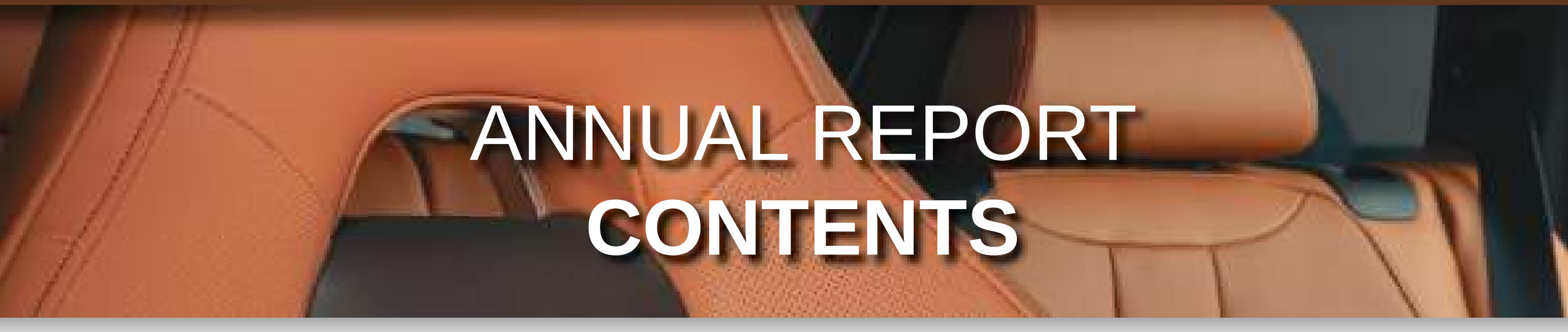
PECCA
GROUP BERHAD
(Company No. 909531-D)

Passion for Perfection

ANNUAL REPORT 2019



ANNUAL REPORT **CONTENTS**

ABOUT **US**

PECCA GROUP BERHAD'S

principal business activities are in the styling, manufacturing and installation of leather upholstery for seat covers for the automotive and aviation industries.

About
Us

VISION

To be the leading leather upholstery manufacturer globally.

MISSION

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

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)

DATUK LEONG KAM WENG
(Independent Non-Executive Director)

KONG KAM SEONG
(Independent Non-Executive Director)

REGISTERED OFFICE
12th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Telephone No. (03) 7890 4800
Facsimile No. (03) 7890 4650

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
Kong Kam Seong

NOMINATION COMMITTEE
Dato' Mohamed Suffian Bin Awang *(Chairman)*
Kong Kam Seong
Datuk Leong Kam Weng

REMUNERATION COMMITTEE
Datuk Leong Kam Weng *(Chairman)*
Datuk Teoh Hwa Cheng
Kong Kam Seong

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
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Telephone No. (03) 7890 4700
Facsimile No. (03) 7890 4670

CORPORATE **STRUCTURE**

PECCA GROUP BERHAD

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 Leather Aviation Services Sdn Bhd
(PAviation) 60%

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

Pecca Plus Sdn Bhd
(formally know as Everest Empire Sdn Bhd)
(PPlus) 100%

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

Pecca Leather (Thailand) Limited
(PThai) 49%

- Supply of leather upholstery for the automotive industry

BOARD OF **DIRECTORS**

DATUK
LEONG KAM WENG
Independent Non-Executive Director

DATUK
TEOH HWA CHENG
Group Managing Director

DATO' MOHAMED
SUFFIAN BIN AWANG
Independent Non-Executive Chairman

DATIN
SAM YIN THING
Executive Director

KONG KAM SEONG
Independent Non-Executive Director

PROFILE OF DIRECTORS

DATO' MOHAMED SUFFIAN BIN AWANG

Independent Non-Executive Chairman

Malaysian | aged 48 | Male

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 Koperasi Permodalan Sukarelawan Kuala Lumpur Berhad.

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

Dato' Mohamed Suffian had attended all the 5 board meetings held in financial year 2019.

DATUK TEOH HWA CHENG

Group Managing Director

Malaysian | aged 51 | Male

Datuk Teoh Hwa Cheng is the Group Managing Director and founder of Pecca Group. He was appointed to the Board of Pecca Group Berhad on 27 July 2010. He brings with him more than 26 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 Pecca Group.

He does not hold any directorship in other public companies or listed issuers. He is a member of our Remuneration Committee.

Datuk Teoh Hwa Cheng had attended all the 5 board meetings held in financial year 2019.

DATIN SAM YIN THING

Executive Director

Malaysian | aged 48 | Female

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 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 21 years.

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

Datin Sam Yin Thing had attended 4 out of 5 board meetings held in financial year 2019.

Profile Of
Directors

DATUK LEONG KAM WENG

Independent Non-Executive Director

Malaysian aged 55 Male

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.

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

Datuk Leong Kam Weng had attended all the 5 board meetings held in the financial year 2019.

KONG KAM SEONG

Independent Non-Executive Director

Malaysian aged 42 Male

Kong Kam Seong is our Independent Non-Executive Director. He was appointed to our Board on 1 February 2019. He graduated with a Bachelor of Applied Accounting from Oxford Brookes University, United Kingdom. He is a fellow member of the Association of Chartered Certified Accountants, a Chartered Accountant of the Malaysian Institute of Accountants and an associate member of the Association of Certified Fraud Examiners. He has 15 years experience in the automotive industry.

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

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

Mr. Kong Kam Seng has attended all the 2 board meetings held in the financial year 2019.

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.*

PROFILE OF KEY MANAGEMENT

FOO KEN NEE
Chief Financial Officer

Malaysian | aged 42 | Male

Foo Ken Nee was appointed as the Chief Financial Officer of Pecca Group Berhad on 4 January 2019 and is responsible for finance, investor relations, legal and IT.

He obtained his Bachelor of Commerce from Murdoch University, Western Australia, majoring in Accounting and Finance. Ken Nee is a member of the Malaysian Institute of Accountants and CPA Australia.

Mr Foo has over 20 years of working experience in the area of financial management, audit, corporate strategic planning, business development, commercial management, corporate restructuring, business advisory services, merger and acquisition.

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

CHU SHU LIP
Chief Marketing Officer

Malaysian | aged 51 | Male

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.

K. KARUNAKARAN A/L KARUPPANNAN
Chief Operating Officer

Malaysian | aged 52 | Male

Mr K. Karunakaran was appointed as the Factory Manager on 4 August 2003 and has advanced through the ranks progressively where he was promoted to Chief Operating Officer on 1 October 2019.

He has over 27 years of working experience gain from the manufacturing industries making latex thread, power transformers for medical, scientific and electronics applications. He has extensive experience in occupational safety, quality assurance, good manufacturing practices. He is also familiar with implementation of Standards and ISO certifications.

Among the companies he has served were Heveafil Sdn Bhd, Bando Electronics (M) Sdn Bhd, PWA Industries Sdn Bhd

He was instrumental in setting of lean management, to support the penetration into OEM (OE Fit), PDI (Smart Fit) and REM export businesses. He also led our team to obtain the IS09001:2000, ISO/TS 16949, EMS IS014001:2004, OSHAS 18001:2007 and VDA6.3 certifications. He now oversee the overall plant operations, including the supply chain management of our Group.

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

Profile Of
Key Management

SAM CHEE KENG
Technical Director

Malaysian aged 40 Male

Sam Chee Keng was appointed as the Factory Manager on 1 December 2000. He was subsequently promoted to Technical Director on 1 December 2012. 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.

MAT NIZAM BIN MAT DARON
General Manager, Sales

Malaysian aged 49 Male

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

He obtained his Executive Masters in Entrepreneurship from Asia e-University.

Mr. Mat Nizam bin Mat Daron has over 27 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 does not hold any directorship in public companies or listed issuers.

TAN LEE YAN
General Manager, Human Resource

Malaysian aged 52 Female

Tan Lee Yan was appointed as the General Manager, Human Resource of Pecca Leather Sdn Bhd on 1 May 2019.

Tan Lee Yan has over 25 years of working experience in the Human Resource sector mainly in the Multinational Companies.

Prior to this, she was the Head of HR for KONE Elevator (M) Sdn Bhd. Her passion in People Development will deliver transformative change in Pecca.

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

Profile Of
Key Management

SAM CHEE SIONG
Operation Manager

Malaysian | aged 45 | Male

Sam Chee Siong was appointed as the R&D and Planning Manager on 26 October 2007. He was subsequently promoted to Operation Manager of PLeather in 2010.

