PECCA

GROUP BERHAD

# PECCA GROUP BERHAD

(Company No. 909531-D)

Annual Report

2017

# CONTENTS

# About **Us**

**PECCA GROUP BERHAD'S**
principal business activities are in the styling, manufacturing and installation of leather upholstery for seat covers for the automotive and aviation industries.

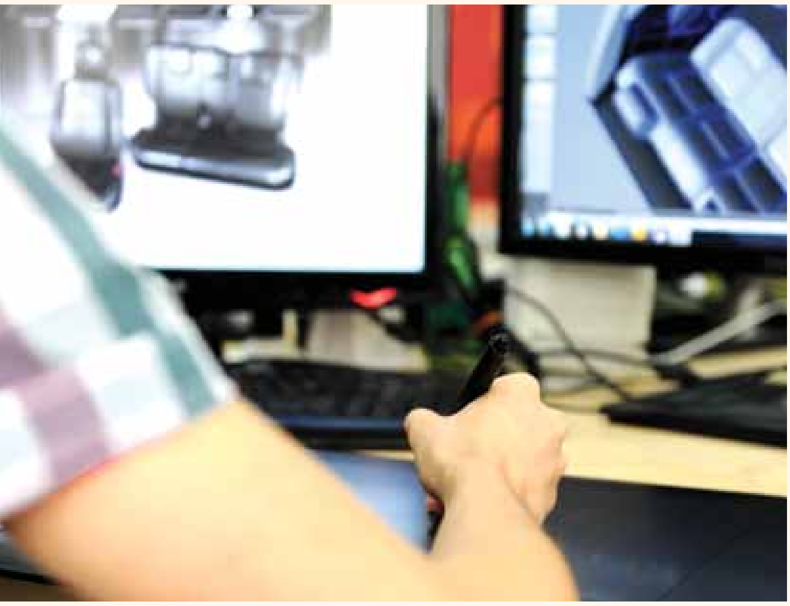
## VISION

To be the leading leather upholstery manufacturer globally.

## MISSION

To keep exceeding our customers' expectations in design, quality and innovation.

# Product **& Services**



# Corporate **Information**

## BOARD OF 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 Kuala Lumpur.
Telephone No. (03) 6275 1800
Facsimile No. (03) 6277 9809
Email: enquiry@peccaleather.com
Website: www.peccaleather.com

## LISTING

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

## AUDITORS

**KPMG PLT**
Level 10, KPMG Tower, 8, First Avenue,
Bandar Utama, 47800 Petaling Jaya,
Selangor Darul Ehsan
Telephone No. (03) 7721 3388
Facsimile No. (03) 7721 3399

# Corporate **Structure**

PECCA GROUP BERHAD

PECCA LEATHER

**Pecca Leather Sdn Bhd (PLeather)**
100%

- Styling, manufacturing, distribution and installation of leather upholstery for car seat covers
- 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 AVIATION SERVICES

**Pecca Aviation Services Sdn Bhd (PAviation)**
60%

- Manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat covers and other related products

PECCA LEATHER (THAILAND)

**Pecca Leather (Thailand) Limited (PThailand)**
49%

- Currently dormant. Intended principal activity of supplying leather upholstery for the automotive industry

EVEREST EMPIRE

**Everest Empire Sdn Bhd (EEmpire)**
100%

- Supply of car seat covers and other products for aftermarket

# Board Of **Directors**

Front from left to right:

**DATIN SAM YIN THING**
**Executive Director**

**DATO' MOHAMED SUFFIAN BIN AWANG**
**Independent Non-Executive Chairman**

**DATO' DR NORRAESAH BINTI HAJI MOHAMAD**
**Independent Non-Executive Director**

Back from left to right:

**MR. SAM CHEE KENG**
**Executive Director**

**MR. TAN JIN SUN**
**Executive Director**

**DATUK TEOH HWA CHENG**
**Group Managing Director**

**MR. LEONG KAM WENG**
**Independent Non-Executive Director**

# Profile Of **Directors**

## DATO' MOHAMED SUFFIAN BIN AWANG

**Male, aged 46, 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, Perbadanan Nasional Berhad and Medical Device Authority.

Dato' Mohamed Suffian had attended all the 5 board meetings held in financial year 2017.

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

## DATUK TEOH HWA CHENG

**Male, aged 49, a Malaysian**

Datuk Teoh Hwa Cheng is the Group Managing Director and founder of 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 continuous 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 directorship in other public companies or listed issuers.

Datuk Teoh Hwa Cheng had attended all the 5 board meetings held in financial year 2017.

He is a member of our Remuneration Committee.

## DATIN SAM YIN THING

**Female, aged 46, 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 directorship in other public companies or listed issuers.

Datin Sam Yin Thing had attended all the 5 board meetings held in financial year 2017.

## TAN JIN SUN

**Male, aged 48, 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 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 5 board meetings held in the financial year 2017.

## SAM CHEE KENG

**Male, aged 38, 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 had attended all the 5 board meetings held in financial year 2017.

## DATO' DR NORRAESAH BINTI HAJI MOHAMAD

**Female, aged 69, 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 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 and Excel Force MSC Berhad.

Dato' Dr Norraesah had attended all the 5 board meetings held in financial year 2017.

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 53, 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 5 board meetings held in the financial year 2017.

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 48, 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 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 49, 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 53, 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 skills training, Kaizen initiatives and ISO certifications.

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

## OOI ENG HUAT
**Male, aged 32, a Malaysian**

Ooi Eng Huat was appointed as the Executive Director of PAviation on 1 October 2014. Mr. Ooi is also currently the Quality Assurance Manager of PAviation.

Mr. Ooi Eng Huat has over 12 years of working experience gained mostly from the aviation industry . 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

### SAM CHEE SIONG
**Male, aged 43, 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, preventive maintenance, work safety and health program.

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

### MAT NIZAM BIN MAT DARON
**Male, aged 47, 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 Bachelor 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 Original Equipment Manufacturer ("OEM") and 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 has been convicted of any 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.

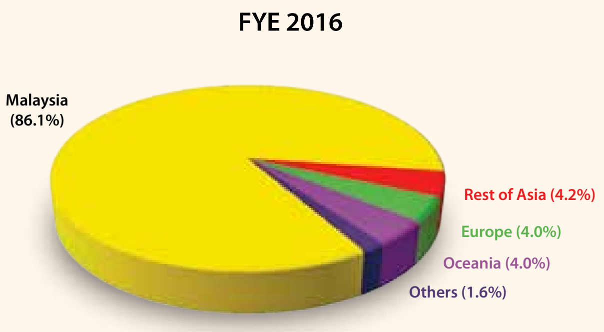
# Management **Discussion & Analysis**

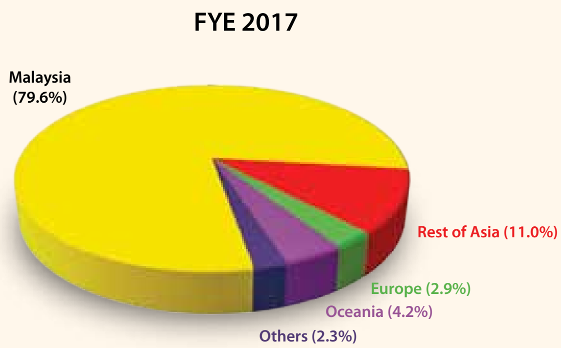
## BUSINESS OVERVIEW

The Group's leather business started as a SME 17 years ago. Today, Pecca Group is the market leader in the automotive leather upholstery for OEM passenger vehicles in Malaysia. With funds raised from the Initial Public Offer on 19 April 2016, the Group continues to pursue its vision to be the leading leather upholstery manufacturer globally.

Pecca Group's current business activities are predominately in the automotive segment, however, the Group has made significant inroads into the aviation segment. 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 Original Equipment Manufacturer ("OEM") segment, Pre-delivery Inspection ("PDI") segment and Replacement Equipment Manufacturer ("REM") segment. On the other hand, the aviation segment currently involves the provision of repair and restoration of non-structural cabin interior parts and material under the Part 145 Repair Station license granted by Department of Civil Aviation, Malaysia ("DCA"). On 7 September 2016, our 60% subsidiary, Pecca Aviation Services Sdn Bhd secures the aviation leather upholstery scope to be included in our license from DCA. Besides securing seat cover replacement contracts for private aircrafts, the Board is hopeful that we will secure our first leather seat covers supply contract for commercial aircrafts in the near future.

Geographically, the Group's products and services are focused in Malaysia. However, the Group works ardently but cautiously to strategically expand our export segment. In FYE 2017 the export segment recorded a commendable growth of 41.93% from FYE 2016. Our products are exported to Singapore, United States, Netherlands, Australia, Thailand, Japan, New Zealand and Mauritius. 25 October 2016 saw the incorporation of our 49% Thailand subsidiary, Pecca Leather (Thailand) Limited. The Group has yet to achieve any sales through this associate as penetration into the OEM and PDI segment requires lengthy approval process. Nevertheless, the establishment of this subsidiary will be the stepping stone to tap into Thailand market, the largest automotive producing country in ASEAN.




The Group also continuously explores organic growth into other related leather products to grow our business and to decrease our dependence on the local automotive market. Internally, the Group consistently places strong emphasis on productivity and cost improvement programs in order to remain globally competitive.

## FINANCIAL PERFORMANCE REVIEW

Global and Malaysia market sentiment for FYE 2017 have been weak, hampered by depressed commodity prices, uncertainties over Brexit and the US trade policies. Malaysian Ringgit depreciated by a further 6.7% against the US Dollar between 30 June 2016 and 30 June 2017. Bank Negara Malaysia projected the economy to have a slightly higher growth at between 4.3% and 4.8% in 2017 compared to 4.2% in 2016. Both year's growth are well below the 5% recorded in 2015. 580,124 vehicles were sold in 2016 and the Malaysian Automotive Association on 19 January 2017 forecasted a total of 590,000 vehicles to be sold in 2017. These volumes are much lower than the 666,674 vehicles sold in 2015. Over the 12 months ended 30 June 2017, the total industry vehicle of 589,129 units recorded a decrease of 5.0% from the 12 months ended 30 June 2016 of 619,879 units.

In lieu of a 5.0% lower total industry volume ("TIV") , Pecca Group recorded a lower revenue of RM122.17 million which is a 3.3% decrease from RM126.29 million revenue in FYE 2016. Correspondingly, core Profit After Tax (PAT) is lower in FYE 2017 at RM14.54 million compared to RM16.50 million in FYE 2016 (excluding the non-recurring listing expenses and corresponding non-claimable Goods and Services Tax).

Despite the weaker earnings, the financial position of the Group strengthen with Net Asset increasing from RM156.93 million to RM163.55 million. Net cash increased from RM87.60 million to RM92.69 million despite a capital expenditure of RM4.72 million in FYE 2017 mainly for purchase of machinery and construction of the additional production floor which will be completed in 2017 and is expected to increase production capacity by 41.7% to 170,000 car seat covers per annum. With this expansion, the Group is fully ready to cater for any increase in sales in particular driven by new car models expected to be launched in FYE 2018.

As detailed on page 25 of this report, the Group has yet to utilise all funds raised from the Initial Public Offer. The Board has taken the current business climate into account to time the investment to extract the most out of investing these funds. Our planned 50 new retail outlet has been deferred as we are working with existing car accessories shops to roll out our "Smart-Fit" products in order to minimise overhead expenditures. The purchase of equipment for the aviation business were delayed due to slower than expected implementation of the aviation business plan due to lengthy approval process for commercial aircraft seat cover replacement program.

With cash on hand of RM92.69 million, the Group is financially geared to pursue its growth strategies both organically and in-organically. The Board will employ prudence in pursuing such corporate exercises to ensure an appropriate return.

**Revenue**

**RM122.2**
**million**

**FYE 2016:**
**RM126.3 million**

**Return on Equity**

**8.9%**

**FYE 2016: 9.2%**

**Dividend per share**

**5 Sen**

**FYE 2016: 4 Sen**

## OPERATIONAL REVIEW

**Automotive Segment**

The automotive segment registered a total revenue of RM121.67 million in FYE 2017 which is 3.3% lower than FYE 2016 revenue of RM125.88 million. This was mainly attributed to the weaker local automotive market and tight lending requirements from Financial Institutions. The Profit Before Tax from the automotive segment decreased from 16.9% to 15.1% due to lower utilization rate and negative impact from the adverse operating environment.

