)
Total transactions with owners of the Company		84,740	-	(60,822)	41,702	(3,780)	61,840	-	61,840
Balance at 30.6.2016		94,000	10,899	(60,822)	41,702	71,276	157,055	(128)	156,927

The annexed notes form an integral part of these financial statements.

	Note	Share Capital RM'000	Share Premium RM'000	(Accumulated Losses)/ Retained Profits RM'000	Total Equity RM'000
The Company					
Balance at 1.7.2014		#	-	(15)	(15)
Loss after taxation/Total comprehensive expenses for the financial year		#	-	(142)	(142)
Balance at 30.6.2015/1.7.2015		-	-	(157)	(157)
Profit after taxation/Total comprehensive income for the financial year		-	-	8,795	8,795
Contribution and distributions to owners of the Company:-					
Issuance of shares		94,000	43,972	-	137,972
Share issuance expenses		-	(2,270)	-	(2,270)
Dividend	28	-	-	(3,760)	(3,760)
Total transactions with owners of the Company		94,000	41,702	(3,760)	131,942
Balance at 30.6.2016		94,000	41,702	4,878	140,580

# Denotes RM2.00

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation		19,270	23,770	8,795	(142)
Adjustments for:-					
Depreciation of property, plant and equipment		3,527	3,308	-	-
Gain on disposal of property, plant and equipment		(182)	(485)	-	-
Inventories written off		-	174	-	-
Interest income		(1,217)	(212)	(473)	-
Interest expense		950	886	-	-
Unrealised gain on foreign exchange		(255)	(77)	-	-
Operating profit/(loss) before working capital changes		22,093	27,364	8,322	(142)
Inventories		493	(7,729)	-	-
Trade and other receivables		5,059	(3,364)	(4,696)	-
Trade and other payables		1,824	(1,425)	61	18
CASH FROM/(FOR) OPERATIONS		29,469	14,846	3,687	(124)
Interest paid		(950)	(886)	-	-
Income tax paid		(5,959)	(4,929)	-	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES		22,560	9,031	3,687	(124)
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of a subsidiary		-	-	(5,980)	-
Purchase of other investment		-	(102)	-	-
Acquisition of non-controlling interest		-	(120)	-	-
Purchase of plant and equipment		(3,063)	(3,107)	-	-
Proceeds from disposal of plant and equipment		263	710	-	-
Repayment from a director		-	116	-	-
Interest received		1,217	212	473	-
Net placement of fixed deposits pledged with licensed banks		(23,628)	(70)	(17,129)	-
NET CASH FOR INVESTING ACTIVITIES		(25,211)	(2,361)	(22,636)	-

The annexed notes form an integral part of these financial statements.

Statements Of Cash Flows
For The Financial Year Ended 30 June 2016 (cont'd)

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Repayment of term loans		(12,252)	(1,104)	-	-
Repayment of hire purchase and finance lease obligations		(63)	(861)	-	-
(Repayment of)/Drawdown from bankers' acceptances		(5,000)	5,000	-	-
Net proceeds from issuance of shares:					
- to owners of the Company		65,600	-	65,600	-
- by a subsidiary		-	60	-	-
- to non-controlling interest		-	40	-	-
Advances to a subsidiary		-	-	(7,064)	-
(Repayment to)/Advances from a related party		(237)	-	(223)	223
Advances from/(Repayment to) a director		132	255	(14)	1
Dividends paid		(3,760)	(8,280)	(3,760)	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		44,420	(4,890)	54,539	224
NET INCREASE IN CASH AND CASH EQUIVALENTS		41,769	1,780	35,590	100
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(449)	170	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		19,769	17,819	100	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	29	61,089	19,769	35,690	100

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office	: Lot 6.05, Level 6, KPMG Tower 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business	: No. 1, Jalan Perindustrian Desa Aman 1A, Industri Desa Aman, Kepong, 52200 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 11 October 2016.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding whilst the principal activities of its subsidiaries are set out in Note 5 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the subsidiaries, namely Pecca Leather Sdn. Bhd. ("PLeather"), Pecca Leather Aviation Services Sdn. Bhd. ("PAviation") and Everest Empire Sdn. Bhd. ("EEmpire") have been consolidated using the merger method of accounting as disclosed in Note 4.2(a) of the financial statements.

The implication of the merger method of accounting on the presentation of the consolidated financial statements is as follows:-

(a) The consolidated statements of financial position for the current reporting period comprise the consolidation of:-

 (i) The financial position of the subsidiaries as at 30 June 2016; and
 (ii) The financial position of the Company as at 30 June 2016.

(b) The consolidated statements of financial position for the comparative period comprise the consolidation of:-

 (i) The financial position of the subsidiaries as at 30 June 2015; and
 (ii) The financial position of the Company as at 30 June 2015.

(c) The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows for the current reporting period comprise the consolidation of:-

 (i) The financial results and cash flows of the subsidiaries for the financial year ended 30 June 2016; and
 (ii) The financial results and cash flows of the Company for the financial year ended 30 June 2016.

(d) The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows for the comparative period comprise the consolidation of:-

 (i) The financial results and cash flows of the subsidiaries for the financial year ended 30 June 2015; and
 (ii) The financial results and cash flows of the Company for the financial year ended 30 June 2015.

3. BASIS OF PREPARATION (CONT'D)

(e) The consolidated statements of changes in equity for the current reporting period comprise:-

(i) The consolidated statements of changes in equity of the subsidiaries for the financial year ended 30 June 2016; and
(ii) The equity transactions of the Company for the financial year ended 30 June 2016.

(f) The consolidated statements of changes in equity for the comparative period comprise:-

(i) The consolidated statement of changes in equity of the subsidiary for the financial year ended 30 June 2015; and
(ii) The equity transactions of the Company for the financial year ended 30 June 2015.

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

3.1 No new accounting standards (including the consequential amendments) have been adopted by the Group and by the Company during the current financial year.

3.2 The Group and the Company has not applied in advance the following accounting standards (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

3. BASIS OF PREPARATION (CONT'D)

3.2 The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Company's operations except as follows:-

(a) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. The Company is currently assessing the financial impact of adopting MFRS 9.

(b) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

(c) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(d) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(e) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(f) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(g) Revaluation of Properties

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining the factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combinations, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been affected throughout the current financial period.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's accounts is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

(b) Acquisition Method of Accounting for Non-Common Control Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(c) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(d) Acquisitions of Non-controlling Interests

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(e) Loss of Control

Upon loss of control of a subsidiary, the Group recognises any gain or loss on disposal in which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

4.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statement of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an 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.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(e) Hedge Activities

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

(i) Hedge Accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(ii) Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued prospectively when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(iii) Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged item affects profit or loss. If the hedged item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is transferred from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Hedge accounting is discontinued prospectively when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying value may not be recoverable. The cost of the investments includes transaction costs.

On disposal of the investments in the subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

4.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment other than long leasehold land and buildings are stated at cost less accumulated depreciation and impairment losses, if any.

