ANNUAL REPORT

2018

Passion & Perfection

PECCA
GROUP BERHAD
(Company No. 909531-D)

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CORPORATE INFORMATION

DIRECTORS

DATO' MOHAMED SUFFIAN BIN AWANG
(Independent Non-Executive Chairman)

DATUK TEOH HWA CHENG
(Group Managing Director)

DATIN SAM YIN THING
(Executive Director)

SAM CHEE KENG
(Executive Director)

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

DATUK LEONG KAM WENG
(Independent Non-Executive Director

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

BUSINESS ADDRESS

No.1, Jalan Perindustrian Desa Aman 1A,
Industri Desa Aman, Kepong,
52200 Kuala Lumpur.
Telephone No. (03) 6275 1800
Facsimile No. (03) 6275 9867
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

AUDIT & RISK MANAGEMENT COMMITTEE

Datuk 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
Datuk Leong Kam Weng

REMUNERATION COMMITTEE

Dato' Dr Norraesah Binti Haji Mohamad (Chairman)
Datuk Leong Kam Weng
Datuk Teoh Hwa Cheng

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

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
Tan Ai Ning (MAICSA 7015852)

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

ABOUT US

PECCA GROUP BERHAD'S

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

VISION

To be the leading leather upholstery manufacturer globally.

MISSION

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

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 raw materials to the automotive upholstery industry
- Provision of sewing services for fabric car seat covers
- Provision of wrapping and stitching servicers

PECCA AVIATION SERVICES

Pecca Leather 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 (PThai) 49%

- Supply of leather upholstery for the automotive industry

EVEREST EMPIRE

Everest Empire Sdn Bhd (EEmpire) 100%

- Supply of car seat covers and other products for after market

BOARD OF DIRECTORS

From left to right:

MR. SAM CHEE KENG
Executive Director

DATIN SAM YIN THING
Executive Director

DATUK TEOH HWA CHENG
Group Managing Director

DATO' MOHAMED SUFFIAN BIN AWANG
Independent Non-Executive Chairman

DATUK LEONG KAM WENG
Independent Non-Executive Director

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

PROFILE OF DIRECTORS AND KEY MANAGEMENT

PROFILE OF DIRECTORS

DATO' MOHAMED SUFFIAN BIN AWANG
Male, aged 47, 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.

He sits on the boards of Felda Global Ventures Holdings Berhad and Koperasi Permodalan Sukarelawan Kuala Lumpur Berhad.

Dato' Mohamed Suffian had attended all the 5 board meetings held in financial year 2018.

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

DATUK TEOH HWA CHENG
Male, aged 50, a Malaysian

Datuk Teoh Hwa Cheng is the Group Managing Director and founder of our Pecca Group. He was appointed to the Board of Pecca Group Berhad on 27 July 2010. He brings with him more than 25 years of business experience in the leather goods industry. He established Pecca Leather Sdn Bhd (PLeather) in 2000 to focus on the automotive leather upholstery industry. He was instrumental in our continual expansion in the leather seat covers business, both locally and internationally. He is responsible for leading the overall strategic planning and the charting of long term objectives of our Pecca Group.

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

Datuk Teoh Hwa Cheng had attended all the 5 board meetings held in financial year 2018. He is a member of our Remuneration Committee.

DATIN SAM YIN THING
Female, aged 47, 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 2018.

SAM CHEE KENG
Male, aged 39, 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 2018.

PROFILE OF DIRECTORS AND KEY MANAGEMENT (CONT'D)

DATO' DR NORRAESAH BINTI HAJI MOHAMAD
Female, aged 70, 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 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 and Excel Force MSC Berhad.

Dato' Dr Norraesah had attended 3 out of 5 board meetings held in financial year 2018.

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

DATUK LEONG KAM WENG
Male, aged 54, a Malaysian

Datuk 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.

Datuk Leong Kam Weng had attended all the 5 board meetings held in the financial year 2018.

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 49, a Malaysian

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

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

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

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

CHU SHU LIP
Male, aged 50, 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 20 years of sales experience in automotive industry.

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

PROFILE OF DIRECTORS AND KEY MANAGEMENT (CONT'D)

TAN HONG WAI
Male, aged 48, a Malaysian

Tan Hong Wai was appointed as the Chief Operating Officer of PLeather on 2 April 2018.

He obtained his Diploma in Material Engineering from Tunku Abdul Rahman College and Master of Science in Advance Manufacturing System from Queen's University Belfast.

Mr. Tan Hong Wai has over 20 years of working experience gained from the automotive industry. He has extensive knowledge in Lean Management System.

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

OOI ENG HUAT
Male, aged 33, a Malaysian

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

Mr. Ooi Eng Huat has over 10 years of working experience gained mostly from the aviation industries. He has extensive experience in inspection, repair services, maintenance, overhaul and refurbishment of aircraft and commercial airlines targeting seat and interior cabin parts.

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

SAM CHEE SIONG
Male, aged 44, 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 20 years of working experience in the operations of small leather goods, leather car seat covers and other materials wrap and covers for components mainly in the automotive and fashion businesses. He has extensive experience in product quality, production process efficiency and improvements. He currently oversees production planning, warehousing and logistics, skill set development program, preventive maintenance, work safety and health programmes.

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

MAT NIZAM BIN MAT DARON
Male, aged 48, a Malaysian

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

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

Mr. Mat Nizam bin Mat Daron has over 25 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 have been convicted of offences. There were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW

Pecca Group ("the 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 the main board of Bursa Malaysia on 19 April 2016, the Group continues to prudently 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 continues its effort to penetrate 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 Civil Aviation Authority of Malaysia ("DCA"). On 1 March 2018, we submitted our application for Production Organization Approval to DCA to confirm our capability to do manufacturing. The Board is hopeful that we will secure our first leather seat covers supply contract for commercial aircraft in the near future.

Geographically, the Group's products and services are focused in Malaysia. However, the Group continues to work on our export segment. Our products are exported to Singapore, the United States, the Netherlands, Australia, Japan, New Zealand, United Kingdom, Ireland and Hong Kong.

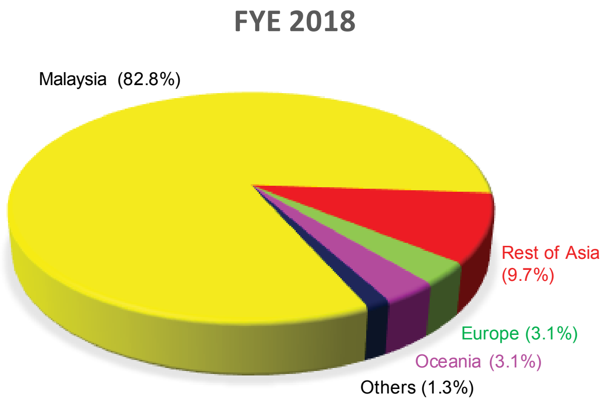
Despite several delays, the Group continues to strategically explore organic growth into other related leather products to grow our business and to decrease our dependence on the local automotive market.

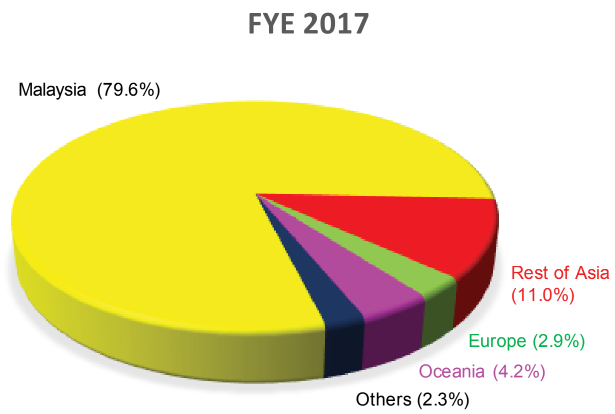
OUR STRATEGIES

The Group remains committed to its aspiration to become the leading leather upholstery manufacturer globally. While we pursue various growth strategies to achieve this vision, the Group firmly commit to exceeds our customers' expectations in design, quality and innovation by focusing on

- an in-house design & styling capabilities
- maintaining a reputable long track record
- having innovative and patented products
- leveraging on experience and expertise in leather properties

The Group constantly places strong emphasis on productivity and cost improvement programs in order to remain globally competitive.





FINANCIAL PERFORMANCE REVIEW

FYE 2018 has been a difficult year for the Group. In the local market, since the automotive industry recording the highest Total Industry Volume ("TIV") of 666,674 units in 2015, the Malaysian auto sales decreased for 2 consecutive years by 13.0% to 580,124 units in 2016 and by a further 0.6% to 576,635 units in 2017. Local consumer confidence continue to remain soft and lending requirement tight. Our export market was also adversely affected due to a new vehicle emissions scheme introduced in Singapore in 1 January 2018 which disrupted the car supply in Singapore.

Pecca Group recorded a lower revenue of RM112.67 million which is a 7.8% decrease from RM122.17 million revenue in FYE 2017. Correspondingly, Profit After Tax (PAT) is lower in FYE 2018 at RM10.08 million compared to RM14.54 million in FYE2017.

Cash and Funds remained approximately the same level from RM92.69 million to RM91.09 million despite a 5 sen total dividend paid in FYE2018, capital expenditure of RM6.24 million and share buy-back activities. Similarly, Net asset per share reduced marginally from 87.23 sen to 86.87 sen.

As announced on 23 April 2018, your Board has prudently decided to vary the utilization of RM6.60 million and extend the utilization of RM2.62 million of the funds raised from the Initial Public Offer for a further 24 months taking into account the current business climate and group strategies.

With Cash and Funds of RM91.09 million, the Group will continue to pursue its growth plans both organically and in-organically. The Board will employ prudence in pursuing such corporate exercise in view of the higher risk associated with such plan.

REVENUE

RM112.7 Million

FYE 2017: RM122.2 Million

RETURN ON EQUITY

6.3%

FYE 2017: 8.9%

DIVIDEND PER SHARE

5 Sen

FYE 2017: 5 Sen

OPERATIONAL REVIEW

Automotive Segment

The automotive segment registered a total revenue RM111.40 million in FYE 2018 which is 8.4% lower than FYE 2017 of RM121.67 million. This was mainly attributed by the weak consumer confidence and tight lending requirements from Financial Institutions. The Profit Before Tax from the automotive segment decreased from 15.1% to 10.2% due mainly to a lower utilization rate caused mainly by the disruption from a major new model replacement from a customer and disruption from the new vehicle emission scheme in Singapore.

In FYE 2018, revenue from leather upholstery for car seat covers of RM83.41 million remains the largest contributor to the Group, accounting for approximately 74.0% of the total revenue recorded (78.4% in FYE 2017), followed by leather cut pieces supply of RM22.56 million which accounted for approximately 20.0% of total revenue (16.3% in FYE 2017).

Revenue derived from core segment which is the OEM leather car seat covers (OE Fit) of RM51.18 million continued to dominate and was the largest contributor segment, accounting for approximately 45.6% of the total revenue. All the local car seat covers segments, namely OEM, REM and PDI achieved lower revenue compared to FYE2017 due to the weak local automotive market.

In terms of exports, our exports to Singapore for FYE 2018 was disheartening mainly due to the interruption of supply in Singapore due to new vehicle emission scheme. The export market decreased by 21.9% from RM 24.82 million in FYE 2017 to RM19.38 million in FYE 2018.

Despite the weak result in FYE2018, in view of the encouraging sales numbers from the current replacement model of a popular car make in the local market and the recovery of sales in July 2018 for Singapore market, the Board is optimistic with the Group's performance going forward.

Non reportable segment are mainly aviation and furniture segment.

The aviation segment recorded about the same level of revenue at RM 0.487 million compared to RM0.493 million in FYE 2017. The Aviation segment continued to report a loss before tax in FYE 2018 of RM 0.231 million due to low level of operations as the Group continues to pursue its first commercial aircraft leather seat cover supply contract. The Group has on 1 March 2018 applied for Production Organization Approval from DCA following uncertainty on the part of the regulators. The Group continues to pursue this business as the Board views the aviation segment as a premium segment with higher barrier to entry.

In FYE2018, the furniture segment recorded a revenue of RM 0.783 million with a net profit before tax of RM 0.312 million. Prior to FYE 2018, the contribution from furniture was insignificant and was not reported. The Group hopes to grow the furniture segment via organic and in-organic methods.

BUSINESS OUTLOOK AND ANTICIPATED RISKS

The levy for foreign workers which were absorbed by employers beginning from 1 January 2018 has marginally increased the Group's operating expenses. These factors together with an uncertain business climate would continue make the environment in which the Group operates in challenging.

Nevertheless, MAA predicts that the automotive market will bottom-out in 2017 with an increase of 2.32% in TIV for 2018 from 576,635 to 585,000 vehicles. MAA also forecasted a 2.0% increase for 2019. The Group is expecting an improvement on sales volume at moderate level and will maintain a caution stance under this climate. The Group will continue focus on productivity and cost improvement initiatives to fortify our position as a market leader and to fend off increased competition expected from the weak automotive market.