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.

OOI ENG HUAT
Quality Assurance Manager

Malaysian | aged 34 | Male

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.



CHAIRMAN & MANAGING DIRECTOR'S
MANAGEMENT DISCUSSION & ANALYSIS

Opening Address

2019 has been a great year for the Group,

with a strong revenue, operating profit, and cash flow, as such, on behalf of the Board of Directors, we are pleased to present the Annual Report and annual audited financial statements of the Group for the financial year ended 30 June 2019. The Group has performed well despite continued uncertainty in the global economy, rising raw material prices and volatile foreign currency exchange rates. This year, the Group has achieved another record revenue of RM131.4 million, an increase of RM18.7 million or 16.6% as compared to the previous financial year's revenue. A higher profit before taxation of RM22.2 million was also recorded for the year ended 30 June 2019, which was higher by 72.1% or RM9.3 million as compared to previous financial year's profit before taxation of RM12.9 million.

DATO' MOHAMED SUFFIAN BIN AWANG
Independent Non-Executive Chairman

DATUK TEOH HWA CHENG
Group Managing Director

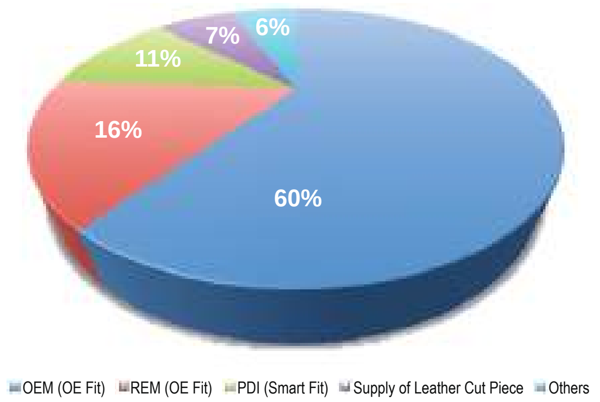
Business Overview

We are proud that the Group continues to be 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 has prudently pursued its vision to be the leading leather upholstery manufacturer globally.

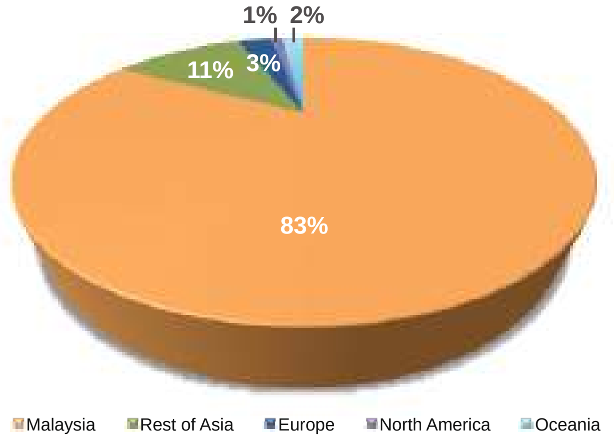
Pecca Group's current business activities are predominantly in the automotive segment, however, the Group continues its effort to penetrate into the aviation segment. The automotive segment focuses on the styling, manufacturing, distribution and installation of leather upholstery for car seat covers 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 materials 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, New Zealand, United Kingdom, Ireland and China.

REVENUE BY BUSINESS SEGMENT



REVENUE BY REGION



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

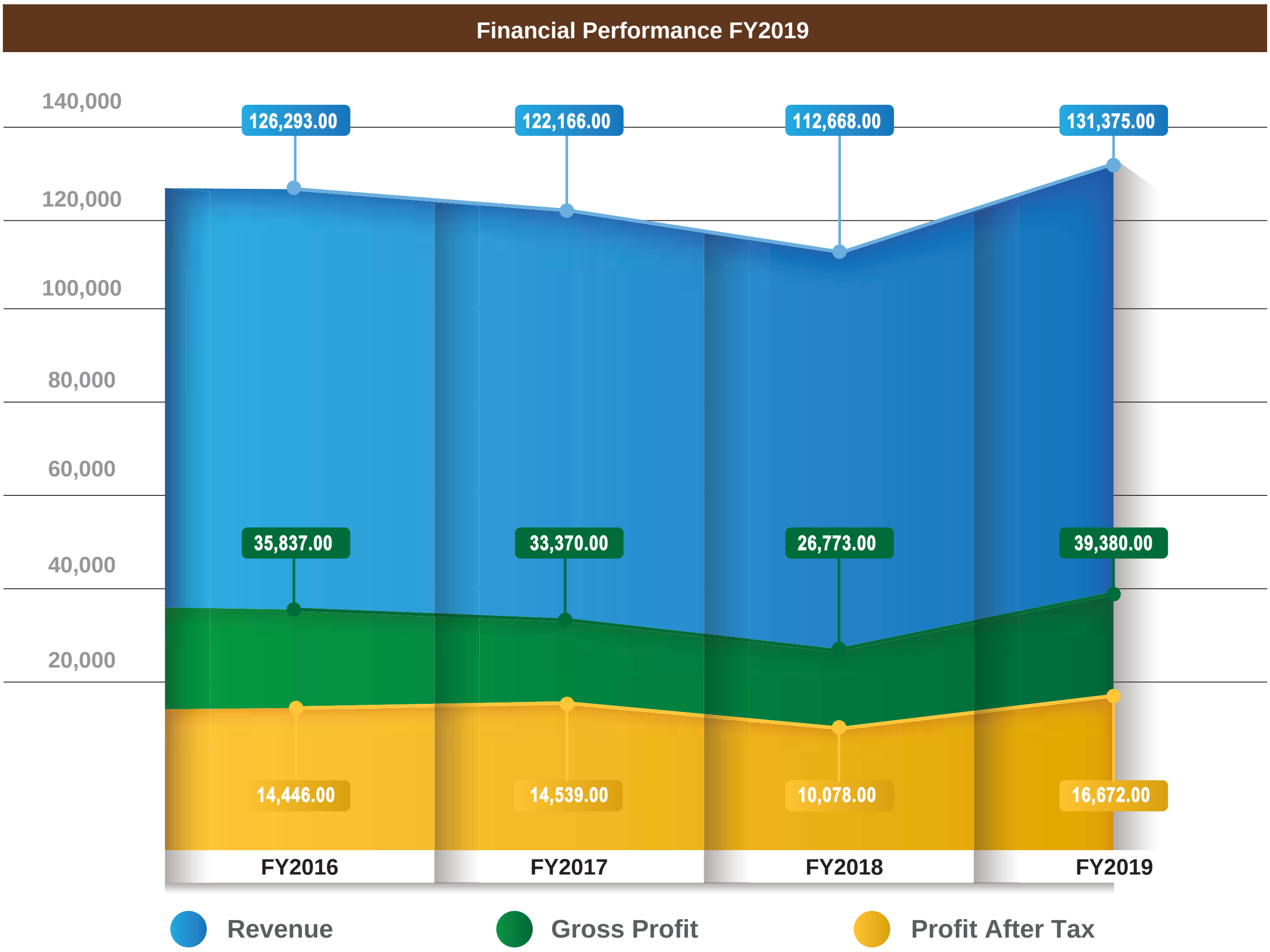
The Group remains committed to its aspiration to become the leading leather upholstery manufacturer globally. While we pursue various growth strategies to achieve this vision, the Group firmly commits to exceed our customers' expectations in design, quality and innovation by focusing on the following:

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

Chairman & Managing Director's
Management Discussion & Analysis

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

Financial Performance Review since Initial Public Offering:

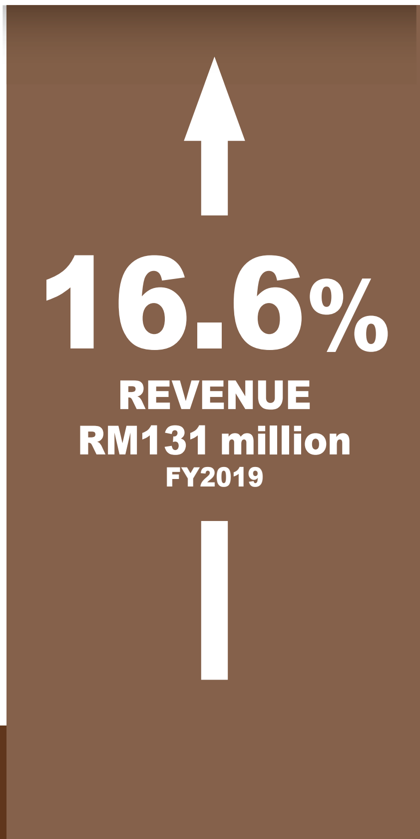


FYE 2019 has been a success and saw many new key achievements for the Group especially coming off a Revenue record year of RM131.4m, with 16.6% growth, and Profit After Tax (PAT) also recording a record high of RM16.7m with 65.4% growth.