Long leasehold land and buildings are revalued periodically, at least once in every 5 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Long leasehold land	Over the lease period
Buildings	2%
Plant and machineries	10%
Motor vehicles	20%
Office equipment	10 - 20%
Furniture and fittings	10%
Computers	20 - 50%
Renovation	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in profit or loss in the year the asset is derecognised. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 INTANGIBLE ASSETS

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

The cost of acquiring the rights, interest and benefits to the operations, brands and patents pertaining to the trademarks are capitalised as intangible assets.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate the carrying value may be impaired either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable, if not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

4.9 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss, investments in subsidiaries), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instruments that is carried at cost is recognised in profit or loss and is measured as the difference between the financial assets' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 IMPAIRMENT (CONT'D)

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the (recognised in respect of cash-generating units are collected first to reduce the carrying amount of any goodwill allocated to the cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rate basis.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress included the cost of materials, labour and an appropriate proportion of production overhead.

Net realisable value represents the estimated selling price less the estimated cost of completion and estimated costs necessary to make the sale.

Where necessary, due allowance is made for all obsolete, damaged and slow-moving items.

4.11 INCOME TAXES

Income taxes for the reporting period comprise current tax and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 INCOME TAXES (CONT'D)

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 future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are 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 the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

4.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

4.13 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

4.14 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 RELATED PARTIES (CONT'D)

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

4.15 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decision about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.16 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted, for the effects of all dilutive potential ordinary shares, if any.

4.17 BORROWING COSTS

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.19 REVENUE AND OTHER INCOME

(a) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(b) Rendering of Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(c) Interest Income and Rental Income

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

5. INVESTMENTS IN SUBSIDIARIES

	The Company 2016 RM'000	2015 RM'000
Unquoted shares, at cost	76,082	-

Details of the subsidiaries, all of which are incorporated in Malaysia and having principal place of business in Malaysia, are as follows:-

Name of Subsidiaries	Effective Equity Interest 2016	2015	Principal Activities
Pecca Leather Sdn. Bhd. ("PLeather")	100%	-	Styling, manufacturing, distribution and installation of leather car seat cover.
Pecca Leather Aviation. Sdn. Bhd. ("PAviation")	60%	-	Manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat cover.
Everest Empire Sdn. Bhd. ("EEmpire")	100%	-	Dormant.

The details of acquisition of the abovementioned subsidiaries are disclosed in Note 34 to the financial statements.

Summarised financial information of the non-controlling interest in PAviation has not been presented as the related information is not individually material to the Group.

6. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.7.2015 RM'000	Additions RM'000	Revaluation surplus RM'000	Disposals RM'000	Depreciation Charge RM'000	At 30.6.2016 RM'000
Net Book Value						
Long leasehold land	4,597	-	7,424	-	(50)	11,971
Buildings	15,173	-	6,917	-	(335)	21,755
Plant and machineries	10,840	1,470	-	-	(1,614)	10,696
Motor vehicles	767	569	-	(81)	(390)	865
Office equipment	510	130	-	-	(154)	486
Furniture and fittings	1,619	389	-	-	(268)	1,740
Computers	646	324	-	-	(330)	640
Renovation	2,322	181	-	-	(386)	2,117
	36,474	3,063	14,341	(81)	(3,527)	50,270

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

The Group	At 1.7.2014 RM'000	Additions RM'000	Disposals RM'000	Depreciation Charge RM'000	At 30.6.2015 RM'000
Net Book Value					
Long leasehold land	4,646	-	-	(49)	4,597
Buildings	15,512	-	(3)	(336)	15,173
Plant and machineries	10,278	2,097	(105)	(1,430)	10,840
Motor vehicles	1,192	184	(117)	(492)	767
Office equipment	497	155	-	(142)	510
Furniture and fittings	1,616	241	-	(238)	1,619
Computers	560	334	-	(248)	646
Renovation	2,599	96	-	(373)	2,322
	36,900	3,107	(225)	(3,308)	36,474

The Group	At Cost RM'000	At Valuation RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
2016				
Long leasehold land	-	12,000	(29)	11,971
Buildings	-	24,350	(2,595)	21,755
Plant and machineries	18,801	-	(8,105)	10,696
Motor vehicles	3,488	-	(2,623)	865
Office equipment	1,355	-	(869)	486
Furniture and fittings	3,084	-	(1,344)	1,740
Computers	2,637	-	(1,997)	640
Renovation	4,194	-	(2,077)	2,117
	33,559	36,350	(19,639)	50,270

The Group

2015				
Long leasehold land	4,903	-	(306)	4,597
Buildings	16,763	-	(1,590)	15,173
Plant and machineries	17,425	-	(6,585)	10,840
Motor vehicles	4,147	-	(3,380)	767
Office equipment	1,225	-	(715)	510
Furniture and fittings	2,695	-	(1,076)	1,619
Computers	2,313	-	(1,667)	646
Renovation	4,012	-	(1,690)	2,322
	53,483	-	(17,009)	36,474

The long leasehold land has a remaining lease period of 91 years.

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

(a) During the financial year, the long leasehold land and buildings of a subsidiary have been revalued by an independent professional valuer. The market values of these properties were determined by the valuer using cost approach based on the nature of the properties and the availability of suitable evidences. The surpluses arising from the revaluation, net of deferred taxation have been credited to other comprehensive income and accumulated in equity under the revaluation reserve.

The analysis of the revalued long leasehold land and buildings are as follows:-

	Carrying Amount At Date of Valuation RM'000	Market Value RM'000	Revaluation Surplus RM'000
Long leasehold Land	4,576	12,000	7,424
Buildings	17,433	24,350	6,917
	22,009	36,350	14,341

The carrying value of the long leasehold land and buildings at the end of the reporting period had they been measured using cost model would have been as follows:-

	Long leasehold Land RM'000	Buildings RM'000	Total RM'000
The Group			
2016			
At cost	4,903	16,763	21,666
Accumulated depreciation	(356)	(1,925)	(2,281)
	4,547	14,838	19,385
2015			
At cost	4,903	16,763	21,666
Accumulated depreciation	(306)	(1,590)	(1,896)
	4,597	15,173	19,770

(b) At the end of the previous reporting period:-

(i) net book value of motor vehicles of the Group amounting to RM183,000 were acquired under the hire purchase terms.

(ii) certain motor vehicles of the Group with a net book value of RM220,063 were held in trust by certain directors of the Company.

(iii) the long leasehold land and buildings of the Group were pledged to a licensed bank as security for banking facilities granted to a subsidiary.

7. OTHER ASSETS

	The Group	
	2016	2015
	RM'000	RM'000
Available for sale financial assets:		
- unquoted shares outside Malaysia, at cost	102	102
- club memberships, at fair value	167	167
	269	269
Intangible asset:		
- patents and trademarks, at cost	#	#
	269	269

(a) Investments in unquoted shares are designated as available-for-sale financial assets but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

(b) The club memberships are held in trust by a director of the Company.