On a longer term, the Group will continue the strategy to expand our exports business and develop new products to lessen our reliance on local OEM and PDI automotive customers.

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 9 April 2018 and is currently recommending a final dividend of 3 sen which if approve will in aggregate constitute a total dividend paid of approximately 91.3% of the FYE 2018 Profit after Tax.

SUSTAINABILITY STATEMENT

Pecca Group Berhad ("the Group") is committed to continuously improve our business operations and sustainability performance, while creating a sustainable value chain for our stakeholders. In line with the requirements of Bursa Malaysia Berhad (Bursa Malaysia), we are pleased to disclose our initiatives in this inaugural sustainability statement.

This statement describes the Group's initiatives that consider our business risks and opportunities based on economic, environment and social (EES) aspects.

SCOPE OF REPORTING

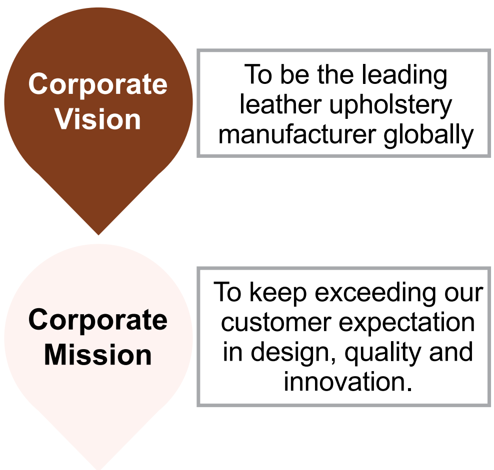
- This statement is prepared based on the Group's business operations in Malaysia – Pecca Leather Sdn Bhd
- Our reporting period is from the 1 July 2017 to 30 June 2018 (FYE 2018)

REPORTING GUIDELINES

- This statement is prepared in line with the Main Market Listing Requirements (MMLR) outlined by Bursa Malaysia for sustainability reporting
- As a reference, we align our report to the Global Reporting Initiatives (GRI) Standards; a guidance document recommended by Bursa Malaysia

SUSTAINABILITY COMMITMENT STATEMENT

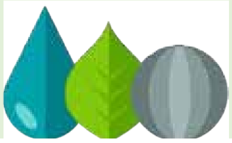
Our corporate vision and mission statements reflect our aspiration of becoming a leading leather upholstery manufacturer that exceeds the expectation of our customers. We align our sustainability commitment statement with the Group's corporate vision and mission to represent the EES pillars relevant to our business operations. The three EES pillars identify key points the Group aims to utilise as a foundation to build our sustainability strategy by considering economic value to the business, ensure environmental stewardship and support the nation's society.



Sustainability Commitment Pillars

Economic Pillar

- Establish high-preforming business operations to ensure sustainable growth
- To provide value added services and products to customers
- To ensure fair and transparent procurement practices



Environmental Pillar

- To maintain responsible used of natural resources without negatively impacting the environment
- To inculcate environmental awareness and responsibility amongst our employees within our operations

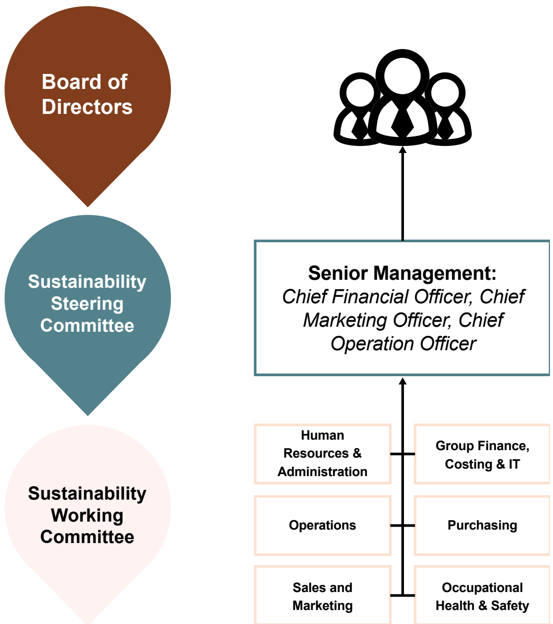
Social Pillar

- To encourage continuous employee skills and knowledge development
- To maintain excellent workplace health and safety performance
- To promote fair practices and equal treatment amongst employees

SUSTAINABILITY GOVERNANCE

A key step to ensuring effective sustainable development within an organisation is to establish a governing committee to oversee the overall progress of our sustainability initiatives. Our sustainability committee comprises the Board of Directors ("the Board") at its apex, followed by the sustainability steering committee (SSC) and the sustainability working committee (SWC).

The SSC periodically tracks our sustainability performance and presents sustainability-related initiatives that the SWC proposes to the Board. The table below details the roles and responsibilities of each tier of the sustainability committee.



Committee	Roles and Responsibilities
The Board	• Oversees the progress of the Group's sustainability initiatives • Gives final approval for all policies, strategies, initiatives presented by the SSC with regard to sustainability matters
SSC	• Finalises material issues identified by the SWC • Monitors and implements sustainability initiatives agreed by the Board • Oversees the SWC's efforts and measures in implementing sustainability initiatives, and presents recommendations from the SWC to the Board.
SWC	• Identifies and presents material issues relevant to the Group's business operations • Formulates appropriate sustainability initiatives that are in line with the Group's business values and aspirations

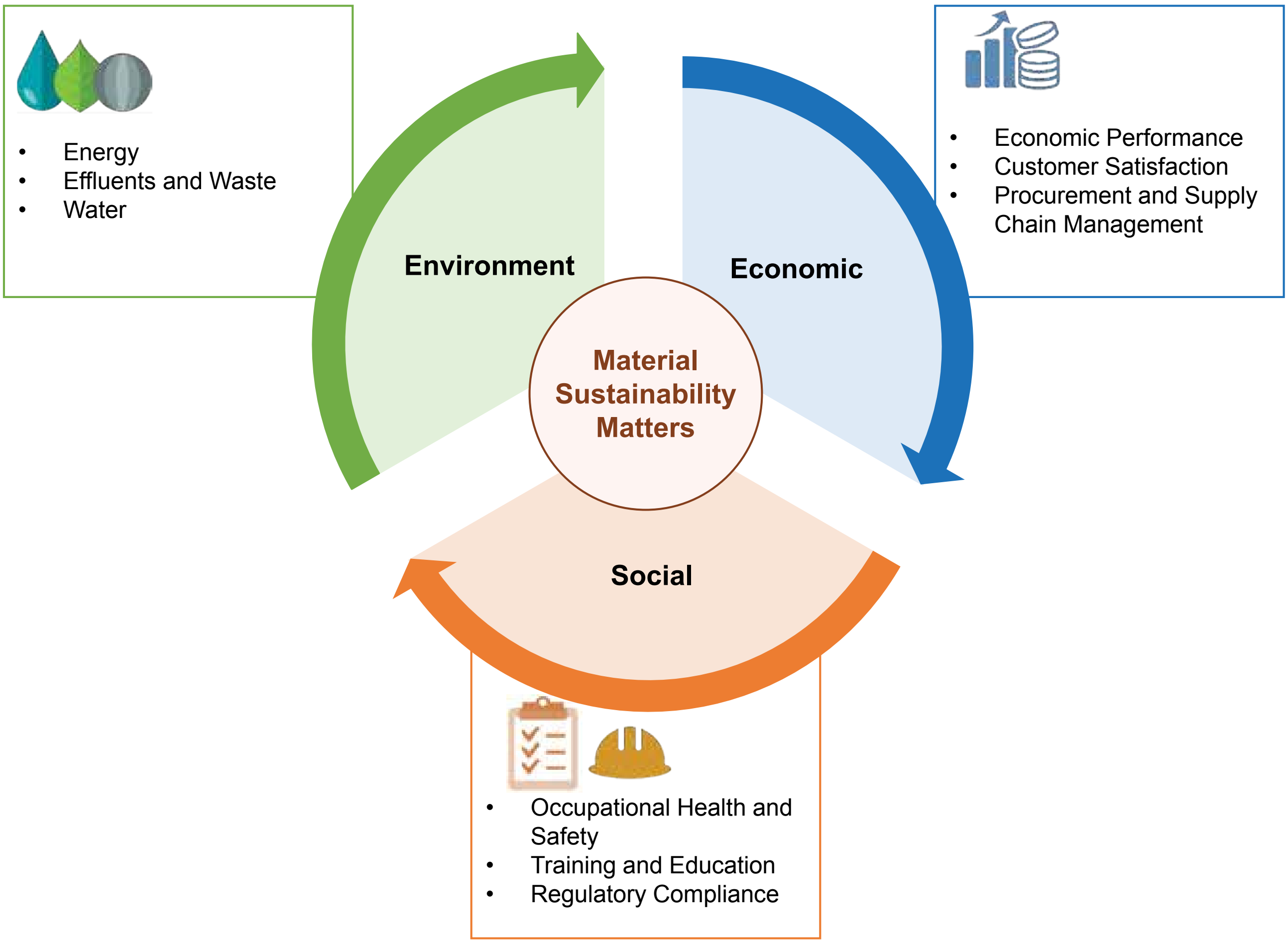
STAKEHOLDERS ENGAGEMENT

Keeping our stakeholders abreast on matters related to our business operations is integral towards creating business transparency and accountability. Year on year, we continue to identify the areas of interest of our stakeholders and maintain an open channel of engagement to maintain good stakeholder relationship. The table below reflects our stakeholder engagement methods and their respective area of interest.

Stakeholder Group	Areas of Interest	Engagement Methods	Frequency of Engagement
Investors	• Return on investment • Transparent reporting	• Investor conference earnings communications • Shareholder meeting • Annual report • Corporate website • Bursa Announcement	• Quarterly • Yearly • Yearly • Linked to Bursa announcement • Ad-hoc
Customers	• Reliable service and on-time delivery • Customer convenience • Competitive pricing • Operational efficiency	• Customer feedback and surveys • Market research • E-fulfilment of transportation and storage transactions	• Monthly / Yearly • Monthly • Monthly
Employees	• Competitive pay and benefits • Clear communication • Work-life balance • Career growth and opportunities	• Training programmes and workshops • Employee engagement survey • Town hall meetings - Senior management address the employee & reward the performance • Company intranet - Announcement and communication are made through digital and conventional notice board	• Ad-hoc & per training plan • Yearly • Monthly • Ad-hoc
Regulatory Authorities and Statutory Bodies	• Regulatory compliance • Corporate governance • Standards and certifications • Risk management	• Facility visits • Collaborative partnerships • Regular audits and inspections	• Ad-hoc • Monthly • Ad-hoc
Suppliers	• Timely pay-outs • Procurement practices • Supplier Code of Conduct	• Supplier assessment • Supplier registration	• Yearly • Ad-hoc
Local Community	• Impact of operations on surrounding environment • Economic opportunities	• Community engagement programmes	• Yearly

PRIORITISING OUR MATERIAL ISSUES

Materiality sustainability matters refer to the key issues related to economic, environmental and social that impact the sustainability of our business. As a first step in this year's reporting, we have identified our materiality issues which are illustrated below.



In the next step of the assessment which we plan to undertake in 2019, we will prioritise these issues using a weighted ranking method and using the data, generate a materiality matrix. The matrix will clearly show the ranking of these material matters with respect to the Group's business operations as well as the stakeholders' interest.

CONTRIBUTING TO ECONOMIC GROWTH

Being the leading automotive leather upholstery provider in Malaysia's original equipment manufacturer (OEM) and pre-delivery inspection (PDI) automotive industry, we are committed to ensure our customers receive the finest leather car seat covers.

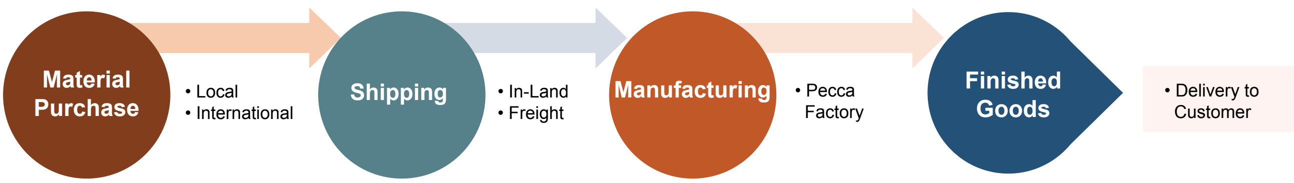
In order to spur sustainable economic growth within the Group, we are aware of the need to formulate business models that consider long-term revenue generation for our shareholders, establishing sustainable market presence and procurement practices.