In FYE 2017, revenue from leather upholstery for car seat covers of RM95.82 million remains the largest contributor to the Group, accounting for approximately 78.4% of the total revenue recorded (78.7% in FYE 2016), followed by leather cut pieces supply of RM19.85 million which accounted for approximately 16.2% of total revenue (16.6% in FYE 2016).

Revenue derived from the OEM leather car seat covers (OE Fit) of RM54.21 million continued to dominate and was the largest contributor segment, accounting for approximately 44.4% of the total revenue. This was a reduction of 9.23% from FYE 2016 OEM leather seat covers revenue of RM59.72 million as some of our OEM customers reported lower sales volume and market share.

In terms of geographical breakdown, the export market grew by 41.9% from RM17.49 million in FYE 2016 to RM24.82 million in FYE 2017 cushioning the weak demand from the local market. The Board is optimistic on the potential growth in the overseas market going forward.

**Non reportable segment are mainly aviation segment.**

The aviation segment recorded a higher revenue of RM0.493 million compared to RM0.417 million in FYE 2016. However, due to the low level of operations, the Aviation segment reported a loss before tax of RM0.262 million in FYE 2017.

Nevertheless in FYE 2017, the Group has been appointed as approved vendor from many key new customers including Malindo Airways Sdn Bhd, Airasia Berhad and Weststar Aviation Services Sdn Bhd.

With the inclusion of leather upholstery scope in its DCA license, the Board is confident of securing its first commercial aircraft aviation leather seat cover supply contract in the near future. Should this materialize, it will represent a significant milestone for the Group in realizing its vision to be the global leader in leather upholstery manufacturing as the aviation segment is considered a premium segment with high barrier of entry.

**Business Outlook and Anticipated Risks**

The Board expects the Malaysia's automotive market condition to improve slightly in FYE 2018 but overall still remain fragile in view of the soft local and global economic conditions. Although MAA predicted a 1.7% increase in Total Industry Volume ("TIV") for 2017 to 590,000 vehicles and 5% increase for 2018 to 619,000 vehicles, these volumes are still below the peak in 2015 of 666,674 vehicles registered.

In the longer term, the Group remains confident about the prospects of the Malaysian economy in achieving its developed country status by 2020. On 13 June 2017, the World Bank has revised upwards their economic growth forecast for Malaysia for 2017, 2018 and 2019 to 4.9%, 4.9% and 5.0% respectively.

Our Group will continue focus on productivity and cost improvement initiatives to fortify our position as market leader and to fend off the increased competition expected from the week automotive market. To further mitigate our dependence on local OEM and PDI customers, we will continue our strategy to diversify our income source by expanding overseas and also into related products. Backed by strong cash reserve, the Group is on the lookout for potential acquisition or strategic tie-up for new businesses. Despite the challenging landscape, the Group is resolute in its pursuit to be the leading leather upholstery manufacturer globally.

In line with the Board's dividend policy of 40% of annual Group Profit after Tax, the Board recommended and paid an interim single-tier dividend of 2 sen on 28 March 2017 and is currently recommending a final dividend of 3 sen which if approve will in aggregate constitute a total dividend paid of 64.6% of the FYE 2017 Profit after Tax.

# Corporate
# Social Responsibility

Pecca Group is committed to conduct its business activities in a manner which is responsible and respectful of the space where it operates to ensure delivery of sustainable value to its shareholders, customers, employees and other stakeholders. Our Corporate Social Responsibility activities focuses on four areas:

## WORKPLACE

Pecca Group is committed to fostering a healthy and safe working environment and has in place the following committees:

a) Sport Club Committee
b) Safety Management Committee
c) Emergency Response Committee
d) First Aid Committee
e) Spill Drill Committee
f) Schedule Waste Committee
g) Canteen Committee
h) 5S Committee

The Group provides sufficient education to all employees on occupational health and safety risks through continual improvement on awareness in compliance with the requirements of OHSAS ISO 18001:2007.

## COMMUNITY

On 29 May 2017 to 30 May 2017, Pecca Group held a Child Seat Education Program for 77 car dealers throughout Malaysia to provide education on the proper installation and use of Child Seat with the aim of promoting safety on the road. 2016 saw a total of 521,466 accidents, an increase from 489,606 accidents in 2015 as disclosed by The Ministry of Transport on 18 January 2017. Pecca Group continued its support to the National Blood Bank and held a Blood Donation Drive on 8 September 2016 which collected 34 pints of blood.

On 7 January 2017, Pecca Group organized a Spring Cleaning event that saw 106 voluntary employees cleaning both the factory and the 200 meters vicinity area outside the factory to promote a clean neighborhood.

During FYE 2017, the Group has made donations to the following organizations for the less fortunate:

| | | |
|---|---|---|
| • | Tabung Thalassaemia Malaysia (Foundation for underprivileged patients) | RM50,000 |
| • | Darul Falah (Funding for Darul Falah Tuition Center and underprivileged children in Parlimen Jeli) | RM2,000 |
| • | Buddhist Tzu-Chi Merits Society Malaysia (Funding for setting up of three Dialysis Centers) | RM2,000 |

## MARKETPLACE

The Group continuously promotes the conduct of sustainable business through integrity, transparency, good corporate governance and dedication in building long term relationship with our stakeholders.

We constantly interact with our stakeholders such as investors, analysts, fund managers, bankers and our clients through meetings, briefings and visits to the Group's manufacturing plant. As part of our effonts in promoting investor relations, the Group maintains a website which provides timely information about the Group which includes formal announcements, quarterly financial results and updates on the Group's development.

## ENVIRONMENT

The Group is committed to continuously improve its operations to minimize any negative impact to the environment. We are certified on ISO14001:2004 and have an Environmental Management System to reduce CO2 emission for energy saving, reduce usage of water and reduce & recycle industrial waste.

# 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 2017 ("FYE 2017"):-

**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 2017 are disclosed on page 14.

- **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 Secretaries 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 with the 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 mixed 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 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 NC comprises of entirely Independent Non-Executive Directors, of which complied with the recommendations under the Code as follows:

Number of Meetings attended in FYE 2017

- Dato' Mohamed Suffian bin Awang - Chairman of NC 1/1
- Dato' Dr Norraesah binti Haji Mohamad - Member of NC 1/1
- Leong Kam Weng - Member of NC 1/1

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

During FYE 2017, The NC met on 25 August 2017 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:

Number of Meetings attended in FYE 2017

- Dato' Dr Norraesah binti Haji Mohamad - Chairman of RC 1/1
- Leong Kam Weng - Member of RC 1/1
- Datuk Teoh Hwa Cheng - Member of RC 1/1

During FYE 2017, the RC met on 25 August 2017 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 2017
- To recommend to the Board the remuneration packages for the Non-executive Directors for FYE 2017.

Details of Directors' remuneration for the financial year ended 30 June 2017 are set out as below:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | Executive Directors (RM) | Non-Executive Directors (RM) | Executive Directors (RM) | Non-Executive Directors (RM) |
| Salaries | 1,751,643 | 0 | 0 | 0 |
| Fees | 120,000 | 288,000 | 0 | 288,000 |
| Other emoluments | 211,720 | 17,500 | 0 | 17,500 |

The number of Directors whose total remuneration falls within the following bands for the financial year ended 30 June 2017 are as follows:-

| Range of Remuneration | The Group Executive Directors (Individual) | The Group Non-Executive Directors (Individual) | The Company Executive Directors (Individual) | The Company Non-Executive Directors (Individual) |
|---|---|---|---|---|
| RM100,001 - RM150,000 | 0 | 3 | 0 | 3 |
| RM300,001 - RM350,000 | 1 | 0 | 0 | 0 |
| RM350,001 - RM400,000 | 1 | 0 | 0 | 0 |
| RM650,001 - RM700,000 | 2 | 0 | 0 | 0 |

- 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.

**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.

  The Board has held five (5) Board Meetings during the financial year and the attendance record is as follows:-

| Directors | Total Number of Meetings Attended in FYE 2017 |
|---|---|
| Dato' Mohamed Suffian Bin Awang | 5/5 |
| Datuk Teoh Hwa Cheng | 5/5 |
| Datin Sam Yin Thing | 5/5 |
| Tan Jin Sun | 5/5 |
| Sam Chee Keng | 5/5 |
| Dato' Dr Norraesah Binti Haji Mohamad | 5/5 |
| Leong Kam Weng | 5/5 |

- **Directors' Training**

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. All the Directors have attended and completed the Mandatory Accreditation Programme and have attended the following training programmes during FYE 2017:

| Directors | Name of Conferences, Seminars and Training Programmes | Date |
|---|---|---|
| Dato' Mohamed Suffian Bin Awang | • Malaysian Code on Corporate Governance ("MCCG 2017") | 22 May 2017 |
| Datuk Teoh Hwa Cheng | • MCCG 2017 | 22 May 2017 |
| Datin Sam Yin Thing | • MCCG 2017 | 22 May 2017 |
| Tan Jin Sun | • Companies Act 2016: Overview of the Changes and How They Affect You and Businesses<br>• MCCG 2017 | 8 Nov 2016<br>22 May 2017 |
| Sam Chee Keng | • MCCG 2017 | 22 May 2017 |
| Dato' Dr Norraesah Binti Mohamad | • World Islamic Economic Forum (WIEF)<br>• Expectations on PLCs and Directors In Disclosure & Compliance Requirements Under The Listing Requirements<br>• ASLI - The 3rd World Muslim Leadership Forum<br>• WIEF Businesswomen Forum<br>• WIEF, 6th Regional WIEF Online Marketing Workshop<br>• MCCG 2017 | 1 - 6 Aug 2016<br>16 Aug 2016<br>5 - 6 Oct 2016<br>6 - 11 Nov 2016<br>31 Mar - 4 May 2017<br>22 May 2017 |
| Leong Kam Weng | • Practical Challenges & Impact of the Companies Bill 2015<br>• Employee Share-Based Compensation<br>• International Malaysia Law Conference 2016<br>• Sustainability<br>• MIA International Accountants Conference 2016<br>• Budget 2017 Highlights & Latest Tax Development<br>• MCCG 2017 | 8 Sept 2016<br>19 Sept 2016<br>21 - 23 Sept 2016<br>7 Nov 2016<br>15 - 16 Nov 2016<br>29 Nov 2016<br>22 May 2017 |

**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, 2016.

- **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 2017 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 2017. 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, 2016 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, 2016; 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, 2016, 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 2017, 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 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 31 of this Annual Report.

- **Internal Audit**

  The Internal Audit (the "IA") function is outsourced to Boardroom Business Solution Sdn Bhd. 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 represents 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. Voting will be conducted by poll for all resolutions tabled at General Meetings in accordance with the MMLR.

## 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 2017. 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 2017. 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 2017 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 | (26,970) | – |
| 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 | (2,814) | 4,736 |
| Construction of an additional storey of production floor area on the existing factory building | Within 24 months | 5,000 | (1,889) | 3,111 |
| Opening of retail outlets | Within 24 months | 3,750 | – | 3,750 |
| Establishment of market presence in Thailand | Within 24 months | 1,500 | (41) | 1,459 |
| Expansion of Pecca Aviation Sevices Sdn Bhd's business | Within 24 months | 1,000 | (194) | 806 |
| Listing Expenses | Immediate | 5,000 | (4,111) | 889 |
| **Total** | | **67,870** | **(52,986)** | **14,884** |

**2. Non-audit Fees Payable to External Auditors**

The amount of non-audit fees paid to the external auditors for the FYE 2017 amounted to RM10,000

**3. 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.

**4. 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 FYE 2017 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<br><br>Datin Sam Yin Thing | Director and substantial shareholder<br><br>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 |

# 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 2017, five (5) ARMC meetings were held and the details of attendance of the meetings are as follows:-

| Name | Total Meeting Attended | Percentage |
|---|---|---|
| • Leong Kam Weng | 5/5 | 100% |
| • Dato' Mohamed Suffian Bin Awang | 5/5 | 100% |
| • Dato' Dr Norraesah Binti Haji Mohamad | 5/5 | 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.