# Denotes RM3.00

8. INVENTORIES

	The Group	
	2016	2015
	RM'000	RM'000
At cost:-		
Raw materials	17,294	17,954
Finished goods	1,631	893
Work-in-progress	907	1,478
	19,832	20,325
Recognised in profit or loss:		
- inventories recognised as cost of sales	90,456	91,405
- inventories written off recognised as administrative and other operating expenses	-	174

9. TRADE RECEIVABLES

The Group's normal trade credit terms range from 30 to 90 (2015 – 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables of the previous reporting period was an amount of RM956,926 owing by a company in which certain directors of the Company have substantial financial interests. The amount owing was subjected to normal credit terms.

10. DERIVATIVE ASSETS/LIABILITIES

	The Group			
	Contract/ Notional amount			
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Derivative Assets/(Liabilities)				
Forward foreign currency contracts	2,118	1,065	7	(116)

(a) Forward foreign currency contracts are used to hedge the Company's purchases denominated in United States Dollar, Euro, Singapore Dollar, Australian Dollar and New Zealand Dollar (2015 – United States Dollar) for which firm commitments existed at the end of the reporting period. The settlement dates for forward foreign currency contracts range between 3 to 4 months (2015 – 1 to 12 months) after the end of the reporting period.

(b) The Company has recognised a loss of RM7,445 (2015 – gain of RM116,309) arising from fair value changes of derivatives during the financial year. The fair value changes were attributed to changes in the foreign exchange spot and forward rates.

11. AMOUNT OWING BY A SUBSIDIARY

The amount owing is non-trade in nature, unsecured, interest-free and receivable on demand. The amount owing is to be settled in cash.

12. FIXED DEPOSITS WITH A LICENSED BANKS

The effective interest rates of the fixed deposits at the end of the reporting period are between 3.30% - 4.40% (2015 - 3.25%) per annum. The fixed deposits have maturity periods ranging from 3 to 12 months (2015 - 12 months).

13. SHORT-TERM INVESTMENTS WITH A LICENSED BANK

The effective interest rates of the short-term investments at the end of the reporting period are between 3.60% - 5.64% (2015 – NIL) per annum. The short-term investments which are redeemable within a day of serving notice, have maturity period of one month (2015 – NIL).

14. SHARE CAPITAL

Movements in the authorised and paid-up share capital of the Group and of the Company are as follows:-

	The Company					
		2016			2015	
	Par value Per share RM	No. of shares '000	Nominal value RM'000	Par value Per share RM	No. of shares '000	Nominal value RM'000
Authorised:						
Ordinary shares						
At 1 July 2015/2014	1.00	100	100	1.00	100	100
Ordinary shares of RM1.00 each split into RM0.50 each	0.50	200	100	-	-	-
Created during the financial year	0.50	499,800	249,900	-	-	-
At 30 June 2016/2015	0.50	500,000	250,000	1.00	100	100
Issued and fully paid-up:-						
Ordinary shares						
At 1 July 2015/2014	1.00	**	*	1.00	**	*
Ordinary shares of RM0.50 each split in to RM0.50 each	0.50	***	*	-	-	-
Issued during the financial year:						
- by way of allotments	0.50	**	****	-	-	-
- for acquisition of subsidiaries	0.50	140,204	70,102	-	-	-
- for Initial Public Offering ("IPO")	0.50	47,796	23,898	-	-	-
At 30 June 2016/2015	0.50	188,000	94,000	1.00	**	*

The details of the movements in the share capital are disclosed in Note 34 to the financial statements.

* Denote RM2
** Denotes 2 ordinary shares
*** Denotes 4 ordinary shares
**** Denotes RM1

15. RESERVES

(a) Revaluation reserve

The revaluation reserve represents the surplus on revaluation of a piece of long leasehold land and buildings of the Group, net of deferred tax as disclosed in Note 6 to the financial statements.

(b) Merger Deficit

The merger deficit represents the difference between the cost of acquisition and the nominal value of the shares of subsidiaries acquired upon consolidation under the merger accounting principles.

16. DEFERRED TAX LIABILITIES

	The Group	
	2016 RM'000	2015 RM'000
At 1 July	1,542	1,542
Recognised in other comprehensive income	3,442	-
At 30 June	4,984	1,542
The deferred tax liabilities comprise:		
- revaluation of long leasehold land and buildings	3,442	-
- accelerated capital allowances over depreciation	1,522	1,522
- other temporary differences	20	20
	4,984	1,542

17. LONG-TERM BORROWINGS

Long-term borrowings in the previous reporting period represented non-current portion of the term loans, as disclosed in Note 22 to the financial statements.

18. TRADE PAYABLES

The normal trade credit terms granted to the Company range from 30 to 90 (2015 – 30 to 90) days.

19. AMOUNT OWING TO A DIRECTOR

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

20. AMOUNT OWING TO A RELATED PARTY

The amount owing in the previous financial year was non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

21. SHORT-TERM BORROWINGS

	The Group	
	2016 RM'000	2015 RM'000
Bankers' acceptances	-	5,000
Term loans (Note 22)	-	1,216
Hire purchase payables (Note 23)	-	63
	-	6,279

All the bank borrowings of the Group have been fully settled during the financial year from the proceeds of the public issuance of shares pursuant to the Initial Public Offering exercise of the Company.

22. TERM LOANS

	The Group	
	2016 RM'000	2015 RM'000
Non-current portion (Note 17):		
- repayable between one and two years	-	1,392
- repayable between two and five years	-	4,700
- repayable after five years	-	4,944
	-	11,036
Current portion (Note 21):		
- repayable within one year	-	1,216
	-	12,252

Details of the term loans of a subsidiary outstanding at the end of the previous reporting period were as follows:-

Term loan	Number of Monthly Instalments	Monthly Instalment	Date Of Commencement Of Repayment	Amount Outstanding 2016 RM'000	2015 RM'000
Term loan 1	144	33,380	5 April 2007	-	2,239
Term loan 2	144	90,313	5 Feb 2012	-	7,329
Term loan 3	120	1,410	1 May 2012	-	94
Term loan 4	144	22,950	3 April 2012	-	2,590
				-	12,252

22. TERM LOANS (CONT'D)

The term loans were subjected to a weighted average effective interest rate of 5.05% (2015 – 5.05%) per annum and were secured by:-

(i) a legal charge over the long leasehold land and building of the Company;

(ii) a pledge of the fixed deposits of the Company;

(iii) a corporate guarantee of the holding company; and

(iv) a joint and several guarantee of certain directors of the Company.

23. HIRE PURCHASE PAYABLES

The hire purchase payables in the previous reporting period were obtained to finance the purchase of a subsidiary's motor vehicle and comprise the following:-

	The Group	
	2016 RM'000	2015 RM'000
Minimum hire purchase payments:		
- not later than one year	-	68
	-	68
Less: Future finance charges	-	(5)
Present value of hire purchase payables	-	63

The hire purchase payables are repayable as follows:-

	The Group	
	2016 RM'000	2015 RM'000
Current portion (Note 21):		
- not later than one year	-	63
	-	63

The hire purchase payables in the previous financial year were subjected to effective interest rates ranging from 4.42% to 6.98% per annum.