LOCAL COMMUNITY

Efforts to continuously improve our business value chain also includes initiatives to uplift the economic status of the local community in which we operate in by increasing employment opportunities. We are proud to disclose that 100% of our senior management team comprise Malaysians.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

Our business operations include a one-stop centre for styling, manufacturing, distribution and installation of automotive leather upholstery and car interior accessories. We source our raw manufacturing materials both from local and international suppliers, subject to cost and availability of the material. The diagram below illustrates our overall supply chain at the Group, starting from material purchases and ending with the delivery of the manufactured goods to our customers.



Our preliminary efforts to ensure sustainable supply chain practices include global sourcing for higher quality material within a reasonable price margin to avoid cost wastage on low quality goods. On top of this, the Group also reviews the in-land and freight cost of shipment for materials that we consider sourcing from international suppliers. By factoring transport and material costs, we are able to maintain the price of our products within a price margin which would contribute towards sustainable income growth in the long term.

PRODUCT QUALITY

We implement our quality standards through three main aspects (PCA):

- *Providing high quality products;*
- *Commitment towards customer satisfaction; and*
- *Assurance of continuous improvement to our customers.*

In upholding our commitment to ensure product quality of our leather upholstery car seat covers, the Group has taken the added measure to obtain certification for management systems that are relevant to our business operations as presented in the table below.

Certification Code	Description	Validity Period
ISO 9001:2015 - Quality Management Systems	• Specifies requirements for a quality management system • Demonstrate the ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements • Enhance customer satisfaction through the effective application of the system	4 years (Ends May 2021)
International Automotive Task Force (IATF) ISO / TS 16949	• An ISO technical specification aimed at the development of a quality management system that requires for continual improvement, emphasizing on defect prevention and the reduction of variation and waste in the automotive industry supply chain • Based on the ISO 9001 standard	3 years (Ends May 2021)
ISO 14001:2015 – Environmental Management	• Specifies the requirements for an environmental management system that an organisation can use to enhance its environmental performance	3 years (Ends May 2019)
Systems BS OHSAS 18001:2007 – British Standard for Occupational Health and Safety Management Systems	• Sets out the requirements for occupational health and safety management best practice	3 years (Ends May 2019)

An integral part of the certification requirements includes regular audits and inspections on our supply chain processes. Our team of Quality Controllers have devised a Process Audit checklist to inspect parts of our manufacturing processes such as the incoming raw material, leather selection and cutting process, packing and delivery etc. The audit ranks each manufacturing process on a specific scale which feeds into the rating of our overall production performance.

The Process Audit is followed up with a Product Audit to rate the seat upholstery quality based on colour, appearance, endurance etc. By keeping to the standards and requirements set out by the quality management systems we are certified for, we ensure that our product quality excellence is maintained and preserve customer satisfaction to the highest level. Comments and feedback received via our annual customer satisfaction survey are taken into consideration to improve our performance in the coming years.

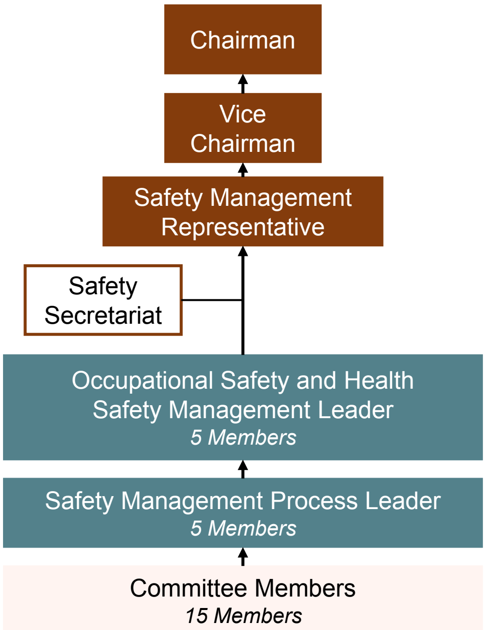
MAINTAINING A SAFE AND HEALTHY WORKPLACE

Our employees make up our business, maintains its success and ensures continuous growth. Hence, Priority is given to our workforce when it comes to maintaining the health and safety standards, as well as talent development at the Group.

OCCUPATIONAL HEALTH AND SAFETY

Business sustainability, service quality and employee well-being are highly dependent on the health and safety measures that an organisation implements, and we maintain ours to the highest standards through strict compliance and regular monitoring.

Compliance to the Factories and Machineries Act, 1967 and the Occupational Safety and Health Act 1994 enforced by the Department of Occupational, Safety and Health further showcase our commitment to safe handling of equipment and protecting the well-being of our employees. We manage this by establishing a Safety and Health Committee (illustrated below), equipped with a set of roles and responsibilities to ensure that the Group's health and safety performance is maintained based on regulatory requirements and our business standards.



As of April 2017, our health and safety committee comprises 27 members with specified roles and responsibilities including health and safety-related performance monitoring, accident and injury record keeping, regular meetings and the implementation of initiatives to protect the well-being of our employees working at the Group's headquarters office and manufacturing facilities.

For this financial year, we recorded zero major injuries and a total of five minor injuries; two recorded in January, two in April and one in May. Good record-keeping enhances our safety performance, allowing us to identify areas where safety conditions need to improve and apply preventive measures to avoid future injuries.

TRAINING AND EDUCATION

Enhancing product knowledge and developing the skills of our employees play an important role towards supporting our business growth while remaining updated on current practices within the OEM and PDI industry line. For this financial year, 177 of our employees participated in training programmes that are relevant to their skillsets as presented in the table below.

TYPES OF TRAINING PROGRAMMES	
• Lean manufacturing	• Quality control circle (QCC) training
• Total preventive maintenance (TPM)	• Principle purchasing management
• Risk management	• Effective purchasing and negotiation skills
• ISO 14001:2015 awareness training	• Enhancing professional writing skills
• Reach truck and forklift training	• Recruitment and selection techniques
• ISO 14001:2015 internal audit training	• Sales and services tax (SST) seminar

REGULATORY COMPLIANCE

Essentially, we cannot achieve business sustainability without compliance to the government's regulatory requirements. The Group has always practiced due diligence, ensuring that we continuously adhere to the regulatory requirements outlined by the Acts and Regulations in Malaysia. We present key regulations that govern our operations in the table below.

REGULATORY COMPLIANCE		
Economic	**Environment**	**Social**
• Employment Act 1955	• Environmental Quality Act 1974	• Occupational Safety and Health Act 1994
• Minimum Wage Order 2016	• Environment Quality (Sewage and Industrial Effluents) Regulations 2007	• Factories and Machineries Act 1967
• Malaysian Code on Corporate Governance 2017	• Environmental Quality (Scheduled Wastes) Regulations 2005	• Occupational Safety and Health (Use and Standards of Exposure of Chemical Hazards to Health) Regulations 2000
• Companies Act 2016	• Environment Quality (Clean Air) Regulations 2014	• Safety, Health and Welfare Regulations 1970

COMMUNITY ENGAGEMENT

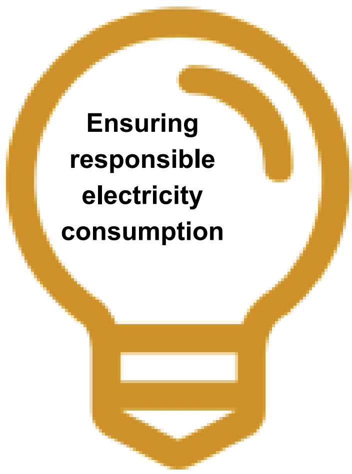
As part of our yearly contribution to the surrounding community, the Group collaborated with the National Blood Bank to organise a blood donation drive on 21st December 2017. We endeavour to create a harmonious society by inculcating the spirit of giving-back to the community and caring towards one another in the long-term.

PROTECTING THE ENVIRONMENT

Building on our compliance to the ISO 14001:2015 environmental management system, the Group is committed to reducing our resource consumption in the future by laying foundation measures that include record-keeping of utilities usage and waste management initiatives.

ENERGY

As a manufacturing company, electricity consumption is one of the main environmental material matters for the Group. Irresponsible electricity consumption subsequently leads to high operational costs and contributes to energy wastage during our manufacturing operations.



To manage this, measures are in place to monitor our electricity consumption by recording our monthly electricity bills. In doing so, we will be able to formulate action plans to reduce electricity consumption via initiatives that may include changing light fixtures, awareness training or investing in equipment that consumes less electricity to optimise our supply chain. At present, our plant maintenance team have begun to carry out monthly briefings on best practices of reducing electricity consumption including posting reminder signages near switches. The briefings are conducted on a monthly basis, discussing the key points presented below:

- *Ideas and discussion on ways to improve current practices to be less energy intensive;*
- *Engage with our manufacturing employees to gain their feedback on the efficiency of our machinery; and*
- *Regular reminders to turn off any unused appliances.*

EFFLUENTS AND WASTE

We ensure that the hazardous waste material generated at our manufacturing facilities is managed in compliance with the Environmental Quality (Scheduled Wastes) Regulations 2005. Towards this end, we store, label and dispose our wastes according to the guidelines stipulated by the aforementioned regulations; safeguarding the environment via responsible waste management and avoiding irresponsible dumping of hazardous wastes. We ensure the contractors that we engage for the collection, recycling and disposal of our scheduled wastes are licensed by the Department of Environment.

Types of Scheduled Wastes Generated

- **SW 110:** Electrical waste
- **SW 409:** Disposed containers
- **SW 410:** Contaminated rags, plastics of filters

Long term monitoring to ensure sustainable consumption the future

WATER

Responsible water utilisation avoids water wastage practices that would otherwise adversely impact natural water resources in the long run. To effectively manage our water consumption, we keep a record of our water bills, which allows us to identify trends and leaks that may potentially cause water usage to increase within the Group. Moving forward, we hope to formulate effective measures, starting from awareness signage and monthly briefings to reduce water usage at the workplace.

MAKING HEADWAY ON SUSTAINABLE DEVELOPMENT

In light of the Group's growing commitment to inculcate the culture of sustainability into our business operations, we continue to identify and formulate efforts and initiatives that will facilitate our sustainability goals and aspirations in the long run. Moving forward, we endeavour to continuously improve our sustainability reporting mechanism, taking into account our business practices that influences our economic performance, usage of natural resources and impact on society.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Pecca Group Berhad ("the Company") is pleased to present its statement on corporate governance ("CG") practices of the Company during the financial year 2018. The Board in leading the Company in its CG practices is guided by the principles as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG").

This statement is prepared in compliance with Paragraph 15.25(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and guided by Practice Note 9 of the MMLR and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia Berhad. This Corporate Governance Overview Statement should also be read together with the CG Report 2018 of the Company ("CG Report") which is available on the Company's website: www.peccaleather.com as well as via an announcement on the website of Bursa Malaysia Securities Berhad and in conjunction with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Audit and Risk Management Committee Report and Sustainability Statement) as the application of certain governance enumerations may be more evidently expressed in the context of the respective statements.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the financial year 2018.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1 Board Responsibilities

The Group is headed by an experienced and effective Board. The Board assumes overall responsibility in leading the strategic direction, future expansion, corporate governance, risk management, human resource planning and development, investments made by the Company and overseeing the proper conduct of business of the Group.

In discharging its duties, the Board delegates certain of its responsibilities to the Board Committees, namely Audit and Risk Management Committee ("ARMC"), Nomination Committee ("NC") and Remuneration Committee ("RC") which operate within defined Terms of Reference. The Chairman of the respective Board Committees report to the Board on key matters deliberated at the respective Board Committee meetings and makes recommendations to the Board for final decision, where necessary.

The breakdown of the Directors' attendance at the Board and Board Committees meetings during the financial year is set out below:-

Name	Board	ARMC	NC	RC
Dato' Mohamed Suffian Bin Awang *Independent Non-Executive Chairman*	5/5	5/5	1/1	-
Datuk Teoh Hwa Cheng *Group Managing Director*	5/5	-	-	1/1
Datin Sam Yin Thing *Executive Director*	5/5	-	-	-
Tan Jin Sun[(a)] *Executive Director*	4/5	-	-	-
Sam Chee Keng *Executive Director*	5/5	-	-	-
Dato' Dr. Norraesah Binti Haji Mohamad *Independent Non-Executive Director*	3/5	3/5	1/1	1/1
Datuk Leong Kam Weng *Independent Non-Executive Director*	5/5	5/5	1/1	1/1

Remarks:
(a) - Resigned on 24 May 2018

In May 2018, the Board Charter, Terms of Reference of the Board Committees, the Code of Ethics and Conduct and Board Policies were tabled and approved by the Board to be in line with the CG practices set out in the MCCG.

The Board Charter delineates the duties and responsibilities of the Board, Board Committees and individual Directors, including the following matters that are solely reserved for the Board's decision:-

- Conflict of interest issues relating to a substantial shareholder or a Director including approving related party transactions
- Material acquisitions and disposition of assets not in the ordinary course of business including significant capital expenditures
- Strategic investments, mergers and acquisitions and corporate exercises
- Limits of authority
- Treasury policies
- Risk management policies
- Key human resource issues

The Board Charter also serves as a primary induction literature that guides newly appointed and existing Board members on their duties and functions of the Board and its Committees.