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 2016 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 2017 were as follows:-

i. Reviewed the unaudited Fourth Quarter ended 30 June 2016, First Quarter ended 30 September 2016, Second Quarter ended 31 December 2016 and Third Quarter ended 31 March 2017 financial results of the Company and Group and to recommend to the Board of Directors for their approval.

ii. Reviewed the proposed declaration of Final Dividend in respect year ended 30 June 2016 and Interim Dividend in respect of financial year ended 30 June 2017.

iii. 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.

iv. Reviewed with the external auditors' (Messrs Crowe Horwath) their audit findings in respect of FYE 2016 and held a meeting with the external auditors without the presence of Executive Board members and Management of the Company.

v. Reviewed the Statement of Risk Management and Internal Control and Corporate Governance Statement for inclusion in Annual Report 2016.

vi. Reviewed with the external auditors' (Messrs KPMG PLT), their scope of work and audit planning memorandum for FYE 2017 and held a meeting with the external auditors without the presence of Executive Board members and Management of the Company.

vii. 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 2017 include:-
- Report findings on Production Department's internal audit review.
- Performed follow-up audit on Production Department
- Performed internal audit reviews and report findings on Sales Department.
- Performed follow-up audit on Sales Department
- Performed internal audit reviews and report findings on Quality Control Department.
- Performed follow-up audit on Quality Control Department
- Performed internal audit reviews on Purchasing Department.

The cost incurred for the internal audit function in respect of the FYE 2017 is RM47,062 (FYE 2016: RM3,760)

## 6. ALLOCATION OF SHARE SCHEME FOR EMPLOYEES

During the FYE 2017, the Company did not establish any share scheme for employees.

# Statement of 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.

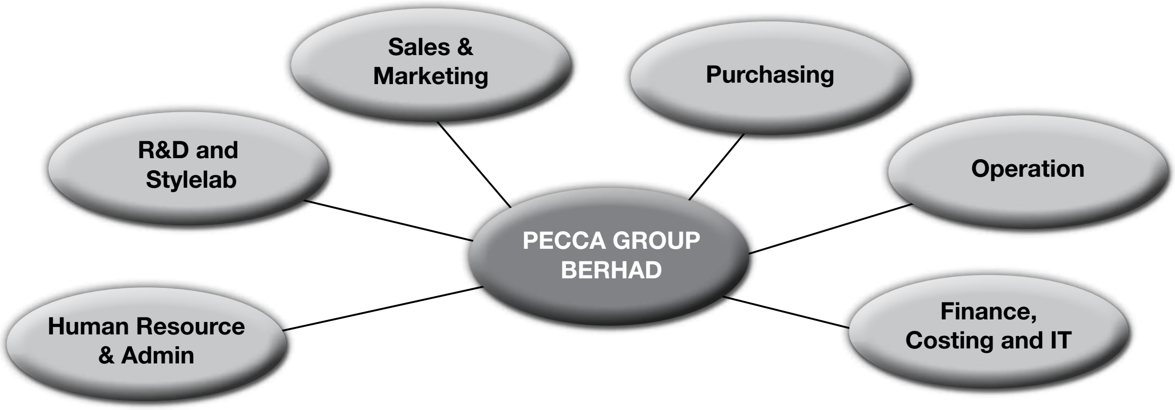
Whilst acknowledging its responsibilities, the Board is aware of the limitations that are inherent in any systems of internal control and risk management where such systems being designed to manage, rather than eliminate, the risks that may impede the achievement of the Group's business objectives. Accordingly, 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 and internal controls 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.

Boardroom Business Solution Sdn. Bhd. has been engaged by the Board to guide the Group in developing the risk management framework that will be based on the guidelines in ISO 31000 Risk Management and involves the following function/operating units:




A risk awareness workshop attended by the Chairman, Management and respective Head of Departments from the above operating units was conducted on 18 October 2016 and they were briefed on the need and objectives for putting in place risk management in the organization, the role of personnel involved in risk management, the principles and risk assessment process prescribed by ISO 31000.

The risk assessment process starts with a session attended by the Management and respective Head of Departments on 23 January 2017 to define objectives for the above operating units and setting the risk parameters for the Group. The identification of risks affecting the Group's achievement of its objectives is still in progress for the financial year ended 30 June 2017 and the risks will be broadly categorised as follows:

| Strategic Risk | Operational Risk | Financial Risk | Compliance Risk |
|---|---|---|---|
| • Risks that affects the Department or Company from meeting its overall vision, mission and strategic objectives | • Risks that affects the effectiveness & efficiency of the operational conditions in the Department or Company to meet its objectives | • Risks that affects the financial position of the Department or Company | • Risks that affects the Department's or Company's processes and effort in ensuring all applicable regulatory requirements are complied with |

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 2017 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.

**5. Internal Audit**

The Group has engaged an external service provider, Boardroom Business Solution 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 27 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 and 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 financial year ended 30 June 2017.

**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 23 October 2017.

**Review of the Statement by External Auditors**

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 30 June 2017, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

b) is factually inaccurate.

RPG 5 (Revised) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

# Directors' Report
for the year ended 30 June 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in note 4 to the financial statements.

## RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the year attributable to: | | |
| Owners of the Company | 14,679 | 5,192 |
| Non-controlling interests | (141) | – |
| | 14,538 | 5,192 |

## RESERVES AND PROVISIONS

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

## DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

i) In respect of the financial year ended 30 June 2016 as reported in the Directors' Report of that year:

- a single tier final dividend of RM0.02 per ordinary share totalling RM3,760,000 paid on 27 December 2016; and

ii) In respect of the financial year ended 30 June 2017:

- a single tier interim dividend of RM0.02 per ordinary share totalling RM3,760,000 declared on 27 February 2017 and paid on 28 March 2017.

The Directors recommend a final single tier dividend of RM0.03 per ordinary share in respect of the financial year ended 30 June 2017 subject to the approval of the shareholders at the forthcoming general meeting. Based on the issued and paid-up capital of the Company at the end of the reporting period, the final dividend would amount to RM5,629,590.

## DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

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

## LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follows:

Datuk Teoh Hwa Cheng
Datin Sam Yin Thing
Sam Chee Keng
Ooi Eng Huat
Tsng Fuh Shen
Mudhieng Sae-tan

## DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | At 1.7.2016 | Bought | Sold | At 30.6.2017 |
| Shareholdings in the Company which Directors have direct interests: | | | | |
| Datuk Teoh Hwa Cheng | 10,167,853 | 135,000 | – | 10,302,853 |
| Sam Chee Keng | 550,000 | – | – | 550,000 |
| Tan Jin Sun | 450,000 | – | – | 450,000 |
| Dato' Mohamed Suffian Bin Awang | 100,000 | – | – | 100,000 |
| Leong Kam Weng | 100,000 | – | – | 100,000 |
| Datin Sam Yin Thing | 24,002 | – | – | 24,002 |

## DIRECTORS' INTERESTS IN SHARES (continued)

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | At 1.7.2016 | Bought | Sold | At 30.6.2017 |
| Shareholdings in the Company which Directors have indirect interests: | | | | |
| Datuk Teoh Hwa Cheng | | | | |
| - own | 85,692,420 | – | – | 85,692,420 |
| - others | – | 27,000 | – | 27,000 |
| Datin Sam Yin Thing | | | | |
| - own | 85,692,420 | – | – | 85,692,420 |
| - others | – | 27,000 | – | 27,000 |
| Shareholdings in which a Director has direct interest in a non-wholly owned subsidiary: | | | | |
| - Pecca Leather (Thailand) Limited | | | | |
| Datuk Teoh Hwa Cheng | – | 1 | (1) | – |

By virtue of their interest in the shares of the Company, Datuk Teoh Hwa Cheng and Datin Sam Yin Thing are also deemed interested in the shares of all subsidiaries disclosed in note 4 to these financial statements to the extent that the Company has an interest. Details of their deemed shareholdings in non-wholly-owned subsidiaries are shown in note 4.1 to these financial statements.

The other Director, Dato' Dr Norraesah Binti Haji Mohamad, holding office at 30 June 2017 did not have any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration 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 or of related corporations) 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, other than certain Directors who have substantial financial interests in a company which traded with a subsidiary in the Group in the ordinary course of business as disclosed in note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

## INDEMNITY AND INSURANCE COSTS

The following disclosure on particulars of indemnity given to, or insurance effected for, any Director or officer of the Group and of the Company is made pursuant to Section 289(7) of the Companies Act 2016:

| | Group and Company | |
|---|---|---|
| | Amount paid RM'000 | Sum insured RM'000 |
| Directors and Officers Liability Insurance | 8 | 5,000 |

There was no indemnity given to, or insurance effected for the auditors of the Group and of the Company during the financial year.

## OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business 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:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

## OTHER STATUTORY INFORMATION (continued)

No contingent liability or other liability of any company in the Group 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 as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in note 16 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Datuk Teoh Hwa Cheng**
Director

**Sam Chee Keng**
Director

Kuala Lumpur

Date: 23 October 2017

# Statements of Financial Position
as at 30 June 2017

| | Note | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 3 | 50,872 | 50,270 | – | – |
| Investments in subsidiaries | 4 | – | – | 76,261 | 76,082 |
| Other investments | 5 | 269 | 269 | – | – |
| **Total non-current assets** | | 51,141 | 50,539 | 76,261 | 76,082 |
| Inventories | 6 | 16,670 | 19,832 | – | – |
| Current tax assets | | 2 | – | – | – |
| Trade and other receivables | 7 | 23,126 | 23,371 | 347 | 11,760 |
| Prepayments | | 1,870 | 1,082 | – | – |
| Derivative financial asset | 8 | – | 7 | – | – |
| Cash and cash equivalents | 9 | 92,691 | 87,604 | 61,305 | 52,819 |
| **Total current assets** | | 134,359 | 131,896 | 61,652 | 64,579 |
| **Total assets** | | 185,500 | 182,435 | 137,913 | 140,661 |
| **Equity** | | | | | |
| Share capital | | 135,702 | 94,000 | 135,702 | 94,000 |
| Share premium | | – | 41,702 | – | 41,702 |
| Reserves | | 27,989 | 21,353 | 2,026 | 4,878 |
| **Total equity attributable to owners of the Company** | 10 | 163,691 | 157,055 | 137,728 | 140,580 |
| **Non-controlling interests** | | (137) | (128) | – | – |
| **Total equity** | | 163,554 | 156,927 | 137,728 | 140,580 |
| **Liabilities** | | | | | |
| Deferred tax liabilities | 11 | 6,033 | 4,984 | – | – |
| **Total non-current liabilities** | | 6,033 | 4,984 | – | – |
| Trade and other payables | 12 | 15,358 | 19,187 | 160 | 81 |
| Current tax liabilities | | 555 | 1,337 | 25 | – |
| **Total current liabilities** | | 15,913 | 20,524 | 185 | 81 |
| **Total liabilities** | | 21,946 | 25,508 | 185 | 81 |
| **Total equity and liabilities** | | 185,500 | 182,435 | 137,913 | 140,661 |

The notes on pages 47 to 88 are an integral part of these financial statements.