This is contributed through an increase of Total Industry Volume ("TIV") from 576,635 units in 2018 to 600,000 in 2019.

Cash and Funds remained approximately at the same level from RM91.09 million to RM92.85 million despite a 5.5 sen total dividend paid in FYE 2019, capital expenditure of RM1.81 million and share buy-back activities. Similarly, Net asset per share increased from 86.87 sen to 90.17 sen.

With Cash and Funds of RM92.85 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.



47%

GROSS PROFIT
RM39 million
FY2019

65.4%

PROFIT AFTER TAX
RM16.6 million
FY2019

Operational Review

Automotive Segment
The automotive segment registered a total revenue of RM130.13 million in FYE 2019 which is 16.7% higher than FYE 2018 of RM111.40 million. The main contribution is due to the higher sales of new vehicle model launches and the increased sales from face lifted models of our key customers.

Revenue from leather upholstery for car seat covers of RM114.3 million remains the largest contributor to the Group, accounting for approximately 87.0% of the total revenue recorded (74.0% in FYE 2018), followed by leather cut pieces supply of RM9.4 million which accounted for approximately 7.2% of total revenue (20.0% in FYE 2018).

Revenue derived from the Group's core segment which is the OEM leather car seat covers (OE Fit) of RM78.5 million continued to dominate and was the largest contributing segment, accounting for approximately 59.7% of total revenue. All local car seat cover segments, namely OEM, REM and PDI achieved higher revenue compared to FYE 2018 due to increase in sales and production of new car models and face lift models by our key customers.

In terms of exports, sales to Singapore for FYE 2019 has reduced to RM12.74 million, (RM19.38 million in FYE 2018) mainly due to interruption of supply arising from the implementation of the new vehicle emission scheme back in the end period of FYE 2018. However, we are encouraged by the increase in export sales to North America and Europe, contributing RM1.9 million (RM1.5 million in FYE 2018) and RM3.9 million (RM3.5 million in FYE 2018), respectively.

Non reportable segment

The aviation segment has recorded sales of RM1.25 million and it's a record year and we are proud that it is showing its first year with profit of RM0.14 million. The Group has on 1 March 2018 applied for Production Organisation Approval from DCA and is still pending further approval as we continue to pursue this business as the Board views the aviation contribution as a premium segment with higher barrier to entry.

Chairman & Managing Director's
Management Discussion & Analysis

BUSINESS OUTLOOK AND RISK EXPOSURES

From a risk perspective, the Group sees the continued reliance on the supply of foreign labour for the manufacturing processes to be a challenge as any impending amendments to the Malaysian Government Policy that hampers the hiring of foreign workers could disrupt the Group's daily operations or even increase the Group's operating expenses. Therefore, the Group will review the opportunity to reduce the use of foreign workers in the future with the implementation of Automation or Semi-Automation equipment through Robotics Technology. Besides automation of processes, the Group will review the implementation of data collection and analysis through Data Analytics for effective and efficient control of operations in the Manufacturing processes aimed at reducing the dependence of foreign labour in the long run.

From an operational perspective, there is potential exposure to downtime risk for the manufacturing process. The risk can occur in the unlikely event of fire, flood, power outage, or machinery breakdown, thus resulting in production and delivery delays as well as reputational damage to the Group.

In terms of Business Outlook, MAA predicts that the automotive market will grow marginally at 2% over the next several years from a TIV of 600,000 units in 2019 to 612,000 units in 2020. The Group will continue to focus on its strategy of enhancing current partner's relationship, expansion of export business through Geographical expansion, development of new products and accelerating our non-automotive business, including Aviation Commercial business and Furniture segment. On top of that, the Group will also review its readiness for Industrialization 4.0, continuously seek improved productivity and cost improvement initiatives to solidify our position as market leader and to fend off increased competition expected from the weak automotive market.

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 2.5 sen on 10 May 2019. In addition, the Board has on 23 October 2019 declared a second interim dividend of 3.5 sen to be paid on 29 November 2019. The total dividend payable amounts to approximately RM6,417,877, which in aggregate constitute a total dividend paid of approximately 66.0% of the FYE 2019 Profit after Tax.

NOTE OF APPRECIATION

On behalf of the Management, we would like to thank the Board of Directors for their invaluable strategic advice and guidance throughout the year, as well as our fellow Pecca colleagues and staff members who are responsible for all our achievements.

In addition, we would also like to share our utmost appreciation to our other stakeholders – from our regulators to our suppliers and our business associates from around the world. We hope that we will continue to build our relationships for the mutual benefit of all as we continue to build something great together. Thank you and we look forward to more exciting times ahead for all of us.

SUSTAINABILITY **REPORT**

SUSTAINABILITY COMMITMENT STATEMENT

The Group's corporate vision and mission statements reflect our ambition towards becoming a global leader of leather upholstery manufacturer that exceeds our customers' expectations. Building upon the corporate vision and mission, we established the Group's sustainability commitment statement. The commitment statement represents our aspirations to embed sustainable practices in our business operations and it is set as a foundation for development of the Group's sustainability strategy in enriching the local economy, ensuring environmental stewardship, promoting conducive working environment and contributing to local communities.

CORPORATE VISION

To Be The Leading Upholstery Manufacturer Globally.

CORPORATE MISSION

To Keep Exceeding Our Customers' Expectation In Design, Quality and Innovation.

Sustainability Commitment Pillars

ECONOMIC PILLAR

Establish high performing business operations to ensure sustainable growth

To provide value added services and products to customers and to ensure fair and transparent procurement practices

ENVIRONMENTAL PILLAR

To maintain responsible used of natural resources and reduce negative impacts on the environment

To inculcate environmental awareness and responsibility amongst our employees within our operations

SOCIAL PILLAR

To encourage continuous employee skills and knowledge development and also to maintain workplace health and safety performance

To promote fair practices and equal treatment amongst employees and to contribute to the community through donations and corporate social responsibility

OUR CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT

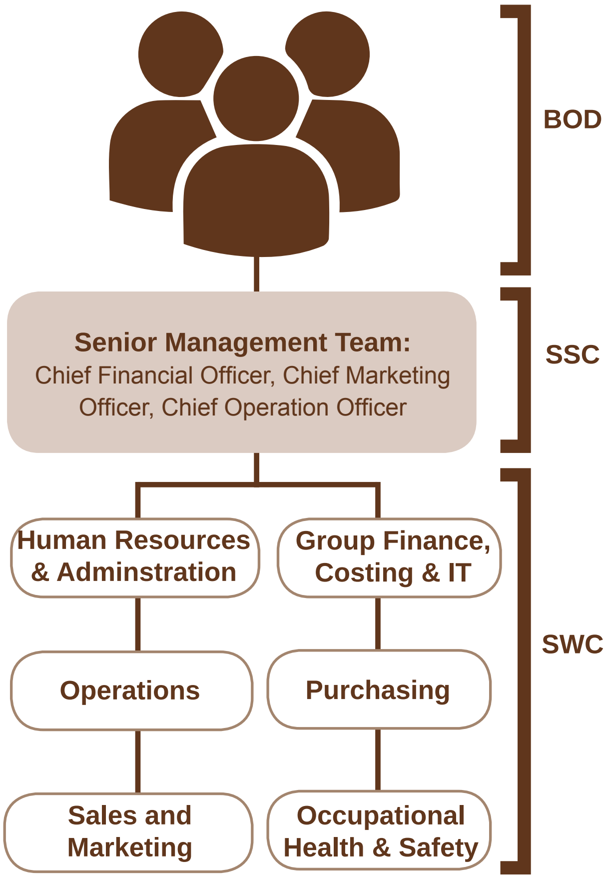
United Nations Sustainable Development Goals (UN SDGs)

In 2015 the United Nations announced its 17 Sustainable Development Goals that aim at addressing challenges faced globally. The goals are dedicated to improving the quality of life around the globe in tandem with economic prosperity, environmental preservation and achieving peace.