A copy of the Board Charter can be found in the Company's website at www.peccaleather.com and periodically reviewed to ensure it complies with legislations, regulations and practices, and remain effective and relevant to the Board's objectives and responsibilities.

The Chairman oversees the Board in the effective discharge of its supervisory role emphasising on governance and compliance. The positions of the Chairman and Group Managing Director are held by different individuals. The Chairman is an Independent Non-Executive Director.

The Board is supported by qualified and competent Company Secretaries. The Board has direct access to the advice and services of the Company Secretaries. The Company Secretaries play an advisory role to the Board in relation to the Company's Constitution, Board's policies and procedures, corporate governance and compliance with the relevant regulatory requirements and legislations. The Company Secretaries are suitably qualified, competent and capable of carrying out the duties required.

The Board recognises that the decision-making process is highly dependent on the quality of information furnished. In furtherance to this, every Director has access to all information within the Company and all meeting materials are prepared and issued to the Board of Directors and Board Committee members at least five (5) business days prior to the meetings to enable them to receive the information in a timely manner.

2 Board Composition

The Board is well balanced, comprising experienced businessmen and qualified professionals of diverse age and ethnicity. The Directors collectively bring with them diverse knowledge, skill, extensive experience and expertise in areas such as strategic planning, business development, finance, corporate affairs, marketing and operations.

The Board currently has six (6) members, comprising of three (3) Independent Non-Executive Directors, two (2) Executive Directors and one (1) Group Managing Director. This complies with Paragraph 15.02 of the MMLR which requires at least two (2) or one-third (1/3) of the Board of the Company, whichever is higher, are Independent Directors. The Company has also applied Practice 4.1 of the MCCG where at least half of the Board comprises Independent Directors. As to-date, the tenure of all Independent Directors is less than nine (9) years of service. The Board will justify and seek shareholders' approval in the event it retains an Independent Director who has served in that capacity for a cumulative period of more than nine (9) years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The NC comprised exclusively of Independent Non-Executive Directors and the composition is as follows:-

Dato' Mohamed Suffian Bin Awang (Chairman)
Independent Non-Executive Director

Dato' Dr. Norraesah Binti Haji Mohamad (Member)
Independent Non-Executive Director

Datuk Leong Kam Weng (Member)
Independent Non-Executive Director

The Board is of the view that all Independent Directors of the Company are always within reach of the shareholders and issues are discussed openly at meetings, thus shareholders may approach any of the Independent Directors of the Company. In view thereof, the Board has not nominated a Senior Independent Non-Executive Director at this juncture.

During the financial year under review, the activities undertaken by the NC include: -

(a) Assessed and was satisfied with the effectiveness of the Board as a whole and the Board committees and the contribution of each Director.
(b) Reviewed and was satisfied with the mix of skills, knowledge, expertise and experience, composition and size of the Board in terms of gender, ethnicity and age.
(c) Assessed the independence of Independent Directors and concluded that the Independent Directors are independent and have complied with the criteria of independence as set out in MMLR.
(d) Assessed and was satisfied with the character, experience, integrity, competence and time commitment of Directors and Chief Financial Officer.
(e) Discussed on the training programmes for the Directors to enhance their skills and knowledge.
(f) Reviewed the revised Term Of Reference of the NC.

The NC will identify and recommend candidates to the Board if there is any vacancy arising from resignation, retirement or any other reasons or if there is a need to appoint additional Director with the required criteria. The NC does not solely rely on recommendations from existing board members, management or major shareholders. The NC is amenable to referrals from external sources available, such as industry or professional associations.

The Company also endeavours to have a balance representation by taking into consideration a range of different skills, age, gender, ethnicity, backgrounds and experiences represented amongst its Directors, officers and staff as the Board is aware that it is important in having a robust decision-making processes with diversified viewpoints to ensure an effective governance of the Company. The Board has adopted a Diversity Policy which outline its approaches to achieving and maintaining diversity (including gender diversity) on its Board and Senior Management positions.

The NC will review the suitability of candidates based on skills, knowledge, character, integrity, expertise and experience, competency, commitment (including time commitment) and where appropriate, the independence of candidates for appointment as Independent Non-Executive Directors.

The assessment of the Independent Directors is in accordance with the criteria as set out in the Board Charter and MMLR.

The evaluation process is led by the NC Chairman who is an Independent Director and supported by the Company Secretaries. The evaluation process is conducted via questionnaires to review the effectiveness of the Board and its Committees, and based on self-review and peer assessment. The NC reviews the outcome of the assessment and reports to the Board, in particular, areas for improvement and is also used as the basis of recommending relevant Director for re-election at the Annual General Meeting.

The Board, via the NC continues to identify appropriate briefings, seminars, conferences and courses for the Directors to keep abreast with the changes in legislations and regulations affecting the Group.

All Directors have completed the Mandatory Accreditation Programme ("MAP"). The Directors are mindful that they need to continue to enhance their skill and knowledge to maximise their effectiveness as Directors during their tenure. Throughout the period in office, the Directors are continually updated on the Group's business and regulatory requirements. The Company Secretaries have also briefed and highlighted the relevant guidelines on statutory and regulatory requirements from time to time to the Board, amongst others, the amendments to the Listing Requirements of Bursa Malaysia, MCCG and the Companies Act 2016. The External Auditors have also briefed the Board on any current and future changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

During FYE2018, the Directors have attended the following training programmes:

Directors	Name of Seminar and Training Programmes	Date
Dato' Mohamed Suffian Bin Awang	• Malaysian Code on Corporate Governance ("MCCG")	27 June 2018
Datuk Teoh Hwa Cheng	• MCCG	27 June 2018
Datin Sam Yin Thing	• MCCG	27 June 2018
Tan Jin Sun	• Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide	2 Mar 2018
Sam Chee Keng	• MCCG	27 June 2018
Dato' Dr. Norraesah Binti Haji Mohamad	• World Islamic Economic Forum Foundation Conference • Social Media Workshop for Women Entrepreneurship	20 Nov 2017 26 Apr 2018
Datuk Leong Kam Weng	• MFRS 9 & MFRS 17 for Insurers • MIA International Accountants Conference 2017 • The evolution of cyber crime • Anti-Money Laundering and Counter Financing of Terrorism; • Malaysian Financial Reporting Standard (MFRS) 15 Revenue from Contracts with Customers. • Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide • Anti-Corruption Laws of Malaysia	28 Sept 2017 7-8 Nov 2017 20 Nov 2017 20 Nov 2017 20 Nov 2017 2 Mar 2018 10-11 May 2018

In accordance with the Company's Constitution, an election of Directors shall take place each year at an AGM and one-third (1/3) of the Directors are subject to retirement by rotation, in any event, each Director shall retire from office once in every three (3) years. The Directors to retire in each year are the Directors who have been longest in office since their last appointment or re-election. The Directors appointed by the Board during the financial year are subject to retirement at the next AGM held following their appointments in accordance with the Company's Constitution. All retiring Directors are eligible for re-election. The re-election of each Director is voted on separate resolutions during the AGM of the Company.

Based on the schedule of rotation, the following Directors are subject to retirement by rotation pursuant to the Company's Constitution at the forthcoming Eighth AGM:-

(1) Mr Sam Chee Keng (Article 98)
(2) Dato' Dr. Norraesah Binti Haji Mohamad (Article 98)

The aforesaid Directors have expressed their intention not to seek for re-election and shall retire at the conclusion of the forthcoming AGM.

The Board has put in place the Code of Ethics and Conduct and Whistle Blowing Policy and Procedures to promote an environment of integrity and ethical behaviour within the Group.

The basic principles of the Code of Ethics and Conduct have been observed and carried out by having appropriate regards to the interests of the Company's customers, shareholders, people, business partners and broader community in which the Company operates. The Code of Ethics and Conduct can be found on the Company's website at www.peccaleather.com.

The Whistle Blowing Policy serves as a guide to the employees on how to raise genuine concerns related to possible improprieties on the matters relating to financial reporting, compliance and other malpractices at the earliest opportunity and in an appropriate way. The Board has adopted the Whistle Blowing Policy with the aim that the employee can report and disclose through established channels any improper or unethical activities relating to the Company and its Group and is available on the Company's website.

3 Remuneration

The RC composition is as follows:-

Dato' Dr. Norraesah Binti Haji Mohamad (Chairman)
Independent Non-Executive Director

Datuk Leong Kam Weng (Member)
Independent Non-Executive Director

Datuk Teoh Hwa Cheng (Member)
Group Managing Director

The Board is of the view that remuneration is intrinsically linked to the Group's day to day operations and has included the Group Managing Director as a member of the RC.

The RC has established a set of policies and, framework and reviews the remuneration of the Directors and Senior Management which is linked to strategy and/or performance and/or long term objectives of the Company to ensure that the Company is able to attract and retain capable Directors and Senior Management to run the Group successfully. The Executive Directors' remuneration is structured to link rewards to corporate and individual performance. In the case of Non-Executive directors, the level of remuneration reflects the experience and level of responsibilities undertaken.

In determining the remuneration of the Directors and Senior Management, the Company's objective is to provide fair and competitive remuneration to its Board and/or Senior Management in order for the Company to benefit by attracting and retaining a high quality team. The RC is authorised by the Board to seek appropriate professional advice within and outside the Group as and when it considers necessary.

The annual salaries, incentive arrangements, service arrangements and other employment conditions for the Executive Directors and/or Senior Management are reviewed by the RC and recommend to the Board for approval and where necessary, will be subject to shareholders' approval. Senior Management who reports directly to the Executive Directors are evaluated annually premised on annual measurements and targets set. Thereafter, the Executive Directors approve the remuneration of the Senior Management based on their performance.

The determination of the remuneration for Non-Executive Directors is a matter for the Board to decide as a whole. The Executive Directors are not present when matters affecting their own remuneration arrangements are being considered.

Details of the remuneration of Directors (paid by both the Company and the Group) who served during the financial year ended 30 June 2018 are as follows:

The Group

Name	Fees (RM)	Allowance (RM)	Salaries (RM)	Bonus (RM)	Other Emoluments (RM)	Total (RM)
Dato' Mohamed Suffian Bin Awang	96,000	11,000				107,000
Datuk Teoh Hwa Cheng	60,000	1,500	480,000	117,000		658,500
Datin Sam Yin Thing		26,700	240,000	57,000		323,700
Tan Jin Sun		49,435	462,833	112,860	15,000	640,128
Sam Chee Keng	60,000	24,300	231,990	52,250		368,540
Dato' Dr. Norraesah Binti Haji Mohamad	96,000	6,000				102,000
Datuk Leong Kam Weng	96,000	10,000				106,000
TOTAL	408,000	128,935	1,414,823	339,110	15,000	2,305,868

The Company

Name	Fees (RM)	Allowance (RM)	Salaries (RM)	Bonus (RM)	Other Emoluments (RM)	Total (RM)
Dato' Mohamed Suffian Bin Awang	96,000	11,000				107,000
Datuk Teoh Hwa Cheng		1,500				1,500
Datin Sam Yin Thing		1,500				1,500
Tan Jin Sun		1,500				1,500
Sam Chee Keng		1,500				1,500
Dato' Dr. Norraesah Binti Haji Mohamad	96,000	6,000				102,000
Datuk Leong Kam Weng	96,000	10,000				106,000
TOTAL	288,000	33,000				321,000

In determining the remuneration packages of the Group's senior management, factors that were taken into consideration included individual responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration package is competitive and sufficient to ensure that the Group is able to attract and retain executive talents. Currently, there is no separate disclosure on the remuneration of the senior management as 4 of the Executive Directors of the Company were also the senior management, and their remuneration details have been disclosed above. The Board will review and consider disclosing the top 5 senior management's remuneration components in bands of RM50,000 on named basis in near future.

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1 ARMC

The ARMC comprises wholly Independent Non-Executive Directors. The Chairman of the ARMC is not the Chairman of the Board ensuring that the objectivity of the Board's review of the ARMC findings and recommendations remain intact. The ARMC assesses the performance (including independence) of the external auditors and recommends to the Board annually their appointment or re-appointment thereof, guided by the factors as prescribed under Paragraph 15.21 of the MMLR.

The ARMC's Term of Reference sets out its goals, objectives, duties, responsibilities and criteria on the composition of ARMC which includes that a former key audit partner of the Group to observe cooling-off period of at least 2 years before being able to be appointed as member of ARMC.

The NC reviews the composition of the ARMC annually and recommends to the Board for approval ensuring that only Independent Non-Executive Directors, who are financially literate and are able to understand matters under the purview of the ARMC including financial reporting process are considered for membership in ARMC. All members of the ARMC undertake continuous professional development to keep themselves abreast with relevant developments in accounting and auditing standards, practices and rules.