24. REVENUE

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sales of goods	107,243	125,871	-	-
Rendering of services	19,050	3,665	-	-
Dividend income	-	-	10,672	-
	126,293	129,536	10,672	-

25. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration:-				
Statutory audit:				
- current financial year	108	68	39	5
- underprovision in the previous financial year	5	10	-	-
Non-statutory audit	125	140	125	140
Depreciation of property, plant and equipment	3,527	3,308	-	-
Directors' remuneration:				
- fees	339	130	219	130
- non-fee emoluments	1,577	945	8	-
Interest expense:				
- bankers' acceptances	160	106	-	-
- bank overdraft	5	6	-	-
- hire purchase	5	96	-	-
- term loans	780	678	-	-
Loss/(Gain) on foreign exchange:				
- realised	1,213	2,312	-	-
- unrealised	(255)	(77)	-	-
Inventories written off	-	174	-	-
Rental of premises	65	14	-	-
Staff costs:				
- salaries, allowances, bonus and wages	14,796	15,000	2	-
- defined contribution plan	1,032	921	-	-
- other benefits	1,324	1,026	-	-
Gain on disposal of property, plant and equipment	(182)	(485)	-	-
Gross dividend from a subsidiary	-	-	(10,672)	-
Interest income	(1,217)	(212)	(473)	-
Rental income	(216)	(218)	-	-

26. INCOME TAX EXPENSE

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- for the financial year	5,081	5,907	-	-
- overprovision in the previous financial year	(257)	-	-	-
	4,824	5,907	-	-

26. INCOME TAX EXPENSE (CONT'D)

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) before taxation	19,270	23,770	8,795	(142)
Tax at the statutory tax rate of 24% (2015 - 25%)	4,625	5,943	2,111	(36)
Tax effects of:-				
Non-deductible expenses	1,153	347	564	36
Utilisation of reinvestment allowances	(302)	(316)	-	-
Non-taxable income	(395)	(67)	(2,675)	-
Overprovision of current tax expense in the previous financial year	(257)	-	-	-
Income tax expense for the financial year	4,824	5,907	-	-

27. EARNINGS PER SHARE

The calculation of basic earnings per ordinary share at 30 June 2016 was based on the profit attributable to shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	The Group	
	2016	2015
Profit attributable to owners of the Group (RM'000)	14,531	17,940
* Weighted average number of ordinary shares ('000)	150,259	140,204
Basic earnings per share (sen)	9.67	12.80

Note:-

* - *In the calculation of earnings per share for the financial year ended 30 June 2015, it is assumed that 140,204,000 ordinary shares were in issue, being the number of ordinary shares in issue just before the public issue as stated in Note 34.3(b) to the financial statements.*

The diluted earnings per share equals to the basic earnings per share.

28. DIVIDENDS

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Recognised as distribution to owners of the Company during the financial year:-				
Dividend paid by the Company in respect of the financial year ended 30 June 2016:				
- first single-tier interim dividend of 2 sen per ordinary share	3,760	-	3,760	-
Dividends paid by a subsidiary, PLeather in respect of the financial year ended 30 June 2015:				
- first single-tier interim dividend of 28 sen per ordinary share	-	2,576	-	-
- second single-tier interim dividend of 62 sen per ordinary share	-	5,704	-	-
	3,760	8,280	3,760	-

At the forthcoming Annual General Meeting, a final single-tier dividend of 2.0 sen per ordinary share amounting to RM3.76 million in respect of the current financial year will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect the above dividend. Upon shareholders' approval, the proposed final single-tier dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2017.

29. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	26,515	2,307	17,129	-
Short term investments with a licensed bank	36,684	-	33,178	-
Cash and bank balances	24,405	19,769	2,512	100
	87,604	22,076	52,819	100
Less: Placements for more than 3 months (2015 -deposits pledged to licensed bank)	(26,515)	(2,307)	(17,129)	-
	61,089	19,769	35,690	100

30. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions or vice versa, or where the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Company has related party relationships with its directors, key management personnel, entities within the same group of companies and companies in which certain directors have substantial financial interests.

(b) Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial year:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Subsidiary:				
- dividend income from a subsidiary	-	-	10,672	-
- interest income charged to a subsidiary	-	-	43	-
Acquisition of equity interests in subsidiaries from certain directors of the Company	-	-	(76,082)	-
Services charged to a corporate shareholder of a subsidiary	7	-	-	-
Entities controlled by certain directors of the Company:				
- sales to related parties	2,999	5,654	-	-
- rental charged to a related party	216	218	-	-
- interest charged to a related party	-	67	-	-
- purchase of available for sale investment from a related party	-	(102)	-	-
Short-term benefits paid to related parties	(335)	(132)	-	-

(c) Compensation to key management personnel

Key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Key management personnel compensation:-				
Directors :				
- fees	339	130	219	130
- salaries, allowances and bonus	1,411	1,200	8	-
- defined contribution plan	165	121	-	-
	1,915	1,451	227	130
Other key management personnel:				
- salaries,allowances and bonus	1,316	556	-	-
- defined contribution plan	149	58	-	-
	1,465	614	-	-
	3,380	2,065	227	130

31. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	2016 RM	2015 RM
Australian Dollar	3.00	2.90
Euro	4.47	4.20
Japanese Yen	0.04	0.03
New Zealand Dollar	2.86	2.55
Pound Sterling	5.41	5.94
Singapore Dollar	3.00	2.80
United States Dollar	4.04	3.78
Thai Baht	0.11	0.11

32. SEGMENT REPORTING

The Group is predominantly involved in manufacturing of car leather seats and accessories, which is the only reportable segment. Other non-reportable segment is manufacturing and sales of aircraft fittings. This segment does not meet the quantitative threshold for reporting segments in 2016 and 2015. All the Group's operations are carried out in Malaysia.

33. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

33.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in foreign currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar, Singapore Dollar and Euro. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. Occasionally, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure

The Group	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Australian Dollar RM'000	Other Foreign Currencies RM'000	Ringgit Malaysia RM'000	Total RM'000
2016							
Financial asset							
Trade receivables	252	1,622	1,150	544	50	19,478	23,096
Cash and bank balances	1,019	1,133	165	368	64	21,656	24,405
Short-term funds	10,911	-	-	-	-	25,773	36,684
	12,182	2,755	1,315	912	114	66,907	84,185
Financial liability							
Trade payables	7,335	-	-	-	78	8,930	16,343
Other payables	77	-	-	6	2	2,389	2,474
Net financial asset/(liability)	4,770	2,755	1,315	906	34	55,588	65,368
Less: Net financial asset denominated in the entity's functional currency	-	-	-	-	-	(55,588)	(55,588)
Less: Forward foreign currency contracts (contracted notional principal)	(404)	(1,198)	(150)	(300)	(62)	-	(2,114)
Currency exposure	4,366	1,557	1,165	606	(28)	-	7,666

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Australian Dollar RM'000	Other Foreign Currencies RM'000	Ringgit Malaysia RM'000	Total RM'000
2015							
Financial asset							
Trade receivables	61	247	957	520	44	25,392	27,221
Cash and bank balances	2,517	94	314	222	118	16,504	19,769
	2,578	341	1,271	742	162	41,896	46,990
Financial liability							
Trade payables	(3,623)	-	-	-	-	(10,460)	(14,083)
Net financial asset/(liability)	(1,045)	341	1,271	742	162	31,436	32,907
Less: Net financial asset denominated in the entity's functional currency	-	-	-	-	-	(31,436)	(31,436)
Less: Forward foreign currency contracts (contracted notional principal)	-	-	(949)	-	-	-	(949)
Currency exposure	(1,045)	341	322	742	162	-	522

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

A 5% basis points strengthening or weakening in the foreign currencies as at the end of the reporting period would have immaterial impact on profit/(loss) after taxation and equity. This assumes that all other variables remain constant.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its interest-bearing financial assets and financial liabilities. The Group's policy is to obtain the most favourable interest rate available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 33.1(c) to the financial statements.

Interest rate risk sensitivity analysis

A 100 basis points strengthening or weakening in the interest rate as at the end of the reporting period would have immaterial impact on profit/(loss) after taxation and equity. This assumes that all other variables remain constant.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of these receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 3 major customers which constituted approximately 68% (2015 – 3 major customers constituted approximately 65%) of its total trade receivables as at the end of the reporting period.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables (including trade balances owing by related parties) by geographical region is as follows:-

	The Group	
	2016 RM'000	2015 RM'000
Malaysia	19,478	25,392
Singapore	1,622	-
Europe	1,150	957
Australia	544	520
Other foreign countries	302	352
	23,096	27,221

(iii) Ageing analysis

The ageing analysis of the Group's trade receivables as at the end of the reporting period is as follows:-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
2016			
Not past due	22,582	-	22,582
Past due:			
- less than 30 days	256	-	256
- more than 30 days	258	-	258
	23,096	-	23,096
2015			
Not past due	27,171	-	27,171
Past due:			
- less than 30 days	11	-	11
- more than 30 days	39	-	39
	27,221	-	27,221

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing analysis (Cont'd)

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient balances of cash and cash equivalents.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting period):-

The Group	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2016						
Trade payables	-	16,343	16,343	16,343	-	-
Other payables and accruals	-	2,474	2,474	2,474	-	-
Amount owing to a director	-	370	370	370	-	-
		19,187	19,187	19,187	-	-
2015						
Trade payables	-	14,083	14,083	14,083	-	-
Other payables and accruals	-	3,184	3,184	3,184	-	-
Amount owing to a director	-	268	268	268	-	-
Term loans	5.05	12,252	13,973	1,634	7,017	5,322
Bankers' acceptances	4.32	5,000	5,000	5,000	-	-
Hire purchase payables	5.36	63	68	68	-	-
Derivative liabilities	-	116	116	116	-	-
		34,966	36,692	24,353	7,017	5,322

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting period) (Cont'd):-

The Company	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2016						
Other payables and accruals	-	81	81	81	-	-
2015						
Other payables and accruals	-	20	20	20	-	-
Amount owing to a director	-	14	14	14	-	-
Amount owing to a related party		223	223	223	-	-
		257	257	257	-	-

33.2 CAPITAL RISK MANAGEMENT

The Group manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less fixed deposits and short-term investments with licensed banks, and cash and cash equivalents.

The debt-to-equity ratio is not presented as it may not provide a meaningful indicator of the risk of borrowings, as the fixed deposits and short-term investments with licensed banks, and cash and cash equivalents exceeded the debts of the Group and of the Company at the end of the current reporting period.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial Assets				
Available for sale financial assets				
Unquoted shares held outside Malaysia	102	102	-	-
Investment in club membership	167	167	-	-
	269	269	-	-
Loans and receivables financial assets				
Trade receivables	23,096	27,221	-	-
Other receivables and deposits	341	168	4	-
Amount owing by a subsidiary	-	-	11,756	-
Fixed deposits with licensed banks	26,515	2,307	17,129	-
Short-term investments with a licensed bank	36,684	-	33,178	-
Cash and bank balances	24,405	19,769	2,512	100
	111,041	49,465	64,579	100
Fair value through profit or loss:				
Derivative assets	7	-	-	-
	111,048	49,465	64,579	100
Financial Liabilities				
Other financial liabilities				
Trade payables	16,343	14,083	-	-
Other payables and accruals	2,474	3,184	81	20
Amount owing to a director	370	268	-	14
Amount owing to a related party	-	-	-	223
Term loans	-	12,252	-	-
Bankers' acceptances	-	5,000	-	-
Hire purchase payables	-	63	-	-
	19,187	34,850	81	257
Fair value through profit or loss:				
Derivative liabilities	-	116	-	-
	19,187	34,966	81	257

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 FAIR VALUE INFORMATION

Other than disclosed below, the fair values of the financial asset and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
The Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**RM'000**	**RM'000**
2016								
Financial Assets								
Investment in club membership	-	167	-	-	-	-	167	167
Derivative assets	-	7	-	-	-	-	7	7
2015								
Financial Asset								
Investment in club membership	-	167	-	-	-	-	167	167
Financial Liabilities								
Hire purchase payables	-	-	-	-	63	-	63	63
Term loans	-	-	-	-	12,252	-	12,252	12,252
Derivative liabilities	-	116	-	-	-	-	116	116

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 FAIR VALUE INFORMATION (CONT'D)

At the end of the previous financial year, the fair values of hire purchase payables and term loans were determined by discounting the relevant cash flows using interest rates for similar instruments. The interest rates used to discount the estimated cash flows were as follows:-

	The Group	
	2016	2015
	%	%
Financial Liability		
Hire purchase payables	-	4.42 to 6.98
Term loans	-	5.05

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

34.1 SUB-DIVISION OF ORDINARY SHARES OF THE COMPANY

During the financial year, the Company subdivided its existing:

- authorised share capital of RM100,000 representing 100,000 ordinary shares of RM1.00 each into 200,000 ordinary shares of RM0.50 each; and

- issued and fully paid up capital of RM2.00 representing 2 ordinary shares of RM1.00 each into 4 ordinary shares of RM0.50 each.

The subdivided shares confer on the holder the same rights and privileges as that of the existing shares before the subdivision.