# Statements of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2017

| | Note | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|---|
| Revenue | 13 | 122,166 | 126,293 | 3,772 | 10,672 |
| Cost of sales | | (88,796) | (90,456) | – | – |
| **Gross profit** | | 33,370 | 35,837 | 3,772 | 10,672 |
| Other income | | 407 | 427 | – | – |
| Selling and distribution expenses | | (6,507) | (5,754) | – | – |
| Administrative expenses | | (10,373) | (11,415) | (618) | (2,350) |
| Other expenses | | (60) | (10) | – | – |
| **Results from operating activities** | | 16,837 | 19,085 | 3,154 | 8,322 |
| Finance income | 14 | 2,780 | 1,131 | 2,221 | 473 |
| Finance costs | 15 | – | (946) | – | – |
| **Profit before tax** | 16 | 19,617 | 19,270 | 5,375 | 8,795 |
| Tax expense | 17 | (5,079) | (4,824) | (183) | – |
| **Profit for the year** | | 14,538 | 14,446 | 5,192 | 8,795 |
| **Other comprehensive income, net of tax** | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | |
| Foreign currency translation differences for foreign operations | | 2 | – | – | – |
| Revaluation of property, plant and equipment | | – | 14,341 | – | – |
| Less: Deferred tax expense | | – | (3,442) | – | – |
| | | – | 10,899 | – | – |
| **Total comprehensive income for the year** | | 14,540 | 25,345 | 5,192 | 8,795 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | 14,679 | 14,531 | 5,192 | 8,795 |
| Non-controlling interests | | (141) | (85) | – | – |
| **Profit for the year** | | 14,538 | 14,446 | 5,192 | 8,795 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | 14,680 | 25,430 | 5,192 | 8,795 |
| Non-controlling interests | | (140) | (85) | – | – |
| **Total comprehensive income for the year** | | 14,540 | 25,345 | 5,192 | 8,795 |
| **Basic and diluted earnings per ordinary share (sen)** | 18 | | | | |
| - basic | | 7.81 | 9.67 | | |
| - diluted | | 7.81 | 9.67 | | |

The notes on pages 47 to 88 are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity
for the year ended 30 June 2017

| Group | Note | <------ Attributable to owners of the Company ------> <------ Non-distributable ------> Share capital RM'000 | Share premium RM'000 | Merger deficit RM'000 | Revaluation reserve RM'000 | Distributable Retained earnings RM'000 | Total Total RM'000 | Non-controlling interests RM'000 | equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 1July 2015** | | 9,260 | – | – | – | 60,525 | 69,785 | (43) | 69,742 |
| Other comprehensive income for the year, net of tax | | | | | | | | | |
| - Revaluation of property, plant and equipment | | – | – | – | 10,899 | – | 10,899 | – | 10,899 |
| Profit for the year | | – | – | – | – | 14,531 | 14,531 | (85) | 14,446 |
| **Total comprehensive income for the year** | | – | – | – | 10,899 | 14,531 | 25,430 | (85) | 25,345 |
| *Contributions by and distributions to owners of the Company* | | | | | | | | | |
| - Issuance of shares | | 94,000 | 43,972 | – | – | – | 137,972 | – | 137,972 |
| - Effect of acquisition of subsidiaries | 25 | (9,260) | – | (60,822) | – | (20) | (70,102) | – | (70,102) |
| - Share issue expenses | | – | (2,270) | – | – | – | (2,270) | – | (2,270) |
| - Dividend to owners of the Company | 19 | – | – | – | – | (3,760) | (3,760) | – | (3,760) |
| **Total transactions with owners of the Company** | | 84,740 | 41,702 | (60,822) | – | (3,780) | 61,840 | – | 61,840 |
| **At 30 June 2016/1 July 2016** | | 94,000 | 41,702 | (60,822) | 10,899 | 71,276 | 157,055 | (128) | 156,927 |
| | | Note 10.1 | Note 10.2 | Note 10.4 | Note 10.6 | | | | |

# Consolidated Statement of Changes in Equity
## for the year ended 30 June 2017 (cont'd)

| Group | Note | Share capital RM'000 | Share premium RM'000 | Treasury shares RM'000 | Merger deficit RM'000 | Translation reserve RM'000 | Revaluation reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | <---- Attributable to owners of the Company ----> | | | | | | | | | |
| | | <---- Non-distributable ----> | | | | | | Distributable | | | |
| **At 1July 2016** | | 94,000 | 41,702 | – | (60,822) | – | 10,899 | 71,276 | 157,055 | (128) | 156,927 |
| **Acquisition of shares by NCI** | | – | – | – | – | – | – | – | – | 131 | 131 |
| Foreign currency translation differences for foreign operations | | – | – | – | – | 1 | – | – | 1 | 1 | 2 |
| Total other comprehensive income for the year | | – | – | – | – | 1 | – | – | 1 | 1 | 2 |
| Profit for the year | | – | – | – | – | – | – | 14,679 | 14,679 | (141) | 14,538 |
| **Total comprehensive income for the year** | | – | – | – | – | 1 | – | 14,679 | 14,680 | (140) | 14,540 |
| *Contributions by and distributions to owners of the Company* | | | | | | | | | | | |
| - Repurchase of treasury shares | | – | – | (524) | – | – | – | – | (524) | – | (524) |
| - Dividends to owners of the Company | 19 | – | – | – | – | – | – | (7,520) | (7,520) | – | (7,520) |
| **Total transactions with owners of the Company** | | – | – | (524) | – | – | – | (7,520) | (8,044) | – | (8,044) |
| **Transfer in accordance with Section 618(2) of the Companies Act 2016** | | 41,702 | (41,702) | – | – | – | – | – | – | – | – |
| **At 30 June 2017** | | 135,702 | – | (524) | (60,822) | 1 | 10,899 | 78,435 | 163,691 | (137) | 163,554 |
| | | Note 10.1 | Note 10.2 | Note 10.3 | Note 10.4 | Note 10.5 | Note 10.6 | | | | |

# Consolidated Statement of Changes in Equity
## for the year ended 30 June 2017 (cont'd)

| Company | Note | <---------- Non-distributable ---------- | | | Distributable | |
|---|---|---|---|---|---|---|
| | | Share capital RM'000 | Share premium RM'000 | Treasury shares RM'000 | (Accumulated losses)/ Retained earnings RM'000 | Total equity RM'000 |
| **At 1 July 2015** | | – | – | – | (157) | (157) |
| Profit and total comprehensive income for the year | | – | – | – | 8,795 | 8,795 |
| *Contributions by and distributions to owner of the Company* | | | | | | |
| - Issuance of shares | | 94,000 | 43,972 | – | – | 137,972 |
| - Share issuance expenses | | – | (2,270) | – | – | (2,270) |
| - Dividend to owners of the Company | 19 | – | – | – | (3,760) | (3,760) |
| Total transactions with owners of the Company | | 94,000 | 41,702 | – | (3,760) | 131,942 |
| **At 30 June 2016/1 July 2016** | | 94,000 | 41,702 | – | 4,878 | 140,580 |
| Profit and total comprehensive income for the year | | – | – | – | 5,192 | 5,192 |
| *Contributions by and distributions to owners of the Company* | | | | | | |
| - Repurchase of treasury shares | | – | – | (524) | – | (524) |
| - Dividends to owners of the Company | 19 | – | – | – | (7,520) | (7,520) |
| Total transactions with owners of the Company | | – | – | (524) | (7,520) | (8,044) |
| **Transfer in accordance with Section 618(2) of the Companies Act 2016** | | 41,702 | (41,702) | – | – | – |
| **At 30 June 2017** | | 135,702 | – | (524) | 2,550 | 137,728 |

The notes on pages 47 to 88 are an integral part of these financial statements.

# Statements of **Cash Flows**
for the year ended 30 June 2017

| | Note | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | 19,617 | 19,270 | 5,375 | 8,795 |
| *Adjustments for:* | | | | | |
| Depreciation of property, plant and equipment | 3 | 4,089 | 3,527 | – | – |
| Gain on disposal of property, plant and equipment | | (133) | (182) | – | – |
| Dividend income | | – | – | (3,772) | (10,672) |
| Finance income | | (2,780) | (1,131) | (2,221) | (473) |
| Finance costs | | – | 946 | – | – |
| Unrealised gain on foreign exchange | 16 | (346) | (255) | – | – |
| **Operating profit/(loss) before changes in working capital** | | 20,447 | 22,175 | (618) | (2,350) |
| Change in inventories | | 3,162 | 493 | – | – |
| Change in trade and other receivables | | 327 | 3,942 | 4 | (4,696) |
| Change in prepayments | | (788) | 1,117 | – | – |
| Change in trade and other payables | | (3,693) | 1,824 | 79 | 61 |
| **Cash generated from/ (used in) operations** | | 19,455 | 29,551 | (535) | (6,985) |
| Income tax paid | | (4,814) | (5,959) | (158) | – |
| Interest paid | | – | (946) | – | – |
| Dividend received | | – | – | 3,772 | 10,672 |
| **Net cash from operating activities** | | 14,641 | 22,646 | 3,079 | 3,687 |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | 3 | (4,722) | (3,063) | – | – |
| Acquisition of a subsidiary | 25 | – | – | – | (5,980) |
| Subscription of shares in a subsidiary | | – | – | (29) | – |
| Increase in investments in subsidiaries | | – | – | (150) | – |
| Proceeds from disposal of property, plant and equipment | | 164 | 263 | – | – |
| Interest received | | 2,780 | 1,131 | 2,221 | 473 |
| **Net cash (used in)/from investing activities** | | (1,778) | (1,669) | 2,042 | (5,507) |

# Statements of Cash Flows
for the year ended 30 June 2017 (cont'd)

| | Note | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from financing activities** | | | | | |
| Dividends paid | 19 | (7,520) | (3,760) | (7,520) | (3,760) |
| Net proceeds from issuance of shares: | | | | | |
| - to owners of the Company | | – | 65,600 | – | 65,600 |
| - by subsidiaries | | 131 | – | – | – |
| Net repayment of bankers' acceptances | | – | (5,000) | – | – |
| Net repayment of term loans | | – | (12,252) | – | – |
| Repayment of hire purchase payables | | – | (63) | – | – |
| Repayment to a related party | | – | (237) | – | (223) |
| Repayment from/(Advances to) subsidiaries | | – | – | 11,409 | (7,064) |
| (Repayment to)/Advances from a Director | | (100) | 132 | – | (14) |
| Repurchase of treasury shares | | (524) | – | (524) | – |
| **Net cash (used in)/from financing activities** | | (8,013) | 44,420 | 3,365 | 54,539 |
| **Net increase in cash and cash equivalents** | | 4,850 | 65,397 | 8,486 | 52,719 |
| Effect of exchange rate fluctuations on cash held | | 237 | 131 | – | – |
| Cash and cash equivalents at 1 July | 9 | 87,604 | 22,076 | 52,819 | 100 |
| **Cash and cash equivalents at 30 June** | 9 | 92,691 | 87,604 | 61,305 | 52,819 |

The notes on pages 47 to 88 are an integral part of these financial statements.

Pecca Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company is as follows:

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

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 30 June 2017 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in note 4 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 23 October 2017.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017***

- Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140, Investment Property – Transfers of Investment Property

## 1. BASIS OF PREPARATION (continued)

### (a) Statement of compliance (continued)

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, Leases

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, Insurance Contracts

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 July 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 July 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128 and Amendments to MFRS 140, which are not applicable to the Group and the Company.

- from the annual period beginning on 1 July 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The accounting standard that is effective for annual periods beginning on or after 1 January 2021 is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

**(i) MFRS 15, *Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

**(ii) MFRS 9, *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

## 1. BASIS OF PREPARATION (continued)

### (a) Statement of compliance (continued)

#### (iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in note 2.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in the following notes:

**Note 3 – 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.

**Note 6 – 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, 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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### (iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of consolidation (continued)

#### (iv) Acquisitions from entities under common controls

Business combinations arising from transfers of interests in entities that are under the control by the same parties both before and after the combination are accounted for using book value accounting. The assets and liabilities acquired are recognised in the consolidated financial statements at their respective carrying amounts without restatement. The differences between the cost of acquisition and the nominal value of the shares acquired are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within Group entity.

#### (v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### (vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### (b) Foreign currencies

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Foreign currencies (continued)

#### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

### (c) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

***Financial assets***

***(a) Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Financial instruments (continued)

#### (ii) Financial instrument categories and subsequent measurement (continued)

***Financial assets (continued)***

***(b) Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

***(c) Available-for-sale financial assets***

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (note 2(h)(i)).

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Financial instruments (continued)

#### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

#### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (v) 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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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, 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Leasehold land and building are measured at cost or valuation less any accumulated depreciation and any accumulated impairment losses. Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The Group revalues its leasehold land and building every five (5) years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Additions subsequent to their revaluation are stated in the financial statements at costs until the next revaluation exercise.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that 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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Property, plant and equipment (continued)

#### (iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| • Long-term leasehold land | 99 years |
| • Buildings | 50 years |
| • Plant and machineries | 10 years |
| • Motor vehicles | 5 years |
| • Office equipment | 5 – 10 years |
| • Furniture and fittings | 10 years |
| • Computers | 2 – 5 years |
| • Renovation | 10 years |

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

### (e) Leased assets

#### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

#### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first in first out and weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other cost incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

### (g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments.

### (h) Impairment

#### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date 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. Losses expected as a result of future events, no matter how likely, are not recognised. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables 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 asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

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 asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Impairment (continued)

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) *on a pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

### (i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

#### (iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Group and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### (k) Revenue and other income

#### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### (ii) Services

Revenue from services rendered is recognised in profit or loss upon rendering of the services.