Malaysia is committed to the UN Agenda 2030 through the nation's sustainable development agenda described in the Eleventh Malaysia Plan (2016-2020). As a business operating in the country, it is our responsibility to contribute to the best of our abilities to the national sustainability agenda. We have adopted four SDGs that are relevant to our business operations and areas that we can best contribute.

SUSTAINABILITY GOVERNANCE

Pecca recognises the importance of establishing sustainability governance structure to manage sustainability matters within the Group. We formed a three-tier sustainability governance structure which is led by the Board of Directors ("Board") who is responsible to oversee the sustainability journey of the Group at a strategic level. The Board is assisted by the Sustainability Steering Committee ("SSC") that guides the implementation of sustainability initiatives carried out by the Sustainability Working Committee ("SWC") and, develops the required policies to embed sustainability within the value chain. The SWC, comprising six cross-functional departments, is responsible for the implementation of sustainability initiatives and monitoring of the Group's sustainability performance including tracking and recording data.



Sustainability
Report

Committee	Roles and Responsibilities
The Board	• Oversees the progress of the Group's sustainability strategy and initiatives • Gives final approval on sustainability policies, strategies, initiatives and other relevant matters as presented by the SSC
SSC	• Recommends sustainability policies, strategies, initiatives and other relevant matters to the Board • Monitors sustainability initiatives implementation by the SWC • Finalises and approves the material sustainability issues identified by the SWC
SWC	• Formulates appropriate sustainability initiatives that are in line with the Group's business values and aspirations • Implements sustainability initiatives • Monitors sustainability performances and recommend for improvements • Identifies and presents material issues relevant to the Group's business operations

STAKEHOLDERS ENGAGEMENT

We maintain frequent and transparent communication with our stakeholders to gain their feedback on improvement to our business operations and address their needs and expectations. This will help us to identify, prioritise and address the sustainability risks and opportunities relevant to our business operations.

Stakeholder Groups	Areas of Interest	Engagement Methods	Frequency of Engagement
Investors	• Return on investment	• Investor conference earnings communications	Quarterly
	• Transparent reporting	• Shareholder meeting	Yearly
		• Annual report	Yearly
		• Corporate website	Linked to Bursa
		• Bursa Announcement	Ad-hoc
Customers	• Reliable service and on-time delivery	• Customer feedback and surveys	Monthly / Yearly
	• Customer convenience	• Market research	Monthly
	• Competitive pricing	• E-fulfilment of transportation and storage transactions	Monthly
	• Operational efficiency	• Corporate website	Monthly
Employees	• Competitive pay and benefits	• Training programmes and workshops	Ad-hoc & per training plan
	• Clear communication	• Employee engagement survey	Yearly
	• Work-life balance	• Town hall meetings	Monthly
	• Career growth and opportunities	• Company intranet	Ad-hoc
		• Recreational events and activities	Monthly

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

OUR MATERIAL SUSTAINABILITY MATTERS

Materiality Assessment

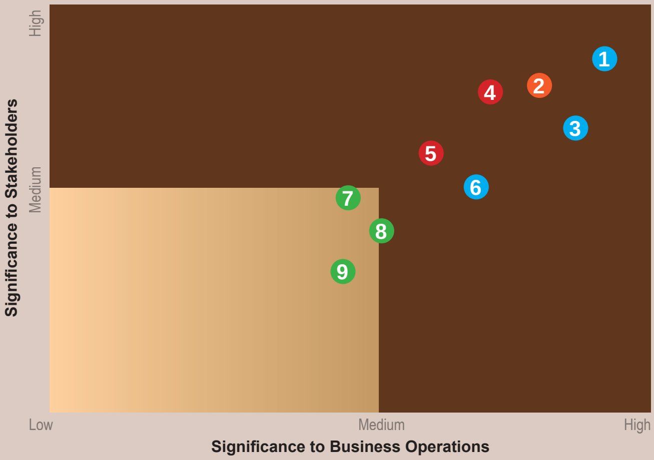
Materiality assessment aims to identify and assess wide ranging sustainability matters relevant to an organisation. In the previous year, we had identified nine material sustainability matters in terms of EES that relevant to our business operations as well as are of concern to our stakeholders.

This year, we have taken a step forward by conducting a materiality assessment using a weighted ranking method which was participated by the SWC. The weighted ranking method approach involves assigning a weightage to the stakeholders according to their level of influence on our business operation which will allow the Group to better understand the materiality of sustainability matters. This was followed by ranking the material sustainability matters in order of priority to the business operations.

STEP 1	Identification of material matters relevant to business operations and stakeholders.
STEP 2	Assign weightage to each stakeholder group according to its influence on Pecca's business operation. Rank the importance of each material matter to stakeholders.
STEP 3	Rank the importance of each material matter to Pecca's business operations.

Materiality Matrix

The result from the materiality assessment was plotted into the materiality matrix.



Governance Economic Social Environmental

1 Economic Performance
2 Regulatory Compliance
3 Customer's Satisfaction
4 Occupational Health and Safety
5 Training and education
6 Procurement and Supply Chain Management
7 Effluent and waste
8 Energy
9 Water

The nine material matters represent the four pillars of sustainability in which each matter will be relevant to the interest and concern of different stakeholders. Six of the identified material matters are categorised as high priority (top right corner) to our business operations and stakeholders, while 2 material matters that are in the area marked as medium low priority.

Sustainability
Report

In order to showcase our contribution towards realising the UN SDGs, we show interlinkages between our material sustainability matters with its relevant GRI indicators, stakeholders and the UN SDGs.

Material Sustainability Matters	Applicable GRI Indicator(s)	Relevant Stakeholders	Relevant SDGs
GOVERNANCE			
2 **Regulatory Compliance**	GRI 307: Environmental Compliance GRI 419: Socioeconomic Compliance	Investors, Regulatory Authorities and Bodies, Employees	
ECONOMIC			
1 **Economic Performance**	GRI 201: Economic Performance	Investors	
6 **Procurement and Supply Chain Management**	GRI 102: General Disclosures GRI 204: Procurement Practices	Suppliers	
3 **Customer's Satisfaction**	GRI 102: General Disclosures	Customers	
ENVIRONMENT			
8 **Energy Consumption**	GRI 302: Energy	Investors Regulatory Authorities and Bodies, Employees	
9 **Water**	GRI 303: Water and Effluents	Regulatory Authorities and Bodies	
7 **Effluent and Waste**	GRI 103: Management Approach GRI 306: Effluents and Waste	Regulatory Authorities and Bodies and Local Communities	
SOCIAL			
4 **Occupational Health and Safety**	GRI 403: Occupational Health and Safety	Employees, Suppliers	
5 **Training Education**	GRI 404: Training and Education	Employees	

Ethics and Integrity

The Group is committed to act professionally, fairly and with integrity in all our business dealings and relationship. We do not tolerate any form of misconduct in our business operation as we strive towards providing the highest quality of products and services to our customers. In ensuring our business operates in an ethical manner, we have established relevant policies and procedures.

Code of Conduct

We strive to build an ethical culture shared by every employee working in the Group based on the principle of understanding right from wrong in the course of business dealings. This code of conduct identifies and illustrates behavioural standards to be adhered by our employees in making business decisions across our operations. Conformity with this code of conduct enhances our profitability, secures the trust and loyalty of stakeholders and improves operational efficiency.

Disciplinary action will be taken against employee(s) involved in any fraud. The actions constituting fraud and other fiscal irregularities refer to but are not limited to forgery or alteration of any document or account, misappropriation of cash, funds, stocks, supplies or other assets, impropriety in the handling of reporting of money or financial transactions, accepting or seeking anything of material value (bribes, kickback) from agents, vendors, suppliers or persons providing services or goods, profiteering as a result of insider knowledge and disclosing to outside especially competitors, the Group's private and confidential information for personal gains.

Any unwanted conduct of a sexual nature that takes in the form of verbal, non-verbal, visual, psychological or physical harassment, this includes email or letters depicting sexual content or harassment that is unsolicited. The Group believes in having an alcohol or drug free workplace and always expects all employees to uphold and adhere strictly to this policy. Any employee found guilty violating this policy could be summarily dismissed.

"Conformity with this code of conduct enhances our profitability, secures the trust and loyalty of stakeholders and improves operational efficiency."