34.2 INCREASE IN SHARE CAPITAL OF THE COMPANY

During the financial year, the Company:-

(a) Issued 2 ordinary shares of RM0.50 each, by way of the allotment of one ordinary share each to Datuk Teoh Hwa Cheng and Chong Swee Main. The new ordinary shares rank pari passu in all respects with existing ordinary shares of the Company; and

(b) Created an additional authorised share capital representing 499,800,000 ordinary shares of RM0.50 each amounting to RM249,900,000.

34.3 ACQUISITION OF SUBSIDIARIES AND INCREASE IN ISSUED AND PAID-UP SHARE CAPITAL

(a) Acquisition of subsidiaries

Pursuant to the Conditional Sale and Purchase agreement dated 24 December 2014, the following transactions were completed by the Company on 1 December 2015:-

(i) Acquisition of the entire equity interest in EEmpire representing 6,000,000 ordinary shares of RM1 each, for a total cash consideration of RM5,980,000 from a company in which certain directors have substantial financial interests. The purchase consideration of RM5,980,165 was based on the audited Net Tangible Assets ("NTA") of EEmpire as at 30 June 2014 and was satisfied via internally generated funds.

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

34.3 ACQUISITION OF SUBSIDIARIES AND INCREASE IN ISSUED AND PAID-UP SHARE CAPITAL (CONT'D)

(a) Acquisition of subsidiaries (Cont'd)

(ii) Acquisition of the entire issued and paid-up share capital of PLeather comprising 9,200,002 ordinary shares of RM1.00 each for a purchase consideration of RM70,041,997, satisfied wholly by the issuance of 140,083,994 new ordinary shares of the Company at an issue price of RM0.50 per share. The purchase consideration of PLeather was based on the adjusted audited Net Tangible Asset of PLeather as at 30 June 2014 after adjusting the fair value (net of deferred taxation) of the properties of PLeather of RM9,933,682 as set out below:-

	RM'000
Audited NTA of PLeather as at 30 June 2014	60,109
Fair value adjustment to the property of PLeather (net of deferred taxation)	9,933
Adjusted audited NTA of PLeather as at 30 June 2014	70,042

The shares were acquired from the following vendors of PLeather:-

- MRZ Leather Holdings Sdn. Bhd. ("MRZ"), a company in which certain directors of the Company have substantial financial interests;
- a director of the Company, who is also a substantial shareholder of MRZ; and
- a third party.

(iii) Acquisition of 60,000 ordinary shares of RM1.00 each in PAviation, representing 60% equity interest for a total purchase consideration of RM60,000 from 2 vendors of PAviation who are also the directors of the Company. The purchase consideration was satisfied wholly by the issuance of 120,000 new ordinary shares of the Company at an issue price of RM0.50 per share.

(b) Issuance of additional fully paid-up ordinary share capital

The acquisitions of PLeather and PAviation resulted in the Company's issued and paid-up ordinary share capital to increase from six (6) ordinary shares of RM0.50 each to 140,204,000 ordinary shares of RM0.50 each. Accordingly, the issued and fully paid-up share capital of the Company increased from RM3.00 to RM70,102,000.

The new ordinary shares issued by the Company pursuant to the above acquisitions ranked pari passu in all respects with the existing ordinary shares of the Company, except that the new ordinary shares will not be entitled to any dividends, rights, allotment or other distributions declared, made or paid prior to the date of allotment and issuance of the new shares.

34.4 IPO EXERCISE

On 15 April 2016, the Company issued 47,796,000 new ordinary shares of RM0.50 each at RM1.42 per share pursuant to the IPO exercise of the Company. This has resulted in the issued and paid-up share capital of the Company to increase from 140,204,000 ordinary shares of RM0.50 each to 188,000,000 ordinary shares of RM0.50 each. Accordingly, the issued and fully paid-up share capital of the Company increased from RM70,102,000 to RM94,000,000.

On 19 April 2016, the Company successfully floated its ordinary shares on the Main Market of Bursa Malaysia Securities Berhad.

35. COMPARATIVE FIGURES

The comparative figures of the Group were presented based on the financial statements of the subsidiaries' accounted for using the merger method of accounting, as those subsidiaries were under common control by the same parties both before and after the acquisitions by the Company, and that control is not transitory.

SUPPLEMENTARY INFORMATION

DISCLOSURE OF REALISED AND UNREALISED (LOSS)/PROFITS

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits/(Accumulated losses) of the Group and of the Company:				
- realised	72,731	62,073	4,878	(157)
- unrealised	(1,287)	(1,465)	-	-
	71,444	60,608	4,878	(157)
Less : Consolidation adjustments	(168)	(83)	-	-
	71,276	60,525	4,878	(157)

ANALYSIS OF SHAREHOLDINGS

Analysis of Shareholdings as at 5 October 2016

Authorised Share Capital	:	500,000,000
Issued and Paid-up Share Capital	:	188,000,000
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of holdings	No. of holders	%	No. of shares	%
1 – 99	6	1.05	100	0.00
100 – 1,000	68	11.91	47,300	0.03
1,001 – 10,000	230	40.28	1,205,400	0.64
10,001 – 100,000	154	26.97	6,088,402	3.24
100,001 to less than 5% of issued shares	110	19.26	84,798,525	45.11
5% and above of issued shares	3	0.53	95,860,273	50.99
Total	**571**	**100.00**	**188,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	No. of shares held			
	Direct	%	Indirect	%
MRZ Leather Holdings Sdn Bhd	85,692,420	45.58	-	-
Datuk Teoh Hwa Cheng	10,167,853	5.41	(1) 85,692,420	(1) 45.58
Datin Sam Yin Thing	24,002	0.01	(1) 85,692,420	(1) 45.58

Notes:

(1) *Deemed interested in shares held by MRZ Leather Holdings Sdn Bhd in the Company pursuant to Section 6A of the Companies Act, 1965.*

THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	Percentage holding (%)
1.	MRZ Leather Holdings Sdn Bhd	45,692,420	24.30
2.	MRZ Leather Holdings Sdn Bhd	40,000,000	21.28
3.	Teoh Hwa Cheng	10,167,853	5.41
4.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad – Kenanga Growth Fund	5,759,700	3.06
5.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Smart Treasure Fund	4,437,800	2.36
6.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AMUNDI)	4,200,000	2.23
7.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHB INV)	3,500,000	1.86
8.	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt AN for Phillip Capital Management Sdn Bhd	3,286,700	1.75
9.	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad for Manulife Investment Shariah Progressfund	3,023,300	1.61
10.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Zurich Insurance Malaysia Berhad (LPEQ-CIMB)	2,702,600	1.44
11.	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund	2,163,800	1.15

Analysis of Shareholdings (cont'd)