#### (iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

#### (iv) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income from sub-leased property is recognised as other income.

#### (v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### (o) 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Group's Executive Board, to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

### (p) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## 3. PROPERTY, PLANT AND EQUIPMENT

| Group | Long-term leasehold land RM'000 | Buildings RM'000 | Plant and machineries RM'000 | Motor vehicles RM'000 | Office equipment RM'000 | Furniture and fittings RM'000 | Computers RM'000 | Renovation RM'000 | Construction work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | | | |
| **At 1 July 2015** | 4,903 | 16,763 | 17,425 | 4,147 | 1,225 | 2,695 | 2,313 | 4,012 | – | 53,483 |
| Additions | – | – | 1,470 | 569 | 130 | 389 | 324 | 181 | – | 3,063 |
| Disposals | – | – | (94) | (1,228) | – | – | – | – | – | (1,322) |
| Revaluation surplus | 7,424 | 6,917 | – | – | – | – | – | – | – | 14,341 |
| At 30 June 2016/1 July 2016 | 12,327 | 23,680 | 18,801 | 3,488 | 1,355 | 3,084 | 2,637 | 4,193 | – | 69,565 |
| Additions | – | – | 1,320 | 808 | 18 | 177 | 383 | 92 | 1,924 | 4,722 |
| Disposals | – | (11) | (710) | (342) | (1) | – | – | (23) | – | (1,087) |
| At 30 June 2017 | 12,327 | 23,669 | 19,411 | 3,954 | 1,372 | 3,261 | 3,020 | 4,262 | 1,924 | 73,200 |
| **Depreciation** | | | | | | | | | | |
| At 1 July 2015 | 306 | 1,590 | 6,585 | 3,380 | 715 | 1,076 | 1,667 | 1,690 | – | 17,009 |
| Depreciation for the year | 50 | 335 | 1,614 | 390 | 154 | 268 | 330 | 386 | – | 3,527 |
| Disposals | – | – | (94) | (1,147) | – | – | – | – | – | (1,241) |
| At 30 June 2016/1 July 2016 | 356 | 1,925 | 8,105 | 2,623 | 869 | 1,344 | 1,997 | 2,076 | – | 19,295 |
| Depreciation for the year | 131 | 474 | 1,776 | 456 | 136 | 299 | 416 | 401 | – | 4,089 |
| Disposals | – | – | (710) | (342) | – | – | – | (4) | – | (1,056) |
| At 30 June 2017 | 487 | 2,399 | 9,171 | 2,737 | 1,005 | 1,643 | 2,413 | 2,473 | – | 22,328 |
| ***Carrying amounts*** | | | | | | | | | | |
| At 1 July 2015 | 4,597 | 15,173 | 10,840 | 767 | 510 | 1,619 | 646 | 2,322 | – | 36,474 |
| At 30 June 2016/1 July 2016 | 11,971 | 21,755 | 10,696 | 865 | 486 | 1,740 | 640 | 2,117 | – | 50,270 |
| At 30 June 2017 | 11,840 | 21,270 | 10,240 | 1,217 | 367 | 1,618 | 607 | 1,789 | 1,924 | 50,872 |

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

The long-term leasehold land and buildings have been revalued by an independent professional valuer in February 2016. The market values of these properties were determined by the valuer using the comparison and depreciated replacement cost approach based on the nature of the properties and the availability of suitable evidence. The surplus arising from the revaluation, net of deferred tax expense, has been credited to other comprehensive income and accumulated in equity under the revaluation reserve.

Had the long-term leasehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amount of the long-term leasehold land and buildings that would have been included in the financial statements at the end of the year would be as follows:

| | Long-term leasehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2017** | | | |
| At cost | 4,903 | 16,752 | 21,655 |
| Accumulated depreciation | (405) | (2,260) | (2,665) |
| | 4,498 | 14,492 | 18,990 |
| **2016** | | | |
| At cost | 4,903 | 16,763 | 21,666 |
| Accumulated depreciation | (356) | (1,925) | (2,281) |
| | 4,547 | 14,838 | 19,385 |

**Fair value information**

Fair value of the long-term leasehold land and buildings are categorised as follows:

| | 2017 Level 3 RM'000 | 2016 Level 3 RM'000 |
|---|---|---|
| **Group** | | |
| Long-term leasehold land | 12,000 | 12,000 |
| Buildings | 24,350 | 24,350 |
| | 36,350 | 36,350 |

**Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. As of the year end, there has been no transfer between all levels of fair value.

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

**Valuation process applied by the Group**

**Level 3 fair value**

Level 3 fair value is estimated using inputs with significant adjustments for the land and buildings. Fair values of land and buildings have been generally derived using the comparison and depreciated replacement cost approach.

Under the comparison approach, sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size and location. The most significant unobservable input into this valuation approach is price per square foot of comparable properties.

Under the depreciated replacement cost approach, the building value is taken to be equal the cost of replacing the building in its existing condition. This is determined by taking the current replacement cost of the building as new and allowing for depreciation for physical, functional and economic obsolescence.

## 4. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| At cost | | |
| Unquoted shares in Malaysia | 76,261 | 76,082 |

During the financial year, the Company subscribed for a total of RM29,000 in PThailand. The Group also increased its investment in PAviation by RM150,000.

## 4. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Principal activities | Effective ownership interest 2017 % | 2016 % |
|---|---|---|---|---|
| Pecca Leather Sdn. Bhd. ("PLeather") | Malaysia | Styling, manufacturing, distribution and installation of leather car seat covers, supply of leather cut pieces to the automotive upholstery industry and other services related to the automotive upholstery industry | 100 | 100 |
| Pecca Aviation Services Sdn. Bhd. (formerly known as Pecca Leather Aviation Services Sdn. Bhd.) ("PAviation") | Malaysia | Manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat covers and other leather related products for commercial and private aircrafts | 60 | 60 |
| Everest Empire Sdn. Bhd. ("EEmpire") | Malaysia | Selling Smart Fit, Quick Fit and car accessory covers in Malaysia | 100 | 100 |
| Pecca Leather (Thailand) Limited ("PThailand")*# | Thailand | Dormant | 49 | – |

* Audited by firms other than KPMG.

\# Although the Group owns less than half of the ownership interest in PThailand, the Directors have determined that the Group controls the entity. The Group controls the entities, on the basis that the Group:

i) possesses 2,500 Class A shares with 5 voting rights per share which translates to a majority voting rights of 83% over PThailand;
ii) is exposed, or has rights, to variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity; and
iii) has current ability to direct the activities of the entity that significantly affect the investee's return.

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

## 4. INVESTMENTS IN SUBSIDIARIES (continued)

4.1 The Company's shareholdings in non-wholly owned subsidiaries are as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | At 1.7.2016 | Bought | Sold | At 30.6.2017 |
| Interest in non-wholly owned subsidiaries: | | | | |
| PAviation | 60,000 | 150,000 | – | 210,000 |
| PThailand | – | 2,450 | – | 2,450 |

## 5. OTHER INVESTMENTS

| | Notes | Group 2017 RM'000 | Group 2016 RM'000 |
|---|---|---|---|
| Non-current | | | |
| Available for sale financial assets: | | | |
| - unquoted shares outside Malaysia, at cost | | 102 | 102 |
| - club membership, at cost | 5.1 | 167 | 167 |
| | | 269 | 269 |

5.1 The club membership is held in trust by a Director of the Company.

## 6. INVENTORIES

| | Group 2017 RM'000 | Group 2016 RM'000 |
|---|---|---|
| At cost: | | |
| Raw materials | 13,275 | 17,294 |
| Finished goods | 2,244 | 1,631 |
| Work-in-progress | 1,151 | 907 |
| | 16,670 | 19,832 |
| **Recognised in profit or loss:** | | |
| Inventories recognised in cost of sales | 69,387 | 77,621 |

## 7. TRADE AND OTHER RECEIVABLES

| | Note | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade receivables | | 22,418 | 23,096 | – | – |
| **Non-trade** | | | | | |
| Amount due from subsidiaries | 7.1 | – | – | 347 | 11,756 |
| Other receivables and deposits | | 708 | 275 | – | 4 |
| | | 708 | 275 | 347 | 11,760 |
| | | 23,126 | 23,371 | 347 | 11,760 |

7.1 The non-trade amount due from subsidiaries is unsecured, subject to interest at 4.0% (2016: 4.0%) per annum and repayable on demand.

## 8. DERIVATIVE FINANCIAL ASSET

| | 2017 Nominal value RM'000 | 2017 Assets RM'000 | 2016 Nominal value RM'000 | 2016 Assets RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Derivatives held for trading at fair value through profit or loss** | | | | |
| Forward exchange contracts | – | – | 2,118 | 7 |

Forward exchange contracts are used to manage the foreign currency exposure arising from the Group's payables denominated in currencies other than the functional currency of the Group entities. The forward exchange contracts have maturities of 1 to 3 months after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

## 9. CASH AND CASH EQUIVALENTS

| | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|
| Cash and bank balances | 13,001 | 24,405 | 488 | 2,512 |
| Fixed deposits placed with licensed banks | – | 26,515 | – | 17,129 |
| Liquid investments | 79,690 | 36,684 | 60,817 | 33,178 |
| | 92,691 | 87,604 | 61,305 | 52,819 |

## 10. CAPITAL AND RESERVES

### 10.1 Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Amount RM'000 | Number of shares '000 | Amount RM'000 | Number of shares '000 |
| Ordinary shares, issued and fully paid: | | | | |
| At 1 July | 94,000 | 188,000 | * | ** |
| Movement during the financial year | | | | |
| - share split of RM1.00 into RM0.50 ** | | – | – | – |
| - by way of allotments of 2 ordinary shares of RM0.50 | – | – | *** | ** |
| - for acquisition of subsidiaries | – | – | 70,102 | 140,204 |
| - for Initial Public Offering ("IPO") | – | – | 23,898 | 47,796 |
| | 94,000 | 188,000 | 94,000 | 188,000 |
| Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 | 41,702 | – | – | – |
| At 30 June | 135,702 | 188,000 | 94,000 | 188,000 |
| | Note 10.1.1 | | | |

* Denotes RM2
** Denotes 2 ordinary shares
*** Denotes RM1

10.1.1 Included in share capital is share premium amounting to RM41,702,000 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of section 74 of Companies Act 2016).

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

### 10.2 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium has been transferred and become part of the Company's share capital (see note 10.1).

## 10. CAPITAL AND RESERVES (continued)

### 10.3 Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 23 November 2016, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased a total of 347,000 of its issued share capital from the open market. The average price paid for the shares repurchased was RM1.52 per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

At 30 June 2017, the Group held 347,000 (2016: Nil) of the Company's shares.

### 10.4 Merger deficit

The merger deficit represents the difference between the cost of acquisition and the nominal value of the shares of subsidiaries acquired in previous years.

### 10.5 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

### 10.6 Revaluation reserve

The revaluation reserve represents the surplus on revaluation of long-term leasehold land and buildings of the Group, net of deferred tax.

## 11. DEFERRED TAX ASSETS/(LIABILITIES)

**Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Group** | | | | | | |
| Revaluation surplus of leasehold land and buildings | – | – | (3,389) | (3,442) | (3,389) | (3,442) |
| Property, plant and equipment | – | – | (2,657) | (1,542) | (2,657) | (1,542) |
| Provisions | 96 | – | – | – | 96 | – |
| Other temporary differences | – | – | (83) | – | (83) | – |
| | 96 | – | (6,129) | (4,984) | (6,033) | (4,984) |

## 11. DEFERRED TAX ASSETS/(LIABILITIES)

Movement in temporary differences during the financial year

| | At 1 July 2015 RM'000 | Recognised in profit or loss (Note 16) RM'000 | Recognised in other comprehensive income RM'000 | At 30 June 2016/ 1 July 2016 RM'000 | Recognised in profit or loss (Note 16) RM'000 | At 30 June 2017 RM'000 |
|---|---|---|---|---|---|---|
| Revaluation surplus of leasehold land and buildings | – | – | (3,442) | (3,442) | 53 | (3,389) |
| Property, plant and equipment | (1,522) | (20) | – | (1,542) | (1,115) | (2,657) |
| Provisions | – | – | – | – | 96 | 96 |
| Others | (20) | 20 | – | – | (83) | (83) |
| | (1,542) | – | (3,442) | (4,984) | (1,049) | (6,033) |

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **Group** | | |
| Unabsorbed capital allowances | 45 | 51 |
| Unutilised tax losses | 421 | 163 |
| Taxable temporary differences | (41) | (38) |
| | 425 | 176 |

The unabsorbed capital allowances and unutilised tax losses do not expire under current tax legislation. The deferred tax assets have not been recognised in respect of these items because it is not probable that sufficient future taxable profit will be available against which the subsidiary can utilise the benefits therefrom.