The external auditors would meet the ARMC without the presence of the executive Board members and management at least two (2) times a year on matters relating to the Group and its audit activities. During such meetings, the external auditors highlight and discuss the nature and scope of the audit, audit programme, internal controls and any other issues that may require the attention of the ARMC or the Board.

The ARMC ensures the external audit function is independent of the activities it audits and reviews the contracts for the provision of non-audit services by the external auditors in order to make sure that it does not give rise to conflict of interests. The excluded contracts would include management consulting, internal audit and standard operating policies and procedures documentation.

For the financial year ended 30 June 2018, fees paid to the external auditors, KPMG PLT and its affiliated firms by the Company and the Group are stated in the table below:-

Nature of Services	Company (RM)	Group (RM)
Audit	50,000	170,000
Non-Audit:	-	6,000
Total	50,000	176,000

2 Risk Management and Internal Control Framework

The Board acknowledges the significance of a sound system of risk management and internal control to manage the overall risk exposure of the Group.

The Group has an internal audit function which is outsourced to GovernAce Advisory & Solutions Sdn Bhd and reports directly to the ARMC. The resources and scope of work covered by the internal audit function during the financial year under review, including its observation and recommendations, is provided in the Audit and Risk Management Committee Report of this Annual Report. Details on the person responsible for the internal audit are set out below:-

Name	:	Chong Chee Seng
Qualification	:	Member of Institute of Internal Auditors Malaysia (IIAM) and Malaysian Institute of Accountants (MIA).
Independence	:	Does not have any family relationship with any director and/or major shareholder of the Company.
Public Sanction or penalty	:	Has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

The ARMC meets regularly to review the risks identified, discuss on mitigation actions in place and report to the Board on quarterly basis. Details of the internal audit function are set out in the Statement on Risk Management and Internal Control and ARMC Report of this Annual Report.

The Board affirms its overall responsibility with established and clear functional responsibilities and accountabilities which are carried out and monitored by the ARMC. The adequacy and effectiveness of the internal controls and risk management framework were reviewed by the ARMC.

Further information may be found in the Statement of Risk Management and Internal Control.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1 Communication with Stakeholders

The Board has formalised corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to the regulators, shareholders and stakeholders not only to comply with the disclosure requirements as stipulated in the Listing Requirements, but also setting out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders in compliance with the Listing Requirements.

The Board has established a dedicated section for corporate information on the Company's website (www.peccaleather.com) where information on the Company's announcements, financial information, share prices and the Company's annual report may be accessed. It also contains all announcements made to Bursa Securities as well as the contact details of a designated person to address any queries.

It has always been the Group's practice to maintain good relationship with its shareholders. Major corporate developments and happenings in the Group have always been duly and promptly announced to all shareholders, in line with Bursa Securities' objectives of ensuring transparency and good corporate governance practices.

The Group's financial performance, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly results, annual report, corporate announcements to Bursa Securities and press conferences. Further updates of the Group's activities and operations are also disseminated to shareholders and investors through dialogue with analysts, fund managers, investor relations roadshows and the media.

2 Conduct of General Meetings

During the meeting, shareholders have the opportunities to enquire and comment on the Group's performance and operations.

For Financial Year ended 30 June 2017, the Notice of AGM was circulated at least twenty eight (28) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. This is in line with Practice 12.1 of the MCCG which call for a 28-days' notice period for public companies.

In addition to being dispatched individually to shareholders, the Notice of AGM was also advertised in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities. This allows shareholders to have immediate access of the notice of AGM and make the necessary preparations for the AGM.

The Company will continue the practice to circulate the Notice of AGM at least twenty eight (28) days prior to the upcoming AGM.

During the AGM, the shareholders were informed on the Group's performance and major activities which were carried out during the financial year under review. The Board also encourages participation from shareholders by having a question and answer session during the AGM which the Directors (inclusive of the Chairman of ARMC, NC and RC) are available to provide meaningful responses to the questions raised by the shareholders.

All the resolutions set out in the Notice of the AGM would be put to vote by poll voting and duly passed. The shareholders were informed of their right to demand for a poll. The outcome of the AGM was announced to Bursa Securities on the same meeting day. The Company had appointed one (1) independent scrutineer to verify the poll results.

A summary of the key matters discussed at the AGM, as soon as practicable after the conclusion of the AGM will be published on the Company's website upon being reviewed by the Board members and approved by the Chairman.

FOCUS AREA ON CORPORATE GOVERNANCE

Corporate governance was clearly imperative for the Group for the financial year 2018 against the backdrop of regulatory changes in the domestic corporate governance realm and a relatively challenging economic environment. During the year under review, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for stakeholders.

Corporate governance areas which gained heightened attention from the Board during the financial year ended 30 June 2018 are as follows:

Board diversity

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage and contributing to sustainable development of the Company.

During the year, the Board has adopted the Diversity Policy.

The Board with the Head of Human Resource will monitor the scope and applicability of the Diversity Policy, from time to time.

Review of policies and procedures

The Board has reviewed and updated its existing policies and procedures to ensure they are kept relevant to the Company's needs. The Board will look into the enhancements or developments of corporate governance policies and procedures, as the case may be.

This CG Overview Statement was approved by the Board of Directors of the Company on 24 October 2018.

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.

As announced on 23 April 2018, the Board of Directors has approved the variation of the utilisation of IPO proceeds amounting to RM6.60 million and the extension of time for utilisation of IPO proceeds amounting to RM2.62 million for another 24 months from 19 April 2018.

The status of the utilisation of the gross proceeds as at 30 June 2018 is as follows:

Purposes	Revised Expected Timeframe for Utilization (from 19 April 2018)	Revised Amount (RM'000)	Actual Utilization (RM'000)	Unutilize Balance (RM'000)
Working capital	-	27,859	(27,859)	0
Repayment of bank borrowings	-	17,100	(17,100)	0
Purchase of new machineries for the production of car leather seat covers	Within 24 months	4,871	(3,863)	1,008
Construction of an additional storey of production floor area on the existing factory building	-	5,000	(5,000)	0
Opening of retail outlets	-	0	0	0
Establishment of market presence in Thailand	Within 24 months	1,500	(270)	1,230
Expansion of aviation business	Within 24 months	834	(550)	284
Estimated listing expenses	-	4,111	(4,111)	0
Purchase of raw material	-	3,000	(3,000)	0
Selling and distribution expenses of:				
- Retail	-	2,000	-	2,000
- Thailand	-	850	(5)	845
- Aviation	-	745	-	745
Total Public Issue Proceeds		67,870	(61,758)	6,112

2. Material Contracts

There were no material contracts subsisting or entered into by the Company or its subsidiaries involving the interests of any Directors, chief executive, or substantial shareholders of the Company or any persons connected to a Director, chief executive or major shareholder of the Company during the financial year ended 30 June 2018.

3. Recurring Related Party Transactions

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 2018 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 Datin Sam Yin Thing	Director and substantial shareholder 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:-

- **Datuk 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 2018, five (5) ARMC meetings were held and the details of attendance of the meetings are as follows:-

Name	Total Meeting Attended	Percentage
• Datuk Leong Kam Weng	5/5	100%
• Dato' Mohamed Suffian Bin Awang	5/5	100%
• Dato' Dr Norraesah Binti Haji Mohamad	3/5	60%

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, 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 at least annually with the 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 Main Board 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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

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 2018 were as follows:-

i. Reviewed the unaudited fourth Quarter ended 30 June 2017, First Quarter ended 30 September 2017, Second Quarter ended 31 December 2017 and Third Quarter ended 31 March 2018 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 2017 and Interim Dividend in respect of financial year ended 30 June 2018.

iii. Reviewed with the internal auditors (Boardroom Business Solutions Sdn Bhd and GovernAce Advisory & Solutions Sdn Bhd) 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 KPMG PLT) their audit findings in respect of FYE 2017 and held a meeting with the external auditors without the presence of Executive Board members and Management of the Company.

v. Reviewed the Risk Profile Report dated 14 August 2017 and the update dated 27 February 2018.

vi. Reviewed and approved the Risk Management Policy and Procedures Manual.

vii. Reviewed the Statement of Risk Management and Internal Control and Corporate Governance Statement for inclusion in Annual Report 2017.

viii. Reviewed with the external auditors (Messrs KPMG PLT) their scope of work and audit planning memorandum for FYE 2018 and held a meeting with the external auditors without the presence of Executive Board members and Management of the Company.

ix. 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 which reports directly to the ARMC. The internal audit function has been transferred from Boardroom Business Solution Sdn Bhd to GovernAce Advisory & Solution Sdn Bhd effective from 1 December 2017. 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 2018 include:-

- Performed follow-up audit on Purchasing Department.
- Performed internal audit reviews and report findings on Rework Process Flow.
- Performed internal audit reviews and report findings on Financial Close Process.
- Performed internal audit reviews and report findings in the area of Revenue to Receivable.
- Performed internal audit reviews on Warehouse Department.

6. ALLOCATION OF SHARE SCHEME FOR EMPLOYEES

During the FYE 2018, the Company did not establish any share scheme for employees.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

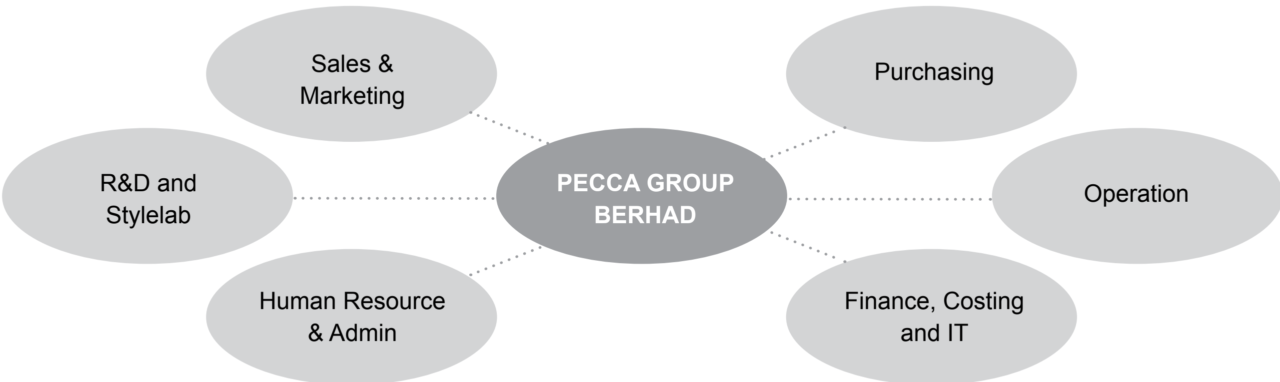
Whilst acknowledging its responsibilities, the Board is aware of the limitations that are inherent in any systems of internal control and risk management where such systems being designed to manage, rather than eliminate, the risks that may impede the achievement of the Group's business objectives. Accordingly,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

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

The Group's risk management framework is based on the guidelines in ISO 31000 Risk Management and have been applied across the following function/operating units:



The Board conducts an annual review of its the group risk profile and its existing risk management framework to ensure that it is appropriate and continues to remain relevant to the Group's operations.

All employees of the Group are responsible for managing risks within their respective areas of responsibilities and formalised risk registers have been put in place for ongoing process to identify, assess, monitor and report significant risks that may affect the achievement of the Group's business objectives.

The risks identified are 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

Key risks affecting the operations of the Group have been presented to the Audit & Risk Management Committee in the meeting held on August 2017 and mitigating actions proposed by Management were also deliberated.

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 2018 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 IATF 16949: 2016 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, Kiwa Cerment Italia and Bureau Veritas to ensure that the Company continues to meet the quality standards requirements.

5. Internal Audit

The Group has engaged external service providers, Boardroom Business Solutions Sdn Bhd and subsequently GovernAce Advisory & Solutions 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 31 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 2018.

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 and Chief Financial Officer, 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 24 October 2018.

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 2018, 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' 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, Bursa Malaysia's Main Market Listing Requirements 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 2018, 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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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 2018.

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	10,217	24,385
Non-controlling interests	(139)	-
	10,078	24,385

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 2017:

- a final single tier dividend of RM0.03 per ordinary share totalling RM5,547,642 declared on 23 October 2017 and paid on 27 December 2017.

ii) In respect of the financial year ended 30 June 2018:

- an interim single tier dividend of RM0.02 per ordinary share totalling RM3,692,584 declared on 14 March 2018 and paid on 9 April 2018.

The Directors recommend a final single tier dividend of RM0.03 per ordinary share in respect of the financial year ended 30 June 2018 subject to the approval of the shareholders at the forthcoming general meeting. Based on the total number of issued shares (excluding treasury shares) of the Company at the end of the reporting period, the final dividend would amount to RM5,510,301.