All employees shall not to engage in any acts of software piracy or bring in any illegal copies of unlicensed software or illegal compact disc into the Group's premises that violate the Group's policy of strict adherence to adequate licensed usage of software licenses. This undertaking also includes a pledge not to make unauthorised copies of software or transfer out of any information through internet or by any other means belonging to Group or its subsidiaries and associate companies without written permission from senior management of the rank General Manager and above.

The Group has set a grievance procedure to provide a formal means for employees to resolve work related or personal problems with the Group. This is aimed to resolve any complaints at the lowest possible level in a proper procedure such as submitting a complaint for the superior's attention, then if deemed unsatisfactory this may be brought to the next senior level or to the HR or Admin manager.

For future initiatives, the Group will establish an anti-corruption policy to enhance adherence to professional ethics and integrity of the Group amongst its employees.

Sustainability
Report

Regulatory Compliance

Compliancy to laws and regulations are critical to maintain business operating license. The Group is exercising due diligence to ensure that the regulatory requirements outlined by the laws and regulations in Malaysia are always adhered. We conduct our business in an open and transparent manner throughout our operations and comply with all relevant laws as well as our own policies. We duly comply with different economic, environmental and social laws and regulations in running our day-to-day operations. We present key regulations that govern our operations in the table below:

REGULATORY COMPLIANCE		
Restriction of Hazardous Substances (Customer Requirements)	Environmental Quality Act 1974	Occupational Safety and Health Act 1994
Employment act 1955	Environmental Quality (Sewage and Industrial Effluents)	Factories and Machineries Act 1967
Minimum Wage Order 2016	Environmental Quality (Scheduled Wastes) Regulation 2005	Occupational Safety and Health (Use and Standards of Exposure of Chemical Hazards to Health) Regulations 2000
Malaysian Code on Corporate Governance 2017	Environmental Quality (Clean Air) Regulations 2014	Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004
Companies act 2016	Environmental Quality (Control of Emission from Diesel Engines) Regulations 1996	Occupational Safety and Health (Safety and Health Committee) Regulations 1996
Environmental Noise Limits and Control	Noise Exposure Regulations 2019	Factories and Machinery (Notification, Certificates of Fitness and Inspection) Regulations 1970
Electric Passenger and Goods Lift Regulation 1970	Fire Service Act and Regulations	

In the FY2019, we recorded zero fines for regulatory non-compliances.

CONTRIBUTING TO ECONOMIC GROWTH

As the market leader in the automotive leather upholstery for original equipment manufacturer (OEM) passenger vehicles in Malaysia, we are committed to providing the highest quality and services to our customers in the automotive industry.

We are conscious of the need to formulate business models that consider sustainable returns to our shareholders and creating long-term market presence of the Group.

Delivering Economic Value

The economic aspect is an essential component to Pecca Group as it ensures long-term growth and good return to shareholders. This segment details our economic gain and contribution to the community. Further details on our economic performance can be found on **(Page 64)** of this Annual Report.

As a responsible corporate citizen, we constantly contribute to our local communities via donations, sponsorships and providing internship opportunities for undergraduates. We contributed RM 5,000 in Love Run 4.0 charity drive for Muk En Community Care Centre. Additionally, we donated RM10,000 to Persatuan Graduan Muda Malaysia a youth-based organization, in which their goal is to build a better Malaysia by influencing the next generation and foster younger generation who are knowledgeable, competent and energetic. On the other hand, we spent RM12,714 for internship programmes throughout the Group. We also contributed RM5,000 to Nalanda Buddhist Society and RM7,147 for the Iftar occasion held with Orphanage House Nur Sakinah.

Enhancing Market Presence

Pecca Group is committed towards establishing strong market presence in Malaysia. Pecca adheres to the Minimum Wage Order 2016 in which this contributes to economic wellbeing of our employees. We hire local talent to develop and enhance the socioeconomic level of the local community and it is showcased in our all-Malaysian management team comprising the Chief Executive Officer (CEO), Chief Marketing Officer (CMO), Chief Operating Officer (COO), and Chief Financial Officer (CFO) that are 100% Malaysians.

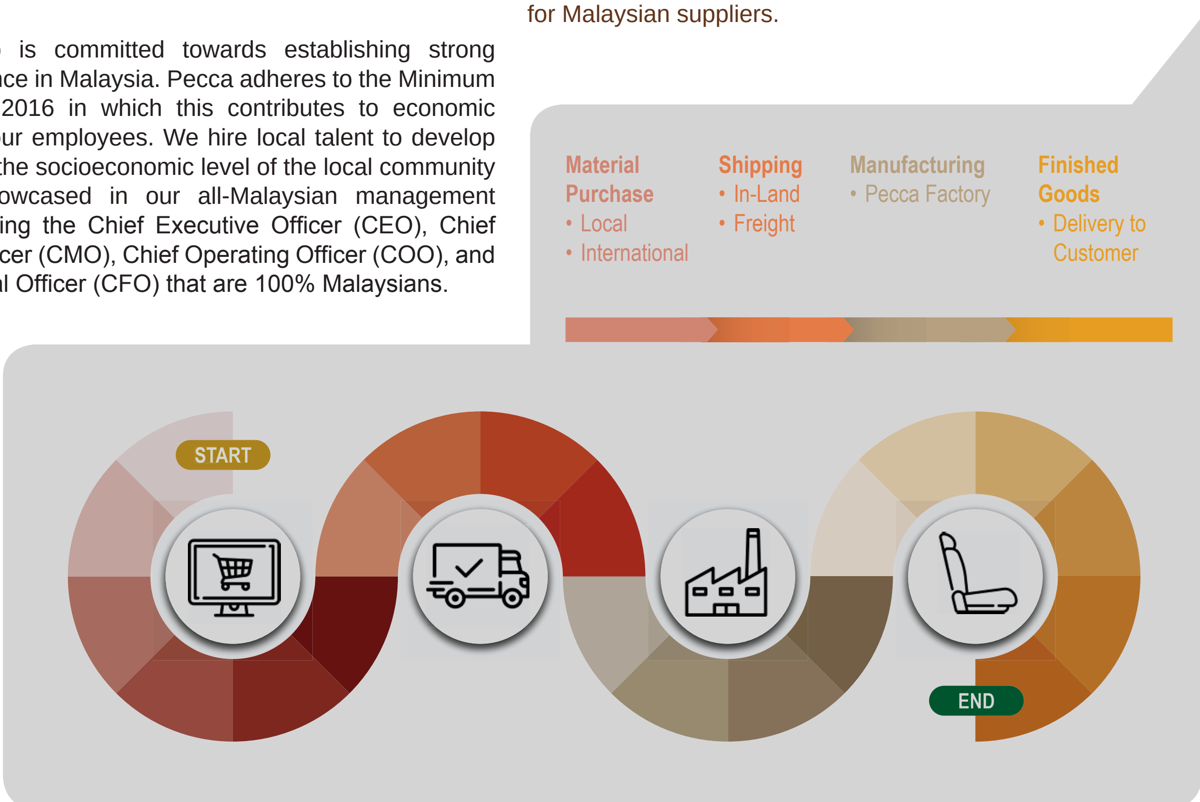
Procurement and Supply Chain Management

The Group robust policies on procurement is essential to ensure cost efficiencies and strategic sourcing which will create competitiveness and growth for the Group. Our business operations act as a one-stop centre for all, from styling, manufacturing, distribution and installation of automotive leather upholstery and car interior accessories. Our raw materials are source from both local and international suppliers. The diagram below illustrates the Group's supply chain management, starting from material purchase until the delivery of the manufactured goods to our customers.

The Group has a supplier selection procedure that determines the criteria for a supplier to be selected beforehand from background and experiences of the supplier, priority will be given to supplier that supply in the automotive industry. Next, supplier must pass the run trial tests for quality, having a competitive price within the industry and certified with ISO 9001. Pecca requires its supplier of automotive products and services to develop, implement an embedded software to maintain quality assurance for their products.

To ensure suppliers' performances are monitored and maintained, the Group monitors and updates the suppliers' ratings with our pre-determined supplier performance indicators such as conformity to requirements, delivery schedule performance and number of occurrences of premium freight.

As part of our contribution to the domestic economy, we engage local suppliers in addition to foreign suppliers. For FY2019, 40% of the Group's total spending on suppliers was for Malaysian suppliers.



SUSTAINABILITY
REPORT

Customer Satisfaction

Quality assurance is of the utmost importance to the Group as we believe the quality of our products will secure trust among our customers and ultimately ensure sustainable business. Quality assurance helps to avoid defects in manufactured products and prevent unnecessary complications in delivering of our products or services to our customers.