## 12. TRADE AND OTHER PAYABLES

| | Note | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade payables | 12.1 | 11,664 | 16,343 | – | – |
| **Non-trade** | | | | | |
| Amount due to a Director | 12.2 | 270 | 370 | – | – |
| Amount due to a related party | 12.3 | 30 | 30 | – | – |
| Other payables and accruals | | 3,394 | 2,444 | 160 | 81 |
| | | 3,694 | 2,844 | 160 | 81 |
| | | 15,358 | 19,187 | 160 | 81 |

12.1 The Group's trade payables are unsecured, interest-free and subject to normal trade terms.

12.2 The non-trade amount due to a Director is unsecured, interest-free and repayable on demand.

12.3 The non-trade amount due to a related party is unsecured, interest-free and repayable on demand.

## 13. REVENUE

| | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|
| Sales of goods | 99,852 | 105,899 | – | – |
| Services | 22,314 | 20,394 | – | – |
| Dividend income | – | – | 3,772 | 10,672 |
| | 122,166 | 126,293 | 3,772 | 10,672 |

## 14. FINANCE INCOME

| | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|
| Interest income of financial assets that are not at fair value through profit or loss | 2,780 | 1,131 | 2,221 | 473 |

## 15. FINANCE COSTS

| | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|
| Other finance costs | – | 946 | – | – |

## 16. PROFIT BEFORE TAX

| | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|
| **Profit before tax is arrived at after charging:** | | | | |
| Auditors' remuneration | | | | |
| - Audit fees | | | | |
| KPMG Malaysia | 185 | – | 50 | – |
| Other auditors | 4 | 108 | – | 39 |
| - Non-audit fees | | | | |
| KPMG Malaysia | 10 | – | – | – |
| Other auditors | – | 125 | – | 125 |
| Depreciation of property, plant and equipment | 4,089 | 3,527 | – | – |
| Impairment loss on trade receivables | 28 | – | – | – |
| Realised loss on foreign exchange | 317 | 1,213 | 3 | – |
| Rental of premises | 95 | 65 | – | – |
| Staff costs: | | | | |
| - Contributions to state plans | 1,498 | 1,032 | – | – |
| - Wages, salaries and others | 18,387 | 16,120 | 17 | 2 |
| **and after crediting:** | | | | |
| Unrealised gain on foreign exchange | 346 | 255 | – | – |
| Gain on disposal of property, plant and equipment | 133 | 182 | – | – |
| Gross dividend from a subsidiary (unquoted) | – | – | 3,772 | 10,672 |
| Rental income | 216 | 216 | – | – |

## 17. TAX EXPENSE

**Recognised in profit or loss**

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Current tax expense** | | | | |
| Current year | 4,241 | 5,081 | 107 | – |
| Over provision in prior year | (211) | (257) | 76 | – |
| | 4,030 | 4,824 | 183 | – |
| **Deferred tax expense** | | | | |
| Origination and reversal of temporary differences | 313 | – | – | – |
| Under provision in prior year | 736 | – | – | – |
| | 1,049 | – | – | – |
| | 5,079 | 4,824 | 183 | – |

**Reconciliation of tax expense**

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Profit before tax | 19,617 | 19,270 | 5,375 | 8,795 |
| Income tax calculated using Malaysian tax rate of 24% (2016: 24%) | 4,708 | 4,625 | 1,290 | 2,111 |
| Non-deductible expenses | 478 | 1,153 | 118 | 564 |
| Utilisation of reinvestment allowance | (188) | (302) | – | – |
| Non-taxable income | (504) | (395) | (1,301) | (2,675) |
| Deferred tax asset not recognised | 60 | – | – | – |
| (Over)/Under provision of tax expense in prior year | | | | |
| - Current tax expense | (211) | (257) | 76 | – |
| - Deferred tax expense | 736 | – | – | – |
| | 5,079 | 4,824 | 183 | – |

## 18. EARNINGS PER ORDINARY SHARE

**Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share at 30 June 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

| | Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| **Profit attributable to ordinary shareholders** | | |
| Continuing operations | 14,679 | 14,531 |

## 18. EARNINGS PER ORDINARY SHARE (continued)

Weighted average number of ordinary shares outstanding

| | Group 2017 '000 | Group 2016 '000 |
|---|---|---|
| Weighted average number of shares (basic) | 188,000 | 150,259 |

| | Group 2017 sen | Group 2016 sen |
|---|---|---|
| **Basic earnings per ordinary share** | | |
| From continuing operations | 7.81 | 9.67 |

**Diluted earnings per ordinary share**

The Group has no dilution in its earnings per ordinary shares at 30 June 2017 and 30 June 2016.

## 19. DIVIDENDS

Dividends recognised by the Company are:

| | RM per share | Total amount RM'000 | Date of payment |
|---|---|---|---|
| **2017** | | | |
| Final 2016 ordinary (single tier) | 0.02 | 3,760 | 27 December 2016 |
| Interim 2017 ordinary (single tier) | 0.02 | 3,760 | 28 March 2017 |
| | | 7,520 | |

| | RM per share | Total amount RM | Date of payment |
|---|---|---|---|
| **2016** | | | |
| Interim 2016 ordinary (single tier) | 0.02 | 3,760 | 28 June 2016 |

After the end of the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in the subsequent financial period upon approval by the owners of the Company.

| | RM Per share | Total amount RM'000 |
|---|---|---|
| Final 2017 ordinary (single tier) | 0.03 | 5,630 |

## 20. OPERATING SEGMENT

The Group's resources allocation is assessed on a quarterly basis in accordance to the business performance and requirements of the respective business segments as reviewed and determined by the Group's Chief Operating Decision Maker ("CODM") whom is also the Managing Director of the Group. Hence, segment information is presented by business segment that the Group operates in. The format of the business segment is based on the Group's operation management and internal reporting structure.

Other non-reportable segment comprise operations related to the aviation leather industry. This segment do not meet the quantitative thresholds for reporting segments in 2017 and 2016.

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment asset and liability.

Segment capital expenditure is the total costs incurred during the year to acquire property, plant and equipment.

***Business segment***

The Group comprises the following business segment:

| | |
|---|---|
| Automotive industry | Styling, manufacturing, distribution and installation of automotive leather upholstery for car seat covers and accessories covers. |

| | Automotive | |
|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 |
| Revenue from car seat covers | | |
| - Original Equipment Manufacturer | 54,210 | 59,716 |
| - Replacement Equipment Manufacturer | 25,649 | 20,323 |
| - Pre-Delivery Inspection | 15,958 | 19,375 |
| | 95,817 | 99,414 |
| Leather cut pieces supply | 19,851 | 21,019 |
| Others | 6,005 | 5,443 |
| | 121,673 | 125,876 |
| Segment profit before taxation | 18,357 | 21,348 |
| *Included in the measurement of segment profit before taxation are:* | | |
| Finance costs | (70) | (989) |
| Finance income | 635 | 701 |
| Depreciation | 4,072 | 3,514 |
| *Not included in the measurement of segment profit before taxation but provided to Managing Director:* | | |
| Tax expense | (4,896) | (4,824) |

## 20. OPERATING SEGMENT (continued)

***Geographical segments***

The Group operates primarily in Malaysia. In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers.

| | Automotive | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Malaysia | 96,850 | 108,386 |
| Asia Pacific | 13,412 | 5,349 |
| Europe | 3,510 | 5,019 |
| North America | 2,816 | 2,018 |
| Oceania | 5,073 | 5,044 |
| Other foreign countries | 12 | 60 |
| | 121,673 | 125,876 |

***Major customers***

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

| | Automotive | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Customer A | 40,105 | 39,820 |
| Customer B | 25,722 | 29,426 |
| Customer C | 12,355 | 16,844 |
| | 78,182 | 86,090 |

***Reconciliations of reportable segment revenues and profit or loss***

| | Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| **Revenue** | | |
| Total revenue for reportable segments | 121,673 | 125,876 |
| Other non-reportable segments | 493 | 417 |
| Consolidated revenue | 122,166 | 126,293 |
| **Profit or loss** | | |
| Total profit or loss for reportable segments | 18,357 | 21,348 |
| Other non-reportable segments | 1,260 | 2,078 |
| Consolidated profit before tax | 19,617 | 19,270 |

## 21. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables ("L&R");
(ii) Fair value through profit or loss ("FVTPL");
(iii) Available-for-sale financial assets ("AFS"); and
(iv) Financial liabilities measured at amortised cost ("FL").

### 21.1 Categories of financial instruments

| | Carrying amount RM'000 | L&R RM'000 | AFS RM'000 | FVTPL RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **2017** | | | | |
| **Group** | | | | |
| Other investments | 269 | – | 269 | – |
| Trade and other receivables | 23,126 | 23,126 | – | – |
| Cash and cash equivalents | 92,691 | 92,691 | – | – |
| | 116,086 | 115,817 | 269 | – |
| **Company** | | | | |
| Trade and other receivables | 347 | 347 | – | – |
| Cash and cash equivalents | 61,305 | 61,305 | – | – |
| | 61,652 | 61,652 | – | – |
| **2016** | | | | |
| **Group** | | | | |
| Other investments | 269 | – | 269 | – |
| Trade and other receivables | 23,371 | 23,371 | – | – |
| Derivative financial assets | 7 | – | – | 7 |
| Cash and cash equivalents | 87,604 | 87,604 | – | – |
| | 111,251 | 110,975 | 269 | 7 |
| **Company** | | | | |
| Trade and other receivables | 11,760 | 11,760 | – | – |
| Cash and cash equivalents | 52,819 | 52,819 | – | – |
| | 64,579 | 64,579 | – | – |
| **Financial liabilities** | | | | |
| **2017** | | | | |
| **Group** | | | | |
| Trade and other payables | 15,358 | 15,358 | – | – |
| **Company** | | | | |
| Trade and other payables | 160 | 160 | – | – |

## 21. FINANCIAL INSTRUMENTS (continued)

### 21.1 Categories of financial instruments (continued)

| | Carrying amount RM'000 | L&R RM'000 | AFS RM'000 | FVTPL RM'000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| **2016** | | | | |
| **Group** | | | | |
| Trade and other payables | 19,187 | 19,187 | – | – |
| **Company** | | | | |
| Trade and other payables | 81 | 81 | – | – |

### 21.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Net gains/(losses) on: | | | | |
| Loans and receivables | 3,093 | 1,189 | 2,145 | 430 |
| Financial liabilities measured at amortised cost | (283) | (1,962) | – | – |
| | 2,810 | (773) | 2,145 | 430 |

### 21.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 21.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, liquid investments and deposits placed with approved financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, liquid investments and deposits placed with approved financial institutions.

**Receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

The Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risk.

## 21. FINANCIAL INSTRUMENTS (continued)

### 21.4 Credit risk (continued)

**Receivables (continued)**

*Credit risk concentration profile*

The Group's major concentration of credit risk relates to the amounts owing by three (3) major customers which constitutes approximately 59% (2016: three (3) major customers which constituted approximately 68%) of its total trade receivables as at the end of the reporting period.