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
Datuk Leong Kam Weng
Dato' Dr Norraesah Binti Haji Mohamad
Tan Jin Sun (Resigned on 24 May 2018)

DIRECTORS' REPORT (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2018

LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) during the financial year and up to the date of this report is as follows:

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 1.7.2017	**Bought**	**Sold**	**At 30.6.2018**
Shareholdings in the Company which Directors have direct interests:				
Datuk Teoh Hwa Cheng	10,302,853	-	-	10,302,853
Sam Chee Keng	550,000	-	-	550,000
Dato' Mohamed Suffian Bin Awang	100,000	-	-	100,000
Datuk Leong Kam Weng	100,000	-	-	100,000
Datin Sam Yin Thing	24,002	-	-	24,002
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

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 2018 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 22 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.

DIRECTORS' REPORT (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2018

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	7	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.

DIRECTORS' REPORT (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2018

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 2018 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, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in note 14 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: 24 October 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Property, plant and equipment	3	52,874	50,872	-	-
Investments in subsidiaries	4	-	-	76,261	76,261
Other investments	5	5,293	269	5,126	-
Total non-current assets		58,167	51,141	81,387	76,261
Inventories	6	18,887	16,670	-	-
Other investments	5	38,738	-	32,232	-
Current tax assets		947	2	47	-
Trade and other receivables	7	19,997	23,126	13,751	347
Prepayments		866	1,870	-	-
Cash and cash equivalents	8	47,228	92,691	20,471	61,305
Total current assets		126,663	134,359	66,501	61,652
Total assets		184,830	185,500	147,888	137,913
Equity					
Share capital		135,702	135,702	135,702	135,702
Reserves		23,854	27,989	(12,058)	2,026
Total equity attributable to owners of the Company	9	159,556	163,691	147,760	137,728
Non-controlling interests		(274)	(137)	-	-
Total equity		159,282	163,554	147,760	137,728
Liabilities					
Deferred tax liabilities	10	6,120	6,033	-	-
Total non-current liabilities		6,120	6,033	-	-
Trade and other payables	11	19,428	15,358	128	160
Current tax liabilities		-	555	-	25
Total current liabilities		19,428	15,913	128	185
Total liabilities		25,548	21,946	128	185
Total equity and liabilities		184,830	185,500	147,888	137,913

The notes on pages 49 to 88 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS AT 30 JUNE 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	12	112,668	122,166	22,816	3,772
Cost of sales		(85,895)	(88,796)	-	-
Gross profit		26,773	33,370	22,816	3,772
Other income		1,824	407	1,059	-
Selling and distribution expenses		(6,683)	(6,507)	-	-
Administrative expenses		(10,318)	(10,373)	(574)	(618)
Other expenses		(102)	(60)	-	-
Results from operating activities		11,494	16,837	23,301	3,154
Finance income	13	1,443	2,780	1,121	2,221
Profit before tax	14	12,937	19,617	24,422	5,375
Tax expense	15	(2,859)	(5,079)	(37)	(183)
Profit for the year		10,078	14,538	24,385	5,192
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		3	2	-	-
Total comprehensive income for the year		10,081	14,540	24,385	5,192
Profit attributable to:					
Owners of the Company		10,217	14,679	24,385	5,192
Non-controlling interests		(139)	(141)	-	-
Profit for the year		10,078	14,538	24,385	5,192
Total comprehensive income attributable to:					
Owners of the Company		10,218	14,680	24,385	5,192
Non-controlling interests		(137)	(140)	-	-
Total comprehensive income for the year		10,081	14,540	24,385	5,192
Basic and diluted earnings per ordinary share (sen)	16	5.51	7.81		

The notes on pages 49 to 88 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

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	17	-	-	-	-	-	-	(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 9.1	Note 9.1	Note 9.2	Note 9.3	Note 9.4	Note 9.5				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D) FOR THE YEAR ENDED 30 JUNE 2018

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 2017		135,702	-	(524)	(60,822)	1	10,899	78,435	163,691	(137)	163,554
Foreign currency translation differences for foreign operations		-	-	-	-	1	-	-	1	2	3
Total other comprehensive income for the year		-	-	-	-	1	-	-	1	2	3
Profit for the year		-	-	-	-	-	-	10,217	10,217	(139)	10,078
Total comprehensive income for the year		-	-	-	-	1	-	10,217	10,218	(137)	10,081
Contributions by and distributions to owners of the Company											
- Repurchase of treasury shares		-	-	(5,113)	-	-	-	-	(5,113)	-	(5,113)
- Dividends to owners of the Company	17	-	-	-	-	-	-	(9,240)	(9,240)	-	(9,240)
Total transactions with owners of the Company		-	-	(5,113)	-	-	-	(9,240)	(14,353)	-	(14,353)
At 30 June 2018		135,702	-	(5,637)	(60,822)	2	10,899	79,412	159,556	(274)	159,282
		Note 9.1	Note 9.1	Note 9.2	Note 9.3	Note 9.4	Note 9.5				

The notes on pages 49 to 88 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

Company	Note	← Non-distributable Share capital RM'000	Share premium RM'000	→ Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 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	17	-	-	-	(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 2017/1 July 2017		135,702	-	(524)	2,550	137,728
Profit and total comprehensive income for the year		-	-	-	24,385	24,385
Contributions by and distributions to owners of the Company						
- Repurchase of treasury shares		-	-	(5,113)	-	(5,113)
- Dividends to owners of the Company	17	-	-	-	(9,240)	(9,240)
Total transactions with owners of the Company		-	-	(5,113)	(9,240)	(14,353)
At 30 June 2018		135,702	-	(5,637)	17,695	147,760
		Note 9.1	Note 9.1	Note 9.2		

The notes on pages 49 to 88 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
Profit before tax		12,937	19,617	24,422	5,375
Adjustments for:					
Depreciation of property, plant and equipment	3	4,090	4,089	-	-
Loss/(Gain) on disposal of property, plant and equipment		48	(133)	-	-
Property, plant and equipment written off		63	-	-	-
Gain on disposal of other investment	14	(134)	-	-	-
Changes in fair value of other investments		(921)	-	(536)	-
Dividend income		-	-	(22,816)	(3,772)
Finance income		(1,443)	(2,780)	(1,121)	(2,221)
Reversal on impairment loss of trade receivables	14	(2)	-	-	-
Unrealised loss/(gain) on foreign exchange	14	577	(346)	-	-
Operating profit/(loss) before changes in working capital		15,215	20,447	(51)	(618)
Change in inventories		(2,217)	3,162	-	-
Change in trade and other receivables		3,064	327	-	4
Change in prepayments		1,004	(788)	-	-
Change in trade and other payables		3,866	(3,693)	(32)	79
Cash generated from/(used in) operations		20,932	19,455	(83)	(535)
Income tax paid		(4,272)	(4,814)	(109)	(158)
Dividend received		-	-	9,476	3,772
Net cash from operating activities		16,660	14,641	9,284	3,079
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(6,243)	(4,722)	-	-
Subscription of shares in a subsidiary		-	-	-	(29)
Increase in investments in subsidiaries		-	-	-	(150)
(Advances to)/Repayment from subsidiaries		-	-	(64)	11,409
Proceeds from disposal of property, plant and equipment		40	164	-	-
Proceeds from disposal of other investment		236	-	-	-
Interest received		1,443	2,780	1,121	2,221
Placement of other investments in licensed financial institutions		(83,700)	-	(57,200)	-
Redemption of other investments in licensed financial institutions		40,757	-	20,378	-
Net cash (used in)/from investing activities		(47,467)	(1,778)	(35,765)	13,451

STATEMENT OF CASH FLOWS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from financing activities					
Dividends paid	17	(9,240)	(7,520)	(9,240)	(7,520)
Net proceeds from issuance of shares:					
- by subsidiaries		-	131	-	-
Repayment to a Director		-	(100)	-	-
Repurchase of treasury shares		(5,113)	(524)	(5,113)	(524)
Net cash used in financing activities		(14,353)	(8,013)	(14,353)	(8,044)
Net (decrease)/increase in cash and cash equivalents		(45,160)	4,850	(40,834)	8,486
Effect of exchange rate fluctuations on cash held		(303)	237	-	-
Cash and cash equivalents at 1 July	8	92,691	87,604	61,305	52,819
Cash and cash equivalents at 30 June	8	47,228	92,691	20,471	61,305

The notes on pages 49 to 88 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

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 Industri Desa Aman, Kepong 52200 Kuala Lumpur
Registered office	:	Lot 6.05, Level 6, KPMG Tower 8 First Avenue, Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2018 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 2018 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 24 October 2018.

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 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*

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

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*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits (Plan Amendment, Curtailment or Settlement)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2, *Share-based Payment*
- Amendments to MFRS 3, *Business Combinations*
- Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources*
- Amendment to MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134, *Interim Financial Reporting*
- Amendments to MFRS 137, *Provision, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138, *Intangible Assets*
- Amendments to IC Interpretation 12, *Service Concession Arrangements*
- Amendments to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to IC Interpretation 132, *Intangible Assets – Web Site Costs*

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 2018 for those accounting standards, amendments and interpretations 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 those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11, Amendments to MFRS 123 and Amendments to MFRS 128 which are not applicable to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

- from the annual period beginning on 1 July 2020 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2020, except for Amendments to MFRS 2, Amendments to MFRS 6, Amendments to MFRS 14, Amendments to MFRS 138, Amendments to IC Interpretation 12, Amendments to IC Interpretation 20, and Amendments to IC Interpretation 132 which are not applicable to the Group and the Company.

- The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it 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 reviewed the contracts with the customers to account for the financial impact of the adoption of the new standard.

The Group and the Company have assessed the initial application of MFRS 15 on its financial statements for the year ended 30 June 2018 will have no material impact on the net profit.

(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.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

The Group and the Company do not expect that the application of the new classification requirement will have a material impact on accounting for its financial assets.

(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, O*perating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

1. BASIS OF PREPARATION (continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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)).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

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 the 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

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.

(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 have 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Revenue and other income (continued)

(l) Income tax (continued)

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.

(m) 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.

(n) 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.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Fair value measurement (continued)

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 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 2017/1 July 2017	12,327	23,669	19,411	3,954	1,372	3,261	3,020	4,262	1,924	73,200
Additions	-	-	1,284	86	32	51	623	141	4,026	6,243
Disposals	-	-	(406)	-	(5)	(2)	-	-	-	(413)
Write off	-	-	-	-	-	-	(74)	(69)	-	(143)
At 30 June 2018	12,327	23,669	20,289	4,040	1,399	3,310	3,569	4,334	5,950	78,887
Depreciation										
At 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 2017/1 July 2017	487	2,399	9,171	2,737	1,005	1,643	2,413	2,473	-	22,328
Depreciation for the year	131	473	1,791	387	132	308	451	417	-	4,090
Disposals	-	-	(320)	-	(4)	(1)	-	-	-	(325)
Write off	-	-	-	-	-	-	(74)	(6)	-	(80)
At 30 June 2018	618	2,872	10,642	3,124	1,133	1,950	2,790	2,884	-	26,013
Carrying amounts										
At 1 July 2016	11,971	21,755	10,696	865	486	1,740	640	2,117	-	50,270
At 30 June 2017/1 July 2017	11,840	21,270	10,240	1,217	367	1,618	607	1,789	1,924	50,872
At 30 June 2018	11,709	20,797	9,647	916	266	1,360	779	1,450	5,950	52,874

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

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 financial year would be as follows:

Group	Long-term leasehold land RM'000	Buildings RM'000	Total RM'000
2018			
At cost	4,903	16,752	21,655
Accumulated depreciation	(535)	(2,734)	(3,269)
	4,368	14,018	18,386
2017			
At cost	4,903	16,752	21,655
Accumulated depreciation	(405)	(2,260)	(2,665)
	4,498	14,492	18,990

Fair value information

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

Group	2018 Level 3 RM'000	2017 Level 3 RM'000
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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

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	
	2018 RM'000	2017 RM'000
At cost		
Unquoted shares in Malaysia	76,261	76,261

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2018 %	2017 %
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 ("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 car seat covers and car accessories	100	100
Pecca Leather (Thailand) Limited ("PThailand")*#	Thailand	Dormant	49	49

* Audited by a firm 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 entity, on the basis that the Group:

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

4. INVESTMENTS IN SUBSIDIARIES (continued)

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.