In maintaining and improving the quality of Pecca car seat covers and interior finishing, the Group has obtained and maintained certification for quality management systems that are relevant to our business operations.

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	Until 2021
International Automotive Task Force (IATF) ISO / TS 16949	An ISO technical specification aimed at the development of a quality management system that promotes 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	Until 2021

On the other hand, in ensuring our products and services meet our customers expectation, we conduct annual customer satisfaction survey. We conduct the survey for all first-time and annually surveys for all our customers. The customer satisfaction survey addresses three important areas which are Our Product, Our Service and Our People. Details of the survey is as below.

CUSTOMER SATISFACTION SURVEY

A	**OUR PRODUCT (40 Points)**
1	Product Quality
2	Quality of our product in comparison with others
3	Cost of our product compare to others
4	Compliance to your requirement
B	**OUR SERVICE (25 Points)**
5	Delivery schedule performance
6	Response to urgent request
7	After sales support service
8	Customer disruptions including field returns
9	Notification on quality & delivery issues
C	**OUR PEOPLE (15 Points)**
10	Technical support
11	Satisfaction level toward our sales staff
12	Knowledge & service quality of supports staffs
D	**Overall satisfaction level on products & services (20 points)**

The total points from the survey are recorded and tabulated for future preference and improvement. For FY2019, the overall score obtained from our customer satisfaction survey is 85%. The majority of the evaluated criteria was ranked as near excellence by our customers. In total, the Our Product category received an 85% customer satisfaction results, with 87% given for Our Service and a 92% score for Our People. These ratings are evident of our high-quality post-services for our customers that meet their demands and expectations.

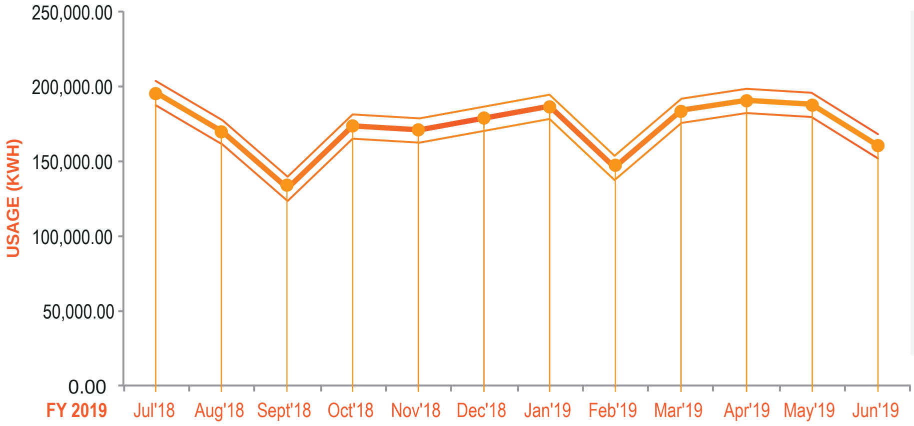
PROTECTING THE ENVIRONMENT

The Group aims to move beyond compliance to ensure environmental sustainability. We are committed to minimising our environmental footprint via responsible resource management.

Energy Management

As a manufacturing company, electricity is important as it is required for our manufacturing processes. Hence, electricity consumption is one of the main environmental risks that we have addressed under our material sustainability matters for the Group. In ensuring efficient energy consumption throughout our business operations, we record and monitor our electricity consumption at offices and manufacturing facility.

On an average, Pecca electricity consumption is at 174,817.5 kWh per month throughout the whole reporting year. In order to practice responsible use of electricity, The Group has created an initiative by posting up signage near power outlet and switches to remind our employees to reduce electricity consumption. In the future, we plan change the light fixtures or bulbs to energy efficient LED's and sensors to gain a lower electrical energy usage.



ELECTRICITY CONSUMPTION TREND FY2019

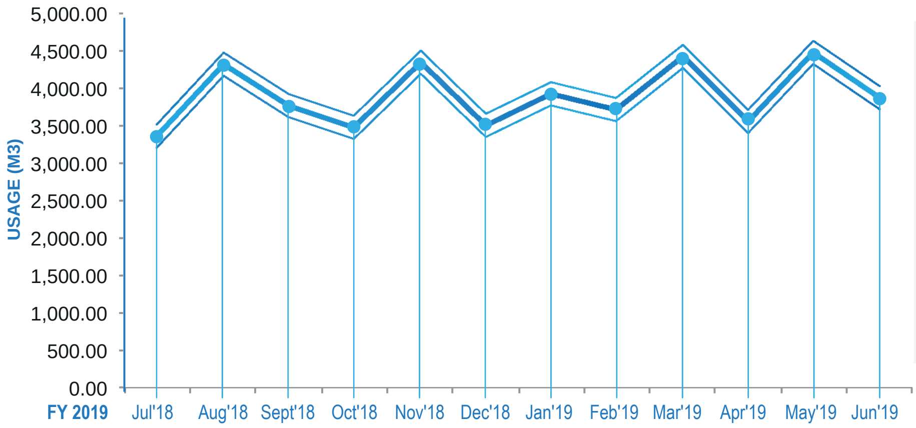
Average Monthly Electricity Consumption:

174,817.5 kWh

Water Management

Water is an important part of Pecca business operations, water management is needed to avoid water wastage which affects our natural resources as well as negatively impacts the Group's operational cost. To manage our water consumption, at each water fixtures, toilets and pantry, awareness signage is placed near faucets and pipes to increase employee's awareness and to reduce water usage.

In addition, water consumption for the Group is recorded for monitoring and future improvement on water usage.



WATER CONSUMPTION TREND FY2019

Average Monthly Water Consumption:

3,884.75 m^3

SUSTAINABILITY **REPORT**

Effluent and Waste

As a manufacturing company, proper waste management is important to ensure that industrial waste do not pollute the natural resources and the environment. Our operations generate both scheduled (hazardous) and non-scheduled wastes (municipal wastes). With respect to the scheduled wastes, the Group ensures the contractors that we engage for the collection, recycling and disposal of our scheduled wastes are licensed by the Department of Environment (DOE). All scheduled wastes are collected once every 6 months. The types of scheduled waste we generated are illustrated below:

For non-scheduled waste, such as office waste management, i.e. paper waste and plastics are collected for recycling and this waste does not exhibit any significant toxic characteristics thus can be disposed as general waste.

In addition, the Group ensures the effluent that we produce is below permissible limit as per DOE requirements. Monitoring is carried out every 3 years, to check on these parameters such as pH, Chemical Oxygen Demand (COD), Biological Oxygen Demand (BOD), Total Suspended Solids (TSS) and others. For FY2019 effluents generated by Pecca's manufacturing facility shows findings of testing results is below permissible limit required by DOE.

SW109:
Used fluorescent Lamps

SW409:
Used Contaminated Containers

SW410:
Contaminated Rags/Gloves

Materials Consumption

Supply of materials is crucial for Pecca's manufacturing business as our production line uses raw materials to produce our main products. Pecca manages its materials consumption to ensure efficient use of raw material for production at manufacturing plant by using the accounting software system (SAP). A bill of material (BOM) is used to record usage of resources as well as a measure to ensure efficient consumption of raw materials.

With increasing business acquired by the Group, the amount of material needed to supply for demand will also increase. The amount of materials use is also recorded to ensure, no wastage and the correct amount of materials is used accordingly to the job specification.

Unwanted leather cuts generated from our processes is being used to make car accessories to avoid wastage and reduce material consumption.