THIRTY LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of shares	Percentage holding (%)
12.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (RHB INV)	2,000,000	1.06
13.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust	1,656,800	0.88
14.	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad for CIMB-Principal Equity Fund	1,596,300	0.85
15.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for RHB Capital Fund (200189)	1,573,900	0.84
16.	Hong Leong Assurance Berhad as Beneficial Owner (UNITLINKED GF)	1,570,000	0.84
17.	Tan Chin Teong	1,300,000	0.69
18.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for EASTSPRING INVESTMENTSGROWTH FUND	1,252,100	0.67
19.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for CIMB-Principal Malaysia Equity Fund	1,190,900	0.63
20.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for EASTSPRING INVESTMENTSSMALL-CAP FUND	1,177,700	0.63
21.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Equity Trust	1,068,100	0.57
22.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for CIMB-Principal Small Cap Fund (240218)	1,060,600	0.56
23.	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad for KAF Vision Fund	1,033,500	0.55
24.	AMSEC Nominees (Tempatan) Sdn Bhd AMFUNDS Management Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund	1,028,900	0.55
25.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (AFFIN HWNG SM CF)	1,025,200	0.55
26.	Syed Mohammad Hafiz bin Syed Razlan	989,724	0.53
27.	Chong Swee Main	935,001	0.50
28.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for EASTSPRING INVESTMENTSDANA AL-ILHAM	890,100	0.47
29.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Emerging Opportunity Unit Trust	852,600	0.45
30.	UOBM Nominees (Tempatan) Sdn Bhd UOB Asset Management (Malaysia) Berhad for GIBRALTAR BSN AGGRESSIVE FUND	824,300	0.44
	Total	**147,959,898**	**78.70**

DIRECTORS' SHAREHOLDINGS

Name of Directors	No. of shares held			
	Direct	%	Indirect	%
Dato' Mohamed Suffian bin Awang	100,000	0.05	-	-
Datuk Teoh Hwa Cheng	10,167,853	5.41	(1) 85,692,420	(1) 45.58
Datin Sam Yin Thing	24,002	0.01	(1) 85,692,420	(1) 45.58
Tan Jin Sun	450,000	0.24	-	-
Sam Chee Keng	550,000	0.29	-	-
Dato' Dr. Norraesah binti Haji Mohamad	-	-	-	-
Leong Kam Weng	100,000	0.05	-	-

Notes:

(1) *Deemed interested in shares held by MRZ Leather Holdings Sdn Bhd in the Company pursuant to Section 6A of the Companies Act, 1965.*

LIST OF PROPERTIES

	Location	Tenure	Year lease expiring	Approximate area (Sq Ft)	Description / existing use	Age / Year of Acquisition / Certificate of Completion	Net Book Value as at 30.06.2016 (RM)	Market Value / Last Revaluation Date (RM)
1.	No.1, Jalan Perindustrian Desa Aman 1A, Industri Desa Aman, Kepong, 52200 Kuala Lumpur. H.S. (M) 24691, Lot PT No. 2034, Locality of Desa Aman, Bandar Sungai Buloh, District of Gombak, State of Selangor Darul Ehsan	Leasehold 99 years	4 August 2107	72,506 SqFt (land area) 21,700 SqFt (Built-up area for 4-storey office building) 89,896 SqFt (Built-up area for 4-storey factory building) 46,046 SqFt (Built-up area for 6-storey hostel building)	1 unit of 4-storey office building with a mezzanine floor annexed to a 4-storey flatted factory building and a 6-storey hostel building together with a guardhouse/ Head office and production factory of our Group	4 years / 5 January 2011 (for 4-storey office and 4-storey factory) 21 June 2011 (for 6-storey hostel)	33,378,493	36,000,000 / 03.02.2016
2.	B-5-1, 5th Floor, Block B, Damansara Sutera Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur. Strata Title No. Geran 58055/ M2/6/178, Parcel No. 178, Storey No.6, Building No. M2, Parent Lot No. 2854, Town of Kepong, District of Gombak, State of Selangor Darul Ehsan.	Freehold	-	850 SqFt (Built-up area)	1 unit of 3-bedroom apartment / Staff accommodation	7 years/ 13 October 2006 (for the Master Lot No. 2854)	348,227	350,000 03.02.2016

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of **PECCA GROUP BERHAD** will be held at Rafflesia 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 23 November 2016 at 9.30 a.m. for the following purposes:-

A G E N D A

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 30 June 2016 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To declare a Final Single Tier Dividend of 2.00 sen per ordinary share of RM0.50 each for the financial year ended 30 June 2016. **Ordinary Resolution 1**

3. To approve the payment of Directors' Fees for the financial year ended 30 June 2016. **Ordinary Resolution 2**

4. To re-elect the following Directors who are retiring pursuant to Article 98 of the Articles of Association of the Company:-

   (i) Datuk Teoh Hwa Cheng **Ordinary Resolution 3**

   (ii) Mr Leong Kam Weng **Ordinary Resolution 4**

5. To appoint Messrs KPMG as Auditors of the Company in place of the retiring Auditors, Messrs Crowe Horwath and to authorise the Directors to fix their remuneration.

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965 (a copy of which is annexed and marked as "Appendix I" in the Annual Report 2016) has been received by the Company for the nomination of Messrs KPMG who have given their consent to act, for appointment as Auditors in place of the retiring Auditors, Messrs Crowe Horwath and of the intention to propose the following ordinary resolution:-

   "That Messrs KPMG, having consented to act, be and are hereby appointed as Auditors of the Company for the financial year ending 30 June 2017 in place of the retiring Auditors, Messrs Crowe Horwath and to hold office until the conclusion of the next Annual General Meeting of the Company and that the Directors be authorised to fix their remuneration." **Ordinary Resolution 5**

As Special Business

To consider and, if thought fit, to pass the following resolutions:-

6. **Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares**

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting 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 to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue." **Ordinary Resolution 6**

7. **Proposed Grant of Authority to the Company to Purchase its own Ordinary Shares ("Proposed Share Buy-Back")**

   "THAT subject to the Companies Act, 1965 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and any other relevant authority or approval for the time being in force or as may be amended from time to time, the Directors of the Company be and are hereby authorised to make purchases of the Company's shares as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company, provided that:-

(a) the aggregate number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten percentum (10%) of the total issued and paid-up ordinary share capital of the Company at any point in time of the said purchase(s);

(b) the maximum funds to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total retained earnings and share premium account of the Company at the time of purchase; and

(c) the authority conferred by this resolution shall continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed at which time the said authority shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders in general meeting,

whichever occurs first,

but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

THAT upon completion of the purchase by the Company of its own ordinary shares, the Directors of the Company be and are hereby authorised to deal with the ordinary shares purchased in their absolute discretion in the following manner:-

(a) cancel all the ordinary shares so purchased; and/or

(b) retain the ordinary shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities; and/or

(c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary (including the opening and maintaining of depository account(s) under the Securities Industry (Central Depositories) Act, 1991) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time or as the Directors may in their discretion deem necessary and to do all such acts and things as the said Directors may deem fit and expedient in the best interests of the Company." **Ordinary Resolution 7**

8. To transact any other business for which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Sixth Annual General Meeting to be held on Wednesday, 23 November 2016, a Final Single Tier Dividend of 2.00 sen per ordinary share of RM0.50 each in respect of the financial year ended 30 June 2016 will be paid to shareholders on 27 December 2016. The entitlement date for the said dividend shall be on 9 December 2016.