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

	Number of ordinary shares			
	At 1.7.2017	Bought	Sold	At 30.6.2018
Interest in non-wholly owned subsidiaries:				
PAviation	210,000	-	-	210,000
PThailand	2,450	-	-	2,450

5. OTHER INVESTMENTS

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current					
Available for sale financial assets:					
- unquoted shares outside Malaysia, at cost		-	102	-	-
- club membership, at cost	5.1	167	167	-	-
Financial assets at fair value through profit or loss:					
- investments in unit trusts		5,126	-	5,126	-
		5,293	269	5,126	-

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Financial assets at fair value through profit or loss:				
- investments in close-ended money market fund	38,738	-	32,232	-
	38,738	-	32,232	-
	44,031	269	37,358	-

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

6. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
At cost:		
Raw materials	17,060	13,275
Finished goods	954	2,244
Work-in-progress	873	1,151
	18,887	16,670
Recognised in profit or loss:		
Inventories recognised in cost of sales	66,637	69,387

7. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade					
Trade receivables		19,795	22,418	-	-
Non-trade					
Amount due from subsidiaries	7.1	-	-	-	347
Dividend receivable		-	-	13,751	-
Other receivables and deposits		202	708	-	-
		202	708	13,751	347
		19,997	23,126	13,751	347

7.1 The non-trade amount due from subsidiaries is unsecured, subject to interest at 4.0% (2017: 4.0%) per annum and repayable on demand.

8. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances		13,936	13,001	533	488
Liquid investments	8.1	33,292	79,690	19,938	60,817
		47,228	92,691	20,471	61,305

8.1 The liquid investments represent investments in unit trust funds which primarily invest in money market instruments and has insignificant risk of change in value of the investments.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

9. CAPITAL AND RESERVES

9.1 Share capital

	Group and Company			
	2018		2017	
	Amount of shares RM'000	Amount '000	Number RM'000	Number of shares '000
Ordinary shares, issued and fully paid:				
At 1 July/30 June	94,000	188,000	94,000	188,000
Share premium				
At 1 July	41,702	-	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	-	-	41,702	-
At 30 June	41,702	-	41,702	-
At 30 June	135,702	188,000	135,702	188,000

i) Share premium

In the previous financial year, the amount standing to the credit of the share premium account of RM41,702,000 was transferred and became part of the Company's share capital in accordance with section 618(2) of the Companies Act 2016 which came into effect on 31 January 2017. The share premium of RM41,702,000 is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from the 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.

9.2 Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 28 November 2017, 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 3,976,300 of its issued share capital from the open market. The average price paid for the shares repurchased was RM1.35 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 2018, the Group held 4,323,300 (2017: 347,000) of the Company's shares.

9. CAPITAL AND RESERVES (continued)

9.3 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.

9.4 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.

9.5 Revaluation reserve

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

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revaluation surplus of leasehold land and buildings	-	-	(3,336)	(3,389)	(3,336)	(3,389)
Property, plant and equipment	-	-	(2,992)	(2,657)	(2,992)	(2,657)
Provisions	69	96	-	-	69	96
Other temporary differences	139	-	-	(83)	139	(83)
Tax assets/(liabilities)	208	96	(6,328)	(6,129)	(6,120)	(6,033)
Set off of tax	(208)	(96)	208	96	-	-
Net tax liabilities	-	-	(6,120)	(6,033)	(6,120)	(6,033)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

10. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

Movement in temporary differences during the financial year

	At 1.7.2016 RM'000	Recognised in profit or loss (Note 15) RM'000	At 30.6.2017/ 1.7.2017 RM'000	Recognised in profit or loss (Note 15) RM'000	At 30.6.2018 RM'000
Revaluation surplus of leasehold land and buildings	(3,442)	53	(3,389)	53	(3,336)
Property, plant and equipment	(1,542)	(1,115)	(2,657)	(335)	(2,992)
Provisions	-	96	96	(27)	69
Others	-	(83)	(83)	222	139
	(4,984)	(1,049)	(6,033)	(87)	(6,120)

Unrecognised deferred tax assets

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

	2018 RM'000	2017 RM'000
Group		
Unabsorbed capital allowances	78	45
Unutilised tax losses	615	421
Taxable temporary differences	(50)	(41)
	643	425

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

11. TRADE AND OTHER PAYABLES

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables		14,952	11,664	-	-
Non-trade					
Amount due to a Director	11.1	270	270	-	-
Amount due to a related party	11.2	30	30	-	-
Other payables and accruals		4,176	3,394	128	160
		4,476	3,694	128	160
		19,428	15,358	128	160

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

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

12. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Sales of goods	89,704	99,852	-	-
Services	22,964	22,314	-	-
Dividend income	-	-	22,816	3,772
	112,668	122,166	22,816	3,772

13. FINANCE INCOME

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income of financial assets that are not at fair value through profit or loss	107	673	73	574
Distribution from liquid investments	1,336	2,107	1,048	1,647
	1,443	2,780	1,121	2,221

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

14. PROFIT BEFORE TAX

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration				
- Audit fees				
KPMG Malaysia	170	185	50	50
Other auditors	4	4	-	-
- Non-audit fees				
KPMG Malaysia	6	10	-	-
Depreciation of property, plant and equipment	4,090	4,089	-	-
Loss on disposal of property, plant and equipment	48	-	-	-
Property, plant and equipment written off	63	-	-	-
Impairment loss recognised on trade receivables	-	28	-	-
Unrealised loss on foreign exchange	577	-	-	-
Realised loss on foreign exchange	-	317	-	3
Rental of premises	216	95	-	-
Staff costs:				
- Contributions to state plans	1,600	1,498	-	-
- Wages, salaries and others	20,457	18,387	6	17
and after crediting:				
Reversal of impairment loss on trade receivables	2	-	-	-
Unrealised gain on foreign exchange	-	346	-	-
Realised gain on foreign exchange	392	-	-	-
Gain on disposal of property, plant and equipment	-	133	-	-
Gain on disposal of other investment	134	-	-	-
Fair value change in investments	1,537	440	1,059	357
Gross dividend from a subsidiary (unquoted)	-	-	22,816	3,772
Rental income	216	216	-	-

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

15. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense				
Current year	2,690	4,241	17	107
Under/(Over) provision in prior year	82	(211)	20	76
	2,772	4,030	37	183
Deferred tax expense				
Origination and reversal of temporary differences	130	313	-	-
(Over)/Under provision in prior year	(43)	736	-	-
	87	1,049	-	-
	2,859	5,079	37	183

Reconciliation of tax expense

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit before tax	12,937	19,617	24,422	5,375
Income tax calculated using Malaysian tax rate of 24% (2017: 24%)	3,105	4,708	5,861	1,290
Non-deductible expenses	533	478	132	118
Utilisation of reinvestment allowance	(186)	(188)	-	-
Non-taxable income	(684)	(504)	(5,976)	(1,301)
Deferred tax asset not recognised	52	60	-	-
Under/(Over) provision of tax expense in prior year				
- Current tax expense	82	(211)	20	76
- Deferred tax expense	(43)	736	-	-
	2,859	5,079	37	183

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

16. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 June 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Profit attributable to ordinary shareholders		
Continuing operations	10,217	14,679

Weighted average number of ordinary shares outstanding

	Group	
	2018	**2017**
	'000	**'000**
Issued ordinary shares at beginning of the year	188,000	188,000
Effect of treasury shares held	(2,476)	(23)
Weighted average number of shares (basic)	185,524	187,977

	Group	
	2018	**2017**
Basic earnings per ordinary share	Sen	Sen
From continuing operations	5.51	7.81

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary shares at 30 June 2018 and 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

17. DIVIDENDS

Dividends recognised by the Company are:

	RM per share	Total amount RM'000	Date of payment
2018			
Final 2017 ordinary (single tier)	0.03	5,548	27 December 2017
Interim 2018 ordinary (single tier)	0.02	3,692	9 April 2018
		9,240	
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	

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 2018 ordinary (single tier)	0.03	5,510

18. 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, furniture leather industry and the Company's operations. This segment do not meet the quantitative thresholds for reporting segments in 2018 and 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

18. OPERATING SEGMENT (continued)

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	
	2018	**2017**
	RM'000	**RM'000**
Revenue from car seat covers		
Original Equipment Manufacturer	51,182	54,210
Replacement Equipment Manufacturer	20,737	25,649
Pre-Delivery Inspection	11,494	15,958
	83,413	95,817
Leather cut pieces supply	22,556	19,851
Others	5,429	6,005
	111,398	121,673
Segment profit before tax	11,351	18,357
Included in the measurement of segment profit before tax are:		
Finance costs	(50)	(70)
Finance income	380	635
Depreciation	4,074	4,072
Not included in the measurement of segment profit before tax but provided to Managing Director:		
Tax expense	(2,821)	(4,896)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

18. 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	
	2018	**2017**
	RM'000	**RM'000**
Malaysia	92,016	96,850
Asia Pacific	10,874	13,412
Europe	3,452	3,510
North America	1,545	2,816
Oceania	3,511	5,073
Other foreign countries	-	12
	111,398	121,673

Major customers

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

	Automotive	
	2018	**2017**
	RM'000	**RM'000**
Customer A	38,729	40,105
Customer B	26,477	25,722
Customer C	9,318	12,355
	74,524	78,182

Reconciliations of reportable segment revenues and profit or loss

	Group	
	2018	**2017**
	RM'000	**RM'000**
Revenue		
Total revenue for reportable segments	111,398	121,673
Other non-reportable segments	1,270	493
Consolidated revenue	112,668	122,166
Profit or loss		
Total profit or loss for reportable segments	11,351	18,357
Other non-reportable segments	24,402	5,032
Elimination of inter-segment profit	(22,816)	(3,772)
Consolidated profit before tax	12,937	19,617

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

19. FINANCIAL INSTRUMENTS

19.1 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").

Financial assets	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000	FVTPL RM'000
Group				
2018				
Other investments	44,031	-	167	43,864
Trade and other receivables	19,997	19,997	-	-
Cash and cash equivalents	47,228	13,936	-	33,292
	111,256	33,933	167	77,156
2017				
Other investments	269	-	269	-
Trade and other receivables	23,126	23,126	-	-
Cash and cash equivalents	92,691	13,001	-	79,690
	116,086	36,127	269	79,690
Company				
2018				
Other investments	37,358	-	-	37,358
Trade and other receivables	13,751	13,751	-	-
Cash and cash equivalents	20,471	533	-	19,938
	71,580	14,284	-	57,296
2017				
Trade and other receivables	347	347	-	-
Cash and cash equivalents	61,305	488	-	60,817
	61,652	835	-	60,817

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

19. FINANCIAL INSTRUMENTS (continued)

19.1 Categories of financial instruments (continued)

Financial liabilities	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000	FVTPL RM'000
Group				
2018				
Trade and other payables	(19,428)	(19,428)	-	-
2017				
Trade and other payables	(15,358)	(15,358)	-	-
Company				
2018				
Trade and other payables	(128)	(128)	-	-
2017				
Trade and other payables	(160)	(160)	-	-

19.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) on:				
Loans and receivables	(425)	986	73	574
Financial liabilities measured at amortised cost	349	(283)	-	-
Financial assets measured at fair value through profit or loss	2,873	2,107	2,107	1,647
Available-for-sale financial asset	134	-	-	-
	2,931	2,810	2,180	2,221

19.3 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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

19. FINANCIAL INSTRUMENTS (continued)

19.4 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.

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% (2017: 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 does 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	
	2018 RM'000	**2017 RM'000**
Malaysia	16,944	18,636
Asia Pacific	849	1,441
Europe	987	1,108
North America	452	733
Oceania	568	518
Other foreign countries	6	10
	19,806	22,446

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

19. FINANCIAL INSTRUMENTS (continued)

19.4 Credit risk (continued)

Receivables (continued)

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
2018			
Not past due	18,846	-	18,846
Past due 1 - 30 days	599	-	599
Past due more than 30 days	361	(11)	350
	19,806	(11)	19,795
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

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2018 RM'000	2017 RM'000
At 1 July	28	-
Impairment loss recognised	-	28
Impairment loss reversed	(2)	-
Impairment loss written off	(15)	-
At 30 June	11	28

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

19. FINANCIAL INSTRUMENTS (continued)

19.4 Credit risk (continued)

Receivables (continued)

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.

19.5 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

19. FINANCIAL INSTRUMENTS (continued)

19.5 Liquidity risk (continued)

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:

Group 2018	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
Non-derivative financial liabilities				
Trade and other payables	19,428	-	19,428	19,428
2017				
Non-derivative financial liabilities				
Trade and other payables	15,358	-	15,358	15,358
Company				
2018				
Non-derivative financial liabilities				
Trade and other payables	128	-	128	128
2017				
Non-derivative financial liabilities				
Trade and other payables	160	-	160	160

19.6 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

19. FINANCIAL INSTRUMENTS (continued)

19.6 Market risk (continued)

(i) Currency risk

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		
Group	**USD RM'000**	**SGD RM'000**	**EURO RM'000**	**Total RM'000**
2018				
Balances recognised in the statement of financial position				
Trade receivables	452	849	987	2,288
Cash and cash equivalents	2,801	16	52	2,869
Trade payables	(8,335)	-	-	(8,335)
Net exposure	(5,082)	865	1,039	(3,178)
2017				
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

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.

(ii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), regardless whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting similar financial instruments traded in the market.

The Group's and the Company's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.