7,367,723
Total Leather consumption
(square foot)

483,604
Total PVC consumption
(meter)

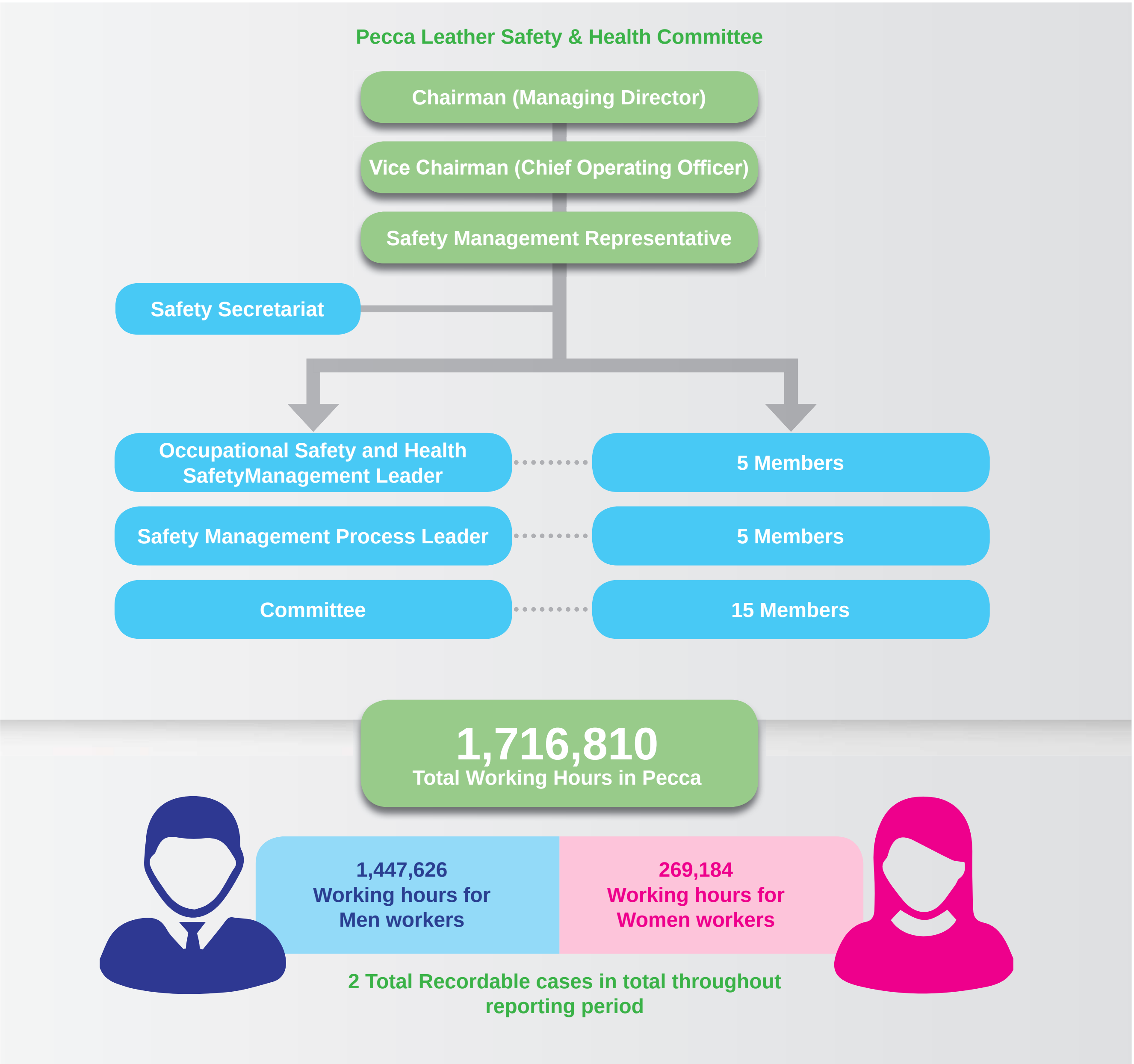
SOCIAL

Occupational Health & Safety

Business sustainability, quality of service and employee well-being depend heavily on the health and safety measures that an organisation implements, and we preserve our 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 highlights our commitment to safe handling of equipment and protecting the well-being of our employees by providing a safe working environment. We have established a Safety and Health Committee (illustrated below) with specific roles and responsibilities to ensure that the Group's health and safety performance complies with regulatory requirements and industry best practices.

We also monitor the total working hours of our employees as well as any incidents or accidents that occur at our workplace. Throughout the reporting period for the Pecca Group, we recorded a total number of 1,716,810 working hours for our workforce. For men, we recorded 1,447,626 working hours whilst we recorded 269,184 hours for women. Over this period, as a Group, we registered two total recordable injury cases, all of which were classified as incidents.



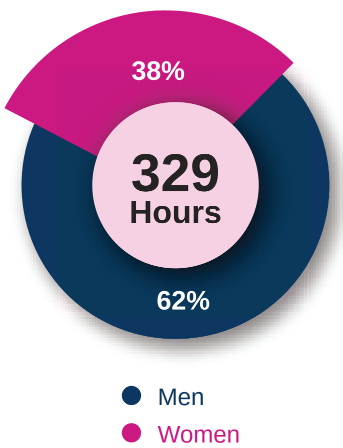
SUSTAINABILITY
REPORT

Training and Education

Training enhances our employees' knowledge on our products, the operations and enables them to develop skills that can increase their productivity and enhance their performance. We at Pecca Group provide multiple opportunities for our staff to attend training programmes and workshops, such as those that have been listed below.

TYPES OF TRAINING PROGRAMMES	
Sales Tax and Services Tax are Back	Industrialization 4.0 Training
12th Quality Control Circle (QCC)	ISO 45001:2018 Awareness Training
LEAN System Development Programme	Effective Production Planning, Scheduling & Control
20411 Administering Windows Server 2012	Manufacturing Costing for Non-Costing Managers
Principles of Purchasing Management & The 5 Rights	10 things the Tax Agents Won't Tell You
Professional Email Writing Skill (Intermediate)	Meningkat Pretasi Operator Stor Gudang
Risks Assessment & Risks Management Workshop	Legal Aspects of Procurement
Emergency Response Planning (ERP)	Conditions Imposed on Sales tax Exemptions and New Taxable Services
IATF 16949:2016 Awareness / Refresher Training	Passion for Extraordinary Leadership Performance
Strategic Sourcing & Vendor Appraisal	Digital Transformation: The Changing Nature of Work (Automotive Industry)
20741 Networking with Windows Server 2016	Conducting Job Evaluation, Job Grading and Career Mapping.
Professional Receptionist Skills	
Effective Leadership & Managerial Skills for New & Aspiring Managers	

For FY2019, a total of 329 hours of training was executed for our staff across three employment levels, namely, management level, executive level and non-executive level. The majority of the training was attended by men as compared to women due to the nature of their work-related tasks. The average for each employee was 1.31 training hours.



Total Hours of Training: **329 hours**

Average training hours per employee: **1.31 hours**

Community Engagement

As a responsible corporate citizen, the Pecca Group endeavours to contribute to the society by catering to the needs of the underprivileged in the community. As part of our yearly contribution to the local community, this year the Group organised an Iftar with Orphanage House Nur Sakinah. By contributing to the orphanage which takes care of 32 children between the ages four to six years old, we help to reduce their operating costs by contributing to their necessities for Hari Raya clothes, school bags, sofa set, dining table, refrigerator, microwave, daily need items, cotbeds and supplying tinted for the house and the van.

CONCLUSION

In a conclusion, as a Group we are making progress towards becoming a sustainable operation. Moving forward, we will endeavour to continuously improve our performance. Specific areas include data management and developing sustainability initiatives that are effective in addressing our material sustainability matters.

EVENT **HIGHLIGHTS**

Annual Chinese New Year Celebration with traditional lion dance to bring luck for the year ahead.

Our first company trip as a token of appreciation to all staff that has contributed to a successful year for Pecca Group.

Gift exchange between Pecca family in conjunction with Christmas festive.

Event
Highlights

Our multiracial family donning the traditional saree during Deepavali celebration.

Passion For Extraordinary Leadership Performance Training by Lawrence Walters Seminars Strategic Group.

Iftar occasion held with Orphanage House Nur Sakinah as a gesture by Pecca giving back to community.

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 2019. 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 Securities Berhad ("Bursa Securities").

Detailed application of each practice of the MCCG during the financial year 30 June 2019 is disclosed in the Company's Corporate Governance Report which is available on the Company's website at *www.peccaleather.com* as well as via announcement on the website of Bursa Securities.

This Corporate Governance Overview Statement should also be read in combination 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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

1. Establishing clear roles and responsibilities of the Board

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

The Board discharges its responsibilities in the best interest of the Group and assumes the following key responsibilities in discharging its fiduciary duties:-

(a) reviews, adopts and monitors the implementation of Management's strategic plans;

(b) oversees and evaluates the conduct and sustainability of the Group;

(c) ensures implementation of appropriate internal controls and mitigating measures to address the risks identified;

(d) carries out periodic reviews of the Group's financial performance and operating results and major capital commitments; and

(e) reviews the adequacy and integrity of the Group's internal control system.

In order to ensure effective discharge of its stewardship role, the Board delegates some 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 decisions, where necessary.