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

(a) Shares transferred to the Depositor's securities account before 4.00 p.m. on 9 December 2016 in respect of ordinary transfers; and

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

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)
TAN AI NING (MAICSA 7015852)
Company Secretaries

Selangor Darul Ehsan

Date: 28 October 2016

NOTES:-

1. A Member of the Company shall be entitled to be present, and to vote on any question either personally or by proxy, or as proxy for another Member, at any general meeting and shall also be reckoned as forming part of the quorum, in respect of any fully paid-up shares and any shares upon which all calls due and payable to the Company shall have been paid, held by such Member. A Member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the Member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. A Member shall not be precluded from attending and voting in person at any general meeting after lodging the form of proxy. However, such attendance shall automatically revoke the proxy's authority. Notwithstanding anything to the contrary in these Articles, no Member shall be entitled to vote or be recognised to form part of the quorum in respect of any shares upon which any call or other sum so due and payable shall be unpaid.

2. A Member of the Company who is entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, may appoint not more than two (2) proxies to attend, vote and speak in his stead. Where a Member of the Company is an authorised nominee as defined in the Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account. Where a Member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

3. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, under its common seal, or the hand of its attorney duly authorised. An instrument appointing a proxy to vote at a general meeting of the Company shall be deemed to include the power to demand a poll on behalf of the appointer.

5. The instrument appointing a proxy(ies), together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Share Registrar's Office at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.

6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 14 November 2016 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

EXPLANATORY NOTES:-

1. To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

2. Ordinary Resolution 6 on the Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares

The Ordinary Resolution 6 proposed under item 6 of the Agenda seeks the shareholders' approval of a general mandate for issuance of shares by the Company under Section 132D of the Companies Act, 1965. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for purpose of funding the working capital or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

3. Ordinary Resolution 7 on Proposed Grant of Authority to the Company to Purchase its own Ordinary Shares

For further information on Ordinary Resolution 7, please refer to the Circular to Shareholders dated 28 October 2016 accompanying the Annual Report of the Company for the financial year ended 30 June 2016.

Personal data privacy:-
*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

APPENDIX 1

Tan Jin Sun
c/o No. 1, Jalan Perindustrian Desa Aman 1A
Industri Desa Aman, Kepong, 52200 Kuala Lumpur

Date: 11 October 2016

The Board of Directors
Pecca Group Berhad
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Dear Sirs

NOTICE OF NOMINATION OF AUDITORS

I, being a shareholder of Pecca Group Berhad, hereby give notice, pursuant to Section 172(11) of the Companies Act, 1965, of my nomination of Messrs KPMG of Level 10, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia to be appointed as the Auditors of the Company in place of the retiring Auditors, Messrs Crowe Horwath and of my intention to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company:-

"That Messrs KPMG, having consented to act, be and are hereby appointed as Auditors of the Company for the financial year ending 30 June 2017 in place of the retiring Auditors, Messrs Crowe Horwath and to hold office until the conclusion of the next Annual General Meeting of the Company and that the Directors be authorised to fix their remuneration."

Yours faithfully

....

Tan Jin Sun

PECCA GROUP BERHAD

(Company No. 909531-D)
Incorporated in Malaysia

No. of shares held	CDS account number of holder

PROXY FORM

I/We, ____
(name of shareholder as per NRIC, in capital letters)

NRIC No./ID No./Company No. ______________________ (new) ______________________ (old)

of ____ (full address)

being a member of PECCA GROUP BERHAD, hereby appoint ______________________
(name of proxy as per NRIC, in capital letters)

NRIC No. ______________________ (new) ______________________ (old)

of ____ (full address)

or failing him/her ____
(name of proxy as per NRIC, in capital letters)

NRIC No. ______________________ (new) ______________________ (old)

of ____ (full address)

or failing him/her, the *Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Rafflesia 1, Sime Darby Convertion Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Wednesday, 23 November 2016 at 9.30 a.m. or at any adjournment thereof. *(*Please delete the words "Chairman of the Meeting" if you wish to appoint some other person to be your proxy.)*

My/our proxy is to vote as indicated below:-

ORDINARY BUSINESS		FOR	AGAINST
Ordinary Resolution 1	Declaration of Final Single Tier Dividend of 2.00 sen per ordinary share of RM0.50 each for the financial year ended 30 June 2016		
Ordinary Resolution 2	Approval of Directors' Fees		
Ordinary Resolution 3	Re-election of Datuk Teoh Hwa Cheng as Director		
Ordinary Resolution 4	Re-election of Mr. Leong Kam Weng as Director		
Ordinary Resolution 5	Appointment of Messrs KPMG as Auditors of the Company in place of the retiring Auditors, Messrs Crowe Horwath and to authorise the Directors to fix their remuneration		
Ordinary Resolution 6	Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares		
Ordinary Resolution 7	Proposed Grant of Authority to the Company to Purchase its own Ordinary Shares		

(Please indicate with an "X" in the spaces provided on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

____
Signature/Common Seal of Shareholder

Date:

Notes:

1. A Member of the Company shall be entitled to be present, and to vote on any question either personally or by proxy, or as proxy for another Member, at any general meeting and shall also be reckoned as forming part of the quorum, in respect of any fully paid-up shares and any shares upon which all calls due and payable to the Company shall have been paid, held by such Member. A Member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the Member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. A Member shall not be precluded from attending and voting in person at any general meeting after lodging the form of proxy. However, such attendance shall automatically revoke the proxy's authority. Notwithstanding anything to the contrary in these Articles, no Member shall be entitled to vote or be recognised to form part of the quorum in respect of any shares upon which any call or other sum so due and payable shall be unpaid.
2. A Member of the Company who is entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, may appoint not more than two (2) proxies to attend, vote and speak in his stead. Where a Member of the Company is an authorised nominee as defined in the Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account. Where a Member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
3. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, under its common seal, or the hand of its attorney duly authorised. An instrument appointing a proxy to vote at a general meeting of the Company shall be deemed to include the power to demand a poll on behalf of the appointer.
5. The instrument appointing a proxy(ies), together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Share Registrar's Office at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 14 November 2016 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Personal Data Privacy:-
By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 28 October 2016.

Please Fold Here

PECCA
GROUP BERHAD

Affix
Stamp
Here

Boardroom Corporate Services (KL) Sdn Bhd (3775-X)
Lot 6.05, Level 6, KPMG Tower
8, First Avenue, Bandar Utama,
47800 Petaling Jaya
Selangor Darul Ehsan

Please Fold Here

www.peccaleather.com

PECCA GROUP BERHAD
No 1, Jalan Perindustrian Desa Aman 1A,
Industri Desa Aman, Kepong 52200, Kuala Lumpur, Malaysia

T: 603 6275 1800 / 3800
F: 603 6277 9809
E: enquiry@peccaleather.com