The Group and the Company are exposed to price risk arising from investments held by the Group and the Company and classified in the statement of financial position as other investments that comprises unit trusts and close-ended fund.

The Group's and the Company's exposure to price risk is immaterial as significant portion of these investments are invested in money market fund. Hence, sensitivity analysis is not presented.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

19. FINANCIAL INSTRUMENTS (continued)

19.7 Fair value of information

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

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

2018 **Group**	**Fair value of financial instruments carried at fair value Level 1 RM'000**	**Fair value of financial instruments not carried at fair value Level 2 RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
Financial assets				
Liquid investments	33,292	-	33,292	33,292
Investments in unit trusts	5,126	-	5,126	5,126
Investments in close-ended money market fund	38,738	-	38,738	38,738
Club membership	-	350	350	167
	77,156	350	77,506	77,323
Company				
Financial assets				
Liquid investments	19,938	-	19,938	19,938
Investments in unit trusts	5,126	-	5,126	5,126
Investments in close-ended money market fund	32,232	-	32,232	32,232
	57,296	-	57,296	57,296
2017				
Group				
Financial assets				
Liquid investments	79,690	-	79,690	79,690
Club membership	-	371	371	167
	79,690	371	80,061	79,857
Company				
Financial assets				
Liquid investments	60,817	-	60,817	60,817

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

19. FINANCIAL INSTRUMENTS (continued)

19.7 Fair value of information (continued)

Level 1 fair value

The fair value of liquid investments, unit trusts and close-ended money market fund are their last quoted bid price by the fund managers at the end of the reporting period.

Level 2 fair value

The fair value of club membership is estimated by the market value as per the published price in the current club prospectus.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2017: no transfer in either directions).

20. 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.

21. CAPITAL AND OTHER COMMITMENTS

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

	2018 RM'000	2017 RM'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	494	2,950

22. 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018 (CONT'D)

22. RELATED PARTIES (continued)

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 11.

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
A. Subsidiaries				
Dividend income from a subsidiary	-	-	22,816	3,772
Interest income charged to a subsidiary	-	-	58	76
B. Related parties				
Rental charged to a related party	216	216	-	-
C. Key management personnel				
Directors				
- fees	408	408	288	288
- remuneration	2,123	1,966	33	18
- other short-term benefits	-	15	-	-
	2,531	2,389	321	306
Other key management personnel				
- salaries, allowances and bonus	1,580	1,410	-	-
- defined contribution plan	199	171	-	-
	1,779	1,581	-	-
	4,310	3,970	321	306

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.

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 42 to 88 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 2018 and of their financial performance and cash flows for the financial year then ended.

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: 24 October 2018

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 42 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, MIA CA 13812, at Kuala Lumpur in the Federal Territory on 24 October 2018.

………………………………………
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 2018 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 42 to 88.

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 2018, 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PECCA GROUP BERHAD (CONT'D)

Valuation of inventories

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

The key audit matter	How the matter was addressed in our audit
The Group has significant raw materials balance as at 30 June 2018 of RM17,060,000, which represents 90% 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.	• 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 evaluated the past trend of raw materials utilisation based on raw material movement records of the Group, to identify raw materials having indicators that they were slow-moving. We have tested the accuracy of the ageing of raw materials and movement records used for this purpose. • For those raw materials having indicator that they were slow-moving, we have enquired the management's action plan to realise the slow-moving raw materials, comparing the carrying amounts recorded against their respective net realisable value or replacement costs. • We have also assessed the adequacy 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PECCA GROUP BERHAD (CONT'D)

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PECCA GROUP BERHAD (CONT'D)

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 MATTER

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: 03240/02/2020 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 24 October 2018

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 30.06.2018 (RM)	Market Value / Last Revaluation Date (RM)
1.	No.1, Jalan Perindustrian Desa Aman 1A, Industri Desa Aman, Kepong, 52200 Kuala Lumpur. H.S. (M) 24691, Lot PT No. 2034, Locality of Desa Aman, Bandar Sungai Buloh, District of Gombak, State of Selangor Darul Ehsan	Leasehold 99 years	4 August 2107	72,506 SqFt (land area) 21,700 SqFt (Built-up area for 4-storey office building) 89,896 SqFt (Built-up area for 4-storey factory building) 46,046 SqFt (Built-up area for 6-storey hostel building)	1 unit of 4-storey office building with a mezzanine floor annexed to a 4-storey flatted factory building and a 6-storey hostel building together with a guardhouse/ Head office and production factory of our Group	6 years / 5 January 2011 (for 4-storey office and 4-storey factory) 21 June 2011 (for 6-storey hostel)	32,172,981	36,000,000 / 03.02.2016
2.	B-5-1, 5th Floor, Block B, Damansara Sutera Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur. Strata Title No. Geran 58055/ M2/6/178, Parcel No. 178, Storey No.6, Building No. M2, Parent Lot No. 2854, Town of Kepong, District of Gombak, State of Selangor Darul Ehsan.	Freehold	-	850 SqFt (Built-up area)	1 unit of 3-bedroom apartment / Staff accommodation	17 years/ 2 December 2010	333,779	350,000 03.02.2016

ANALYSIS OF SHAREHOLDINGS

Analysis of Shareholdings as at 28 September 2018

Issued Shares	:	188,000,000 (including shares held as treasury shares)
Treasury Shares	:	4,323,300
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	11	0.61	138	0.00
100 – 1,000	184	10.13	133,212	0.07
1,001 – 10,000	925	50.91	5,412,150	2.95
10,001 – 100,000	590	32.47	19,775,702	10.77
100,001 to less than 5% of issued shares	104	5.72	62,360,225	33.95
5% and above of issued shares	3	0.17	95,995,273	52.26
Total	**1,817**	**100.00**	**183,676,700**	**100.00**

** Excluding a total of 4,323,300 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 28 September 2018.*

SUBSTANTIAL SHAREHOLDERS
(as per Register of Substantial Shareholders as at 28 September 2018)

Name of Substantial Shareholder	No. of shares held			
	Direct	% [(2)]	Indirect	% [(2)]
MRZ Leather Holdings Sdn Bhd	85,692,420	46.65	-	-
Datuk Teoh Hwa Cheng	10,302,853	5.61	[(1)]85,719,420	[(1)]46.67
Datin Sam Yin Thing	24,002	0.01	[(1)]85,719,420	[(1)]46.67

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 4,323,300 shares bought back by the Company and retained as treasury shares.*

DIRECTORS' SHAREHOLDINGS
(as per Register of Directors' Shareholdings as at 28 September 2018)

Name of Directors	No. of shares held			
	Direct	% [(2)]	Indirect	% [(2)]
Dato' Mohamed Suffian bin Awang	100,000	0.05	-	-
Datuk Teoh Hwa Cheng	10,302,853	5.61	[(1)]85,719,420	[(1)]46.67
Datin Sam Yin Thing	24,002	0.01	[(1)]85,719,420	[(1)]46.67
Sam Chee Keng	550,000	0.30	-	-
Dato' Dr. Norraesah binti Haji Mohamad	-	-	-	-
Datuk 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 4,323,300 shares bought back by the Company and retained as treasury shares.*

ANALYSIS OF SHAREHOLDINGS (CONT'D)

THIRTY LARGEST SHAREHOLDERS AS AT 28 SEPTEMBER 2018

No.	Name	No. of shares	Percentage holding (%)
1.	MRZ LEATHER HOLDINGS SDN. BHD.	45,692,420	24.88
2.	MRZ LEATHER HOLDINGS SDN. BHD.	40,000,000	21.78
3.	TEOH HWA CHENG	10,302,853	5.61
4.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	5,616,700	3.06
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	3,140,300	1.71
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (GROWTH)	3,000,000	1.63
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)	2,340,700	1.27
8.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)	2,277,500	1.24
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	2,213,300	1.21
10.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ESPG IV SC E)	2,085,600	1.14
11.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	1,999,700	1.09
12.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (ULIFE2)	1,954,400	1.06
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	1,693,300	0.92
14.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	1,656,800	0.90
15.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (DGF)	1,580,000	0.86
16.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KNGA SML CAP FD)	1,556,000	0.85
17.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSGROWTH FUND	1,252,100	0.68
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND	1,213,600	0.66
19.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA FAMILY TAKAFUL BERHAD (ANNUITY PIF)	1,008,000	0.55
20.	CHONG SWEE MAIN	935,001	0.51
21.	SYED MOHAMMAD HAFIZ BIN SYED RAZLAN	789,724	0.43
22.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD FOR PACIFIC DANA AMAN	783,500	0.43
23.	AMANAHRAYA TRUSTEES BERHAD CIMB ISLAMIC EQUITY AGGRESSIVE FUND	777,600	0.42
24.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SONG TEIK SUN (PB)	760,000	0.41
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA GENERAL TAKAFUL BHD (GENERAL FUND)	727,700	0.40
26.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB EQUITY TRUST	722,700	0.39
27.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (PREM EQUITY)	717,900	0.39
28.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSBALANCED FUND	708,400	0.39
29.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAY YAP SENG	680,900	0.37
30.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (MYBK AM SC E)	666,800	0.36
	Total	**138,853,498**	**75.60**

** Excluding a total of 4,323,300 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 28 September 2018.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of PECCA GROUP BERHAD will be held at Greens 1, Golf Wing, Ground Floor, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 26 November 2018 at 9:30 a.m. for the following purposes:-

A G E N D A

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 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 2018. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees of up to RM408,000 and benefits payable to the Directors of the Company and its subsidiary of up to RM42,000 from 1 July 2018 until the conclusion of the next Annual General Meeting of the Company. **Ordinary Resolution 2**

4. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 3**

As Special Business

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

5. **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 shares 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 4**

6. **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:-

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(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 5**

7. 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 Eighth Annual General Meeting to be held on Monday, 26 November 2018, a Final Single Tier Dividend of 3.00 sen per ordinary share in respect of the financial year ended 30 June 2018 will be paid to shareholders on 27 December 2018. The entitlement date for the said dividend shall be on 14 December 2018.

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 2018 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: 29 October 2018

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 14 November 2018 (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 4 on Proposed Renewal of Authority under Section 76 of the Act for the Directors to allot and issue shares

The Company had, during its Seventh Annual General Meeting held on 28 November 2017, obtained its shareholders' approval for the general mandate for issuance of shares. As at the date of this notice, the Company has not issued any shares pursuant to that mandate obtained.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

The Ordinary Resolution 4 proposed under item 5 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 number of issued shares 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 5 on Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

The proposed Ordinary Resolution 5, 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 5, please refer to the Statement to Shareholders dated 29 October 2018 accompanying the Annual Report of the Company for the financial year ended 30 June 2018.

4. Dato' Dr. Norraesah binti Haji Mohamad and Mr Sam Chee Keng who retire in accordance with Article 98 of the Articles of Association of the Company, have expressed their intention not to seek for re-election at the 8th AGM and will retire at the conclusion of the 8th AGM.

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 Eighth Annual General Meeting of the Company to be held at Greens 1, Golf Wing, Ground Floor, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 26 November 2018 at 9:30 a.m. or at any adjournment thereof.

*(*Please delete the words "Chairman of the Meeting" if you wish to appoint some other person to be your proxy.)*

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

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 2018		
Ordinary Resolution 2	Approval of the payment of Directors' fees of up to RM408,000 and benefits payable to the Directors of the Company and its subsidiary of up to RM42,000 from 1 July 2018 until the conclusion of the next Annual General Meeting of the Company		
Ordinary Resolution 3	Re-appointment of KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
Ordinary Resolution 4	Proposed Renewal of Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares		
Ordinary Resolution 5	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.)

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

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

____
Signature/Common Seal of Shareholder
Date:

Notes:

1. A Member of the Company shall be entitled to be present, and to vote on any question either personally or by proxy, or as proxy for another Member, at any general meeting and shall also be reckoned as forming part of the quorum, in respect of any fully paid-up shares and any shares upon which all calls due and payable to the Company shall have been paid, held by such Member. A Member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the Member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting. A Member shall not be precluded from attending and voting in person at any general meeting after lodging the form of proxy. However, such attendance shall automatically revoke the proxy's authority. Notwithstanding anything to the contrary in these Articles, no Member shall be entitled to vote or be recognised to form part of the quorum in respect of any shares upon which any call or other sum so due and payable shall be unpaid.
2. A Member of the Company who is entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, may appoint not more than two (2) proxies to attend, vote and speak in his stead. Where a Member of the Company is an authorised nominee as defined in the Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account. Where a Member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
3. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, under its common seal, or the hand of its attorney duly authorised. An instrument appointing a proxy to vote at a general meeting of the Company shall be deemed to include the power to demand a poll on behalf of the appointer.
5. The instrument appointing a proxy(ies), together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Share Registrar's Office at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 14 November 2018 (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 29 October 2018.

Please Fold Here

PECCA
GROUP BERHAD

Affix
Stamp
Here

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

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