*Exposure to credit risk, credit quality and collateral*

The Group do not hold any collateral from their customers.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

| | Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Malaysia | 18,636 | 19,478 |
| Asia Pacific | 1,441 | 1,622 |
| Europe | 1,108 | 1,150 |
| North America | 733 | 247 |
| Oceania | 518 | 578 |
| Other foreign countries | 10 | 21 |
| | 22,446 | 23,096 |

*Impairment losses*

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

| Group | Gross RM'000 | Impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **2017** | | | |
| Not past due | 20,492 | – | 20,492 |
| Past due 1 - 30 days | 1,273 | – | 1,273 |
| Past due more than 30 days | 681 | (28) | 653 |
| | 22,446 | (28) | 22,418 |

## 21. FINANCIAL INSTRUMENTS (continued)

### 21.4 Credit risk (continued)

**Receivables (continued)**

*Impairment losses (continued)*

| Group | Gross RM'000 | Impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **2016** | | | |
| Not past due | 22,582 | – | 22,582 |
| Past due 1 - 30 days | 256 | – | 256 |
| Past due more than 30 days | 258 | – | 258 |
| | 23,096 | – | 23,096 |

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

**Intercompany loans and advances**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Impairment losses*

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of advances to the subsidiaries.

**Liquid investments and deposits placed with approved financial institutions**

*Risk management objectives, policies, and processes for managing the risk*

The Group and the Company only place liquid investments and deposits with approved financial institutions.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risks arising from liquid investments and deposits placed with approved financial institutions are represented by the carrying amounts in the statement of financial position.

## 21. FINANCIAL INSTRUMENTS (continued)

### 21.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

*Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2017** | | | | |
| *Non-derivative financial liabilities* | | | | |
| Trade and other payables | 15,358 | – | 15,358 | 15,358 |
| **2016** | | | | |
| *Non-derivative financial liabilities* | | | | |
| Trade and other payables | 19,187 | – | 19,187 | 19,187 |
| **Company** | | | | |
| **2017** | | | | |
| *Non-derivative financial liabilities* | | | | |
| Trade and other payables | 160 | – | 160 | 160 |
| **2016** | | | | |
| *Non-derivative financial liabilities* | | | | |
| Trade and other payables | 81 | – | 81 | 81 |

## 21. FINANCIAL INSTRUMENTS (continued)

### 21.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and other prices that will affect the Group's and the Company's financial position or cash flows.

**(i) 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 ("USD"), Singapore Dollar ("SGD") and Euro. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

*Risk management objectives, policies and processes for managing the risk*

The Group actively monitors its exposure to foreign currency risk. Occasionally, the Group uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of 1 to 3 months after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

*Exposure to foreign currency risk*

The Group and the Company's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

| | *Denominated in* | | | |
|---|---|---|---|---|
| **2017** | **USD RM'000** | **SGD RM'000** | **EURO RM'000** | **Total RM'000** |
| **Group** | | | | |
| **Balances recognised in the statement of financial position** | | | | |
| Trade receivables | 733 | 1,441 | 1,108 | 3,282 |
| Cash and cash equivalents | 1,951 | 252 | 4 | 2,207 |
| Trade payables | (3,456) | (230) | (2) | (3,688) |
| Other payables | (48) | – | – | (48) |
| **Net exposure** | (820) | 1,463 | 1,110 | 1,753 |

## 21. FINANCIAL INSTRUMENTS (CONTINUED)

### 21.6 Market risk (continued)

**(i) Currency risk (continued)**

*Exposure to foreign currency risk (continued)*

| 2016 | USD RM'000 | SGD RM'000 | EURO RM'000 | Total RM'000 |
|---|---|---|---|---|
| | *Denominated in* | | | |
| **Group** | | | | |
| **Balances recognised in the statement of financial position** | | | | |
| Trade receivables | 252 | 1,622 | 1,150 | 3,024 |
| Cash and cash equivalents | 11,930 | 1,133 | 165 | 13,228 |
| Trade payables | (7,335) | – | – | (7,335) |
| Other payables | (77) | – | – | (77) |
| | 4,770 | 2,755 | 1,315 | 8,840 |
| **Forecast transactions** | | | | |
| Forward exchange contracts (contracted notional principal) | (404) | (1,198) | (150) | (1,752) |
| **Net exposure** | 4,366 | 1,557 | 1,165 | 7,088 |

The Group's and the Company's exposure to currency risk is not material in the context of the financial statements and hence, the sensitivity analysis is not presented.

### 21.7 Fair value of information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's and the Company's other investment due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

Accordingly, the presentation on the fair value hierarchy is not presented.

## 22. CAPITAL MANAGEMENT

The Group and the Company define capital as the total equity and debt. The objective of the Group's and the Company's capital management is to maintain an optimal capital structure and ensuring funds availability to support business operations and maximises shareholders value. The Group and the Company monitor debts to equity ratio to ensure compliance with management policies as well as maintaining shareholders' confidence in the management.

## 23. CAPITAL AND OTHER COMMITMENTS

Capital expenditures not provided for in the financial statements are as follows:

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **Capital expenditure commitments** | | |
| ***Plant and equipment*** | | |
| Authorised but not contracted for | 4,736 | 6,129 |
| Contracted but not provided for | 2,950 | 206 |

## 24. RELATED PARTIES

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or 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 Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly and entity that provides key management personnel services to the Group and the Company. The key management personnel include all the Directors of the Group and the Company, and certain members of senior management of the Group and the Company.

The Group has related party relationship with its subsidiaries, related companies and key management personnel.

**Significant related party transactions**

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the transactions below are shown in notes 7 and 12.

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **A. Subsidiaries** | | | | |
| Dividend income from a subsidiary | – | – | 3,772 | 10,672 |
| Interest income charged toa subsidiary | – | – | 76 | 43 |
| Services charged to a corporate shareholder of a subsidiary | – | 7 | – | – |
| Repayment from/(Advances to) subsidiaries | – | – | 11,409 | (7,064) |

## 24. RELATED PARTIES (continued)

**Significant related party transactions (continued)**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **B.** | **Related parties** | | | | |
| | Rental charged to a related party | 216 | 216 | – | – |
| | Short-term benefits paid to related parties | – | (43) | – | – |
| | Repayment to a related party | – | (237) | – | (223) |
| **C.** | **Key management personnel** | | | | |
| | *Directors* | | | | |
| | - fees | 408 | 339 | 288 | 219 |
| | - remuneration | 1,966 | 1,868 | 18 | 8 |
| | - other short-term benefits | 15 | – | – | – |
| | - (Repayment to)/Advances from a Director | (100) | 132 | – | (14) |
| | | 2,289 | 2,339 | 306 | 213 |
| | *Other key management personnel* | | | | |
| | - salaries, allowances and bonus | 1,410 | 1,316 | – | – |
| | - defined contribution plan | 171 | 149 | – | – |
| | | 1,581 | 1,465 | – | – |
| | | 3,870 | 3,804 | 306 | 213 |
| | Acquisition of equity interests in subsidiaries from certain Directors of the Company | – | – | – | (76,082) |

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

## 25. 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 RM5,980,000 was based on the audited Net Tangible Assets ("NTA") as at 30 June 2014 and was satisfied via internally generated funds;

(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 RM70,042,000 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 as at 30 June 2014 after adjusting the fair value (net of deferred taxation) of the properties of Pleather of RM9,933,682; and

(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.

The following is the summary of the acquisition of subsidiaries:

| | PLeather RM'000 | PAviation RM'000 | EEmpire RM'000 | Total RM'000 |
|---|---|---|---|---|
| Audited NTA as at 30 June 2014 | 60,109 | 60 | 5,980 | 66,149 |
| Fair value adjustment of properties | 9,933 | – | – | 9,933 |
| Adjusted audited NTA | 70,042 | 60 | 5,980 | 76,082 |
| Satisfied by way of share issuance | 70,042 | 60 | – | 70,102 |
| Satisfied by internally generated funds | – | – | 5,980 | 5,980 |

## 26. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current year's presentation.

| | Group | | Company | |
|---|---|---|---|---|
| | As restated RM'000 | As previously stated RM'000 | As restated RM'000 | As previously stated RM'000 |
| **Statement of financial position** | | | | |
| **Current assets** | | | | |
| Trade receivables | – | 23,096 | – | – |
| Other receivables, deposits and prepayments | – | 1,357 | – | 4 |
| Amount owing by a subsidiary | – | – | – | 11,756 |
| Trade and other receivables | 23,371 | – | 11,760 | – |
| Prepayments | 1,082 | – | – | – |
| Fixed deposits with licensed banks | – | 26,515 | – | 17,129 |
| Short term investments with a licensed bank | – | 36,684 | – | 33,178 |
| Cash and bank balances | – | 24,405 | – | 2,512 |
| Cash and cash equivalents | 87,604 | – | 52,819 | – |
| | 112,057 | 112,057 | 64,579 | 64,579 |
| **Equity** | | | | |
| Share premium | 41,702 | – | 41,702 | – |
| Reserves | 21,353 | 63,055 | 4,878 | 46,580 |
| | 63,055 | 63,055 | 46,580 | 46,580 |
| Current liabilities | | | | |
| Trade payables | – | 16,343 | – | – |
| Other payables and accruals | – | 2,474 | – | 81 |
| Amount owing to a Director | – | 370 | – | – |
| Trade and other payables | 19,187 | – | 81 | – |
| Provision for taxation | – | 1,337 | – | – |
| Current tax liabilities | 1,337 | – | – | – |
| | 20,524 | 20,524 | 81 | 81 |
| **Statement of profit or loss and other comprehensive income** | | | | |
| Finance income | 427 | – | – | – |
| Other income | 1,131 | 1,558 | 473 | 473 |
| | 1,558 | 1,558 | 473 | 473 |
| Administrative expenses | (11,415) | (11,373) | (2,350) | (2,350) |
| Other expenses | (10) | – | – | – |
| Finance costs | (946) | (998) | – | – |
| | (12,371) | (12,371) | (2,350) | (2,350) |

## 27. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Total retained earnings/(accumulated losses) of the Group and of the Company: | | | | |
| - realised | 80,372 | 72,396 | 2,550 | 4,878 |
| - unrealised | (2,246) | (1,288) | – | – |
| | 78,126 | 71,108 | 2,550 | 4,878 |
| Less: Consolidation adjustments | 309 | 168 | – | – |
| Total retained earnings | 78,435 | 71,276 | 2,550 | 4,878 |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

# Statement by **Directors**
## pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 40 to 87 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2017 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in note 27 on page 88 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Datuk Teoh Hwa Cheng**
Director

**Sam Chee Keng**
Director

Kuala Lumpur

Date: 23 October 2017

# Statutory **Declaration**
## pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Leong Wai Ming**, the officer primarily responsible for the financial management of Pecca Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 40 to 88 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Leong Wai Ming**, NRIC: 681115-10-5563, at Kuala Lumpur in the Federal Territory on 23 October 2017.

**Leong Wai Ming**

Before me:

# Independent **Auditors' Report**

to the members of Pecca Group Berhad

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

**Opinion**

We have audited the financial statements of Pecca Group Berhad, which comprise the statements of financial position as at 30 June 2017 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 87.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

***Valuation of inventories***

Refer to the accounting policy on Note2(f) and Note 6 to the financial statements.

**The key audit matter**

The Group has significant raw materials balance as at 30 June 2017 of RM13,275,000, which represents 80% of the total inventory balance. There is judgment involved in assessing the level of inventory provision required in respect of slow moving and obsolete raw materials therefore, there is a risk that slow moving and obsolete raw materials have not been adequately provided for.

**How the matter was addressed in our audit**

Our audit procedures in this area included, amongst others, testing the design and effectiveness of controls over identifying slow moving raw materials and obtaining an understanding of the Group's process for measuring the amount of write down required.

We assessed the Group's provision for those raw materials identified as slow moving, or potentially slow moving, by relying on the ageing of raw materials and utilisation records maintained by the Group. We have tested the accuracy of the ageing of raw materials and utilisation records used for this purpose.

We have also assessed the reasonableness of the Group's policy on allowance of slow moving and obsolete raw materials.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, the subsidiary of which we have not acted as auditors is disclosed in Note 4 to the financial statements.

**Other Reporting Responsibilities**

The supplementary information set out in note 27 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**

The financial statements of the Group and of the Company as at and for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 11 October 2016.

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**
LLP0010081-LCA & AF 0758
Chartered Accountants

**Ooi Eng Siong**
Approval Number: 3240/02/18 (J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 23 October 2017

# Analysis of **Shareholdings**

**Analysis of Shareholdings as at 6 October 2017**

| | | |
|---|---|---|
| Issued Shares | : | 188,000,000 (including shares held as treasury shares) |
| Treasury Shares | : | 939,900 |
| Class of Shares | : | Ordinary shares |
| Voting Rights | : | One vote per ordinary share |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of holdings | No. of holders | % | No. of shares | % |
|---|---|---|---|---|
| 1 – 99 | 9 | 1.30 | 100 | 0.00 |
| 100 – 1,000 | 89 | 12.88 | 60,400 | 0.03 |
| 1,001 – 10,000 | 309 | 44.72 | 1,654,600 | 0.89 |
| 10,001 – 100,000 | 171 | 24.75 | 5,903,102 | 3.16 |
| 100,001 to less than 5% of issued shares | 110 | 15.92 | 83,446,625 | 44.61 |
| 5% and above of issued shares | 3 | 0.43 | 95,995,273 | 51.32 |
| **Total** | **691** | **100.00** | **187,060,100** | **100.00** |

* *Excluding a total of 939,900 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 6 October 2017.*

## SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders as at 6 October 2017)

| Name of Substantial Shareholder | No. of shares held Direct | %(2) | Indirect | %(2) |
|---|---|---|---|---|
| MRZ Leather Holdings Sdn Bhd | 85,692,420 | 45.81 | – | – |
| Datuk Teoh Hwa Cheng | 10,302,853 | 5.51 | (1)85,719,420 | (1)45.82 |
| Datin Sam Yin Thing | 24,002 | 0.01 | (1)85,719,420 | (1)45.82 |

***Notes:***

(1) *Deemed interested in shares held by MRZ Leather Holdings Sdn Bhd and his/her child in the Company pursuant to Sections 8 and 59(11)(c) of the Companies Act 2016.*

(2) *Excluding a total of 939,900 shares bought back by the Company and retained as treasury shares.*

## DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings as at 6 October 2017)

| | No. of shares held | | | |
|---|---|---|---|---|
| Name of Directors | Direct | %[2] | Indirect | %[2] |
| Dato' Mohamed Suffian bin Awang | 100,000 | 0.05 | – | – |
| Datuk Teoh Hwa Cheng | 10,302,853 | 5.51 | [1]85,719,420 | [1]45.82 |
| Datin Sam Yin Thing | 24,002 | 0.01 | [1]85,719,420 | [1]45.82 |
| 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 and his/her child in the Company pursuant to Sections 8 and 59(11)(c) of the Companies Act 2016.*

[2] *Excluding a total of 939,900 shares bought back by the Company and retained as treasury shares.*

## LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 6 OCTOBER 2017

| No. | Name | No. of shares | Percentage holding (%) |
|---|---|---|---|
| 1. | MRZ Leather Holdings Sdn Bhd | 45,692,420 | 24.43 |
| 2. | MRZ Leather Holdings Sdn Bhd | 40,000,000 | 21.38 |
| 3. | Datuk Teoh Hwa Cheng | 10,302,853 | 5.51 |
| 4. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>CIMB Commerce Trustee Berhad – Kenanga Growth Fund | 6,773,000 | 3.62 |
| 5. | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd for RHB Smart Treasure Fund | 4,237,800 | 2.26 |
| 6. | Cartaban Nominees (Tempatan) Sdn Bhd<br>RHB Trustees Berhad for Manulife Investment Shariah Progress Fund | 4,032,300 | 2.16 |
| 7. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Employees Provident Fund Board (AMUNDI) | 4,000,000 | 2.14 |
| 8. | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd For CIMB Islamic Dali Equity Theme Fund | 3,073,900 | 1.64 |
| 9. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Universal Trustee (Malaysia) Berhad For CIMB-Principal Equity Fund | 2,668,300 | 1.43 |
| 10. | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd For Zurich Insurance Malaysia Berhad (LPEQ-CIMB) | 2,553,500 | 1.36 |
| 11. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Kumpulan Wang Persaraan (Diperbadankan) (Kenanga) | 2,471,200 | 1.32 |
| 12. | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>Deutsche Trustees Malaysia Berhad For Eastspring Investments Small-Cap Fund | 1,999,700 | 1.07 |

# Analysis of Shareholdings
(cont'd)

**LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 6 OCTOBER 2017 (continued)**

| No. | Name | No. of shares | Percentage holding (%) |
|---|---|---|---|
| 13. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Kumpulan Wang Persaraan (Diperbadankan) (KNGA SML CAP FD) | 1,929,200 | 1.03 |
| 14. | CIMB Islamic Nominees (Tempatan) Sdn Bhd<br>CIMB Islamic Trustee Berhad - Kenanga Syariah Growth Fund | 1,687,700 | 0.90 |
| 15. | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd For RHB Small Cap Opportunity Unit Trust | 1,656,800 | 0.89 |
| 16. | AMSEC Nominees (Tempatan) Sdn Bhd<br>MTrustee Berhad For Pacific Pearl Fund (UT-PM-PPF) | 1,618,100 | 0.86 |
| 17. | Hong Leong Assurance Berhad<br>As Beneficial Owner (Unitlinked GF) | 1,570,000 | 0.84 |
| 18. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Kumpulan Wang Persaraan (Diperbadankan) (AFFIN HWNG SM CF) | 1,510,200 | 0.81 |
| 19. | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd For CIMB-Principal Malaysia Equity Fund | 1,489,300 | 0.80 |
| 20. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Universal Trustee (Malaysia) Berhad For CIMB Islamic Small Cap Fund | 1,455,400 | 0.78 |
| 21. | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad For RHB Capital Fund (200189) | 1,392,900 | 0.74 |
| 22. | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>Deutsche Trustees Malaysia Berhad For Eastspring Investments Growth Fund | 1,252,100 | 0.67 |
| 23. | Cartaban Nominees (Tempatan) Sdn Bhd<br>PAMB For Prulink Equity Income Fund | 1,100,000 | 0.59 |
| 24. | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd For RHB Equity Trust | 1,068,100 | 0.57 |
| 25. | Chong Swee Main | 935,001 | 0.50 |
| 26. | AMSEC Nominees (Tempatan) Sdn Bhd<br>Nomura Asset Management Malaysia Sdn.Bhd. For Tenaga Nasional Berhad Retirement Benefit Trust Fund (NOMURA 2) | 851,400 | 0.46 |
| 27. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>CIMB Commerce Trustee Berhad - Kenanga Malaysian Inc Fund | 798,000 | 0.43 |
| 28. | Syed Mohammad Hafiz Bin Syed Razlan | 789,724 | 0.42 |
| 29. | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd For RHB Malaysia Dividend Fund | 769,000 | 0.41 |
| 30. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>VCAP Asset Managers Sdn Bhd For Tabung Amanah Bencana Alam (Sgor State Govt) | 714,000 | 0.38 |
| **Total** | | **150,391,898** | **80.40** |

* *Excluding a total of 939,900 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 6 October 2017.*

# 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 30.06.2017 (RM) | Market Value / Last Revaluation Date (RM) |
|---|---|---|---|---|---|---|---|---|
| 1. | No.1, Jalan Perindustrian Desa Aman 1A, Industri Desa Aman, Kepong, 52200 Kuala Lumpur.<br><br>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)<br><br>21,700 SqFt (Built-up area for 4-storey office building)<br><br>89,896 SqFt (Built-up area for 4-storey factory building)<br><br>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/<br><br>Head office and production factory of our Group | 6 years /<br><br>5 January 2011 (for 4-storey office and 4-storey factory)<br><br>21 June 2011 (for 6-storey hostel) | 32,770,260 | 36,000,000 /<br><br>03.02.2016 |
| 2. | B-5-1, 5th Floor, Block B, Damansara Sutera Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur.<br><br>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 /<br><br>Staff accommodation | 12 years/<br><br>2 December 2010 | 341,003 | 350,000<br><br>03.02.2016 |

# Notice of
# Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Seventh 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 Tuesday, 28 November 2017 at 1.30 p.m. for the following purposes:-

## AGENDA

**As Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 30 June 2017 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To approve the declaration of a Final Single Tier Dividend of 3.00 sen per ordinary share for the financial year ended 30 June 2017. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees of RM408,000 for the financial year ended 30 June 2017 and benefits payable of RM17,500 from 31 January 2017 to 30 June 2017. **Ordinary Resolution 2**

4. To approve the payment of Directors' fees of up to RM544,000 and benefits payable to the Directors of the Company and its subsidiary of up to RM38,500 from 1 July 2017 until the conclusion of the next Annual General Meeting of the Company. **Ordinary Resolution 3**

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

   (i) Datin Sam Yin Thing **Ordinary Resolution 4**
   (ii) Dato' Mohamed Suffian Bin Awang **Ordinary Resolution 5**

6. To re-appoint KPMG PLT (converted from a conventional partnership Messrs KPMG, on 27 December 2016) as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

**As Special Business**

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

7. **Proposed Renewal of Authority under Section 76 of the Companies Act 2016 ("the Act") for the Directors to allot and issue shares**

   "THAT pursuant to Section 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the share capital of 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 total number of 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 7**

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

"THAT subject to the Act, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") 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 utilise an amount not exceeding the audited retained profits of the Company to purchase such amount of ordinary shares in the Company 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 per centum (10%) of the total number of issued shares 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 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 executing all such documents as may be required) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back Authority 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 8**

9. 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 Seventh Annual General Meeting to be held on Tuesday, 28 November 2017, a Final Single Tier Dividend of 3.00 sen per ordinary share in respect of the financial year ended 30 June 2017 will be paid to shareholders on 27 December 2017. The entitlement date for the said dividend shall be on 14 December 2017.

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 14 December 2017 in respect of ordinary transfers; and

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

**BY ORDER OF THE BOARD**

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

Selangor Darul Ehsan

Date: 31 October 2017

**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. 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 16 November 2017 (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 340 of the Act 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 7 on Proposed Renewal of Authority under Section 76 of the Act for the Directors to allot and issue shares**

The Company had, during its Sixth Annual General Meeting held on 23 November 2016, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to the Section 132D of the Companies Act, 1965. As at the date of this notice, the Company has not issued any shares pursuant to that mandate obtained.

The Ordinary Resolution 7 proposed under item 7 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 76 of the Act. 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 such purposes as the Directors consider would be in the interest of the Company. 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 Annual General Meeting of the Company.

This authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for purpose of funding investment project(s), working capital and/or acquisition(s).

**3. Ordinary Resolution 8 on Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares**

The proposed Ordinary Resolution 8, if passed, will empower the Directors to purchase the Company's shares of up to 10% of the total number of issued shares of the Company at any point in time, by utilising the funds allocated which shall not exceed the total retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting.

For further information on Ordinary Resolution 8, please refer to the Circular to Shareholders dated 31 October 2017 accompanying the Annual Report of the Company for the financial year ended 30 June 2017.

*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.*

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 Seventh Annual General Meeting of the Company to be held at Rafflesia 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 28 November 2017 at 1.30 p.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:-

| No. | RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| Ordinary Resolution 1 | Declaration of a Final Single Tier Dividend of 3.00 sen per ordinary share for the financial year ended 30 June 2017 | | |
| Ordinary Resolution 2 | Approval of the payment of Directors' fees of RM408,000 for the financial year ended 30 June 2017 and benefits payable of RM17,500 from 31 January 2017 to 30 June 2017 | | |
| Ordinary Resolution 3 | Approval of the payment of Directors' fees of up to RM544,000 and benefits payable to the Directors of the Company and its subsidiary of up to RM38,500 from 1 July 2017 until the conclusion of the next Annual General Meeting of the Company | | |
| Ordinary Resolution 4 | Re-election of Datin Sam Yin Thing as Director | | |
| Ordinary Resolution 5 | Re-election of Dato' Mohamed Suffian Bin Awang as Director | | |
| Ordinary Resolution 6 | Appointment of KPMG PLT (converted from a conventional partnership Messrs KPMG, on 27 December 2016) as Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| Ordinary Resolution 7 | Proposed Renewal of Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares | | |
| Ordinary Resolution 8 | Proposed Renewal 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.)*

Signature/Common Seal of Shareholder

Date:

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

| | No. of shares | Percentage |
|---|---|---|
| **Proxy 1** | | % |
| **Proxy 2** | | % |
| **Total** | | 100% |

**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. 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 16 November 2017 (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 31 October 2017.*

*Please fold here*

Affix
Stamp

**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*

**PECCA GROUP BERHAD**
(Company No. 909531-D)

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