Although specific powers are delegated to the Board Committees, the Board keeps itself abreast of the key issues and/or decisions made by each Board Committee through reports made by the Chairman or representative of each Board Committee and the tabling of Board Committee Minutes of the applicable period for notation by the Board. The ultimate responsibility for decision making, however, lies with the Board.

CORPORATE GOVERNANCE (cont'd)
OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I Board Responsibilities (continued)

2. Separation of positions of the Chairman and Managing Director

The Board is headed by an Independent Non-Executive Chairman who is responsible for the leadership, integrity and effectiveness of the governance of the Board. The responsibilities of the Chairman are set out in the Board Charter.

There is a clear division of roles and responsibilities between the Chairman and Managing Director in ensuring balance of power and authority in the Company. The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role whilst, the Managing Director is the conduit between the Board and Management in ensuring the success of the governance and management functions of the Company.

3. Company Secretaries

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, CG 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.

4. Access of Information and Advice

In ensuring the effective functioning of the Board, all Directors have individual and independent access to the advice and support services of the Company Secretaries, Internal Auditors and External Auditors and may seek advice from the Management on issues under their respective purview. The Board members have full and timely access to all information within the Group and the Board papers are distributed prior to the Board Meetings to enable the Directors to obtain relevant information and have sufficient time to deliberate on the issues to be raised at the meetings so as to discharge their duties diligently.

The Board papers which include the agenda and reports cover amongst others, areas of strategic, financial, operational and regulatory compliance matters that require the Board's approval.

All proceedings of the Board meetings are duly minuted and circulated to all Directors for their perusal prior to the confirmation of the minutes by the Chairman as a correct record. The Company Secretaries record the proceedings of all meetings including pertinent issues, the substance of inquiries, if any, and responses thereto, members' suggestion and the decisions made, as well as the rationale for those decisions. By doing so, the Company Secretaries keep the Board updated on the follow-up actions arising from the Board's decisions and/or requests at subsequent meetings. The Board is therefore able to perform its fiduciary duties and fulfil its oversight role towards instituting a culture of transparency and accountability in the Company.

5. Board Charter

The Board Charter adopted by the Board serves as a source of reference and primary guide to the Board as it sets out the role, functions, composition, operation and processes of the Board. There is a schedule of matters specifically reserved for the Board's decision set out in the Board Charter.

CORPORATE GOVERNANCE (cont'd) **OVERVIEW STATEMENT**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I Board Responsibilities (continued)

5. Board Charter (continued)

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:-

(a) Conflict of interest issues relating to a substantial shareholder or a Director including approving related party transactions

(b) Material acquisitions and disposition of assets not in the ordinary course of business including significant capital expenditures

(c) Strategic investments, mergers and acquisitions and corporate exercises

(d) Limits of authority

(e) Treasury policies

(f) Risk management policies

(g) 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.

The Board Charter is subject to review by the Board as and when necessary to ensure it complies with all applicable laws, rules and regulations of the regulators and remain consistent with the policies and procedures of the Board.

6. Code of Ethics and Conduct

The Board has formalised a Code of Conduct for the Directors and adheres to the Code of Conduct expected for Directors as set out in the Company's Directors' Code of Ethics promulgated by the Companies Commission of Malaysia which governs the underlying core ethical values and commitment to lay standards of integrity, transparency, accountability and corporate social responsibility. The Code of Ethics and Conduct of Directors are available at the Company's website at www.peccaleather.com.

7. Whistleblowing Policy

The Company has put in place a Whistleblowing Policy to inculcate the culture of high standards of business and personal ethics within the Group and provides employees with an accessible avenue to disclose any improper conduct or any action that is or could be harmful to the reputation of the Group and/or compromise the interest of stakeholders.

II BOARD COMPOSITION

1. Board Composition and Balance

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, information technology marketing and operations.

During the financial year under review, the Board has five (5) members, comprising of three (3) Independent Non-Executive Directors, one (1) Executive Director 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.

A brief profile of each Directors is presented in the Profile of Directors section of the Annual Report.

CORPORATE GOVERNANCE (cont'd)
OVERVIEW STATEMENT

II BOARD COMPOSITION (continued)

2. Board Independence

The Board recognises that the independence and objective judgement are crucial and imperative in decision making process. The Independent Non-Executive Directors play a significant role in providing unbiased and independent view, advice and judgement taking into account the interest of relevant stakeholders including minority shareholders of the Group.

The Company has also applied the recommended 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.

It is also set out in the Board Charter that if the tenure of an Independent Director exceeds a cumulative term of twelve (12) years, the retention of such Independent Director shall be subject to the shareholders' approval through a two-tier voting process in line with the MCCG.

3. Boardroom Diversity

The Board acknowledged the importance of boardroom diversity and recognises the importance of providing fair and equal opportunities and fostering diversity within the Group. The Company endeavours to have a balanced representation in terms of mixture of skills, knowledge and experience, background, expertise, age, gender and ethnicity. The Board acknowledges the diverse Board as an essential element in maintaining competitive advantage in leveraging different perspective to various issues raised and quality decision making, which in return contribute to the development and sustainability of the Company.

At present, the Board has one (1) female Director. The Board has adopted the Diversity Policy in May 2018. The Board with the Head of Human Resource will monitor the scope and applicability of the Diversity Policy, from time to time.

4. Appointment of Directors

The Nomination Committee is entrusted to develop the policies and procedures in formalising the approach in the recruitment process and annual assessment of Directors, which serve as guides for the Nomination Committee in discharging its duties in the aspects of nomination, evaluation, selection and appointment process of new Directors.

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board upon recommendation from the Nomination Committee. All nominees and candidates to the Board are first considered by the Nomination Committee taking into consideration, inter-alia, the competency, knowledge, expertise and experience, professionalism, integrity, time commitment of the candidates, including, where appropriate, the criteria on assessing the independence of candidates' appointment as Independent Non-Executive Directors.

In identifying candidates for appointment as Directors, the Nomination Committee would use a variety of approaches and sources to ensure that it identifies the most suitable candidates and will not limit themselves by solely relying on the recommendations from existing Board members, management or major shareholders.

5. Re-election of Directors

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.

CORPORATE GOVERNANCE (cont'd) **OVERVIEW STATEMENT**

II BOARD COMPOSITION (continued)

5. Re-election of Directors (continued)

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:-

(a) Datuk Teoh Hwa Cheng (Article 98)

(b) Kong Kam Seong (Article 103)

At the forthcoming AGM, the aforesaid Directors have expressed their intention to seek for re-election. The Nomination Committee had made recommendations to the Board on re-election of Datuk Teoh Hwa Cheng and Mr Kong Kam Seong. The Board is satisfied with the skills and contributions of these retiring Directors and recommends their re-election as Directors of the Company which is to be tabled at the forthcoming AGM.

6. Directors' Commitment

The Board meets on a quarterly basis with additional meetings convened where necessary to deal with urgent and important matters that require the attention of the Board. All pertinent issues discussed at the Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretaries. The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company as most of the Directors had attended all the Board Meetings during the financial year under review.

The Board met five (5) times during the financial year under review. The details of the Directors' attendance at the Board and Board Committee meetings during the financial year under review is set out below:-

Name	Board	ARMC	NC	RC
Dato' Mohamed Suffian Bin Awang *Independent Non-Executive Chairman*	5/5	5/5	2/2	–
Datuk Teoh Hwa Cheng *Group Managing Director*	5/5	–	–	1/1
Datin Sam Yin Thing *Executive Directo*	4/5	–	–	–
Sam Chee Keng[(a)] *Executive Director*	2/2	–	–	–
Dato' Dr. Norraesah Binti Haji Mohamad[(a)] *Independent Non-Executive Director*	0/2	0/2	0/2	0/1
Datuk Leong Kam Weng *Independent Non-Executive Director*	5/5	5/5	2/2	1/1
Kong Kam Seong[(b)] *Independent Non-Executive Director*	2/2	2/2	–	–

<u>Remarks:</u>

(a) – Retired on 26 November 2018

(b) – Appointed on 1 February 2019

7. Directors' Training

The Board acknowledges that continuous education is vital for the Board members to keep abreast with the latest developments in the industry and business environment as well as changes to statutory requirement and regulatory guidelines.

CORPORATE GOVERNANCE (cont'd)
OVERVIEW STATEMENT

II BOARD COMPOSITION (continued)

7. Directors' Training (continued)

All Directors of the Company have attended the Mandatory Accreditation Programme as prescribed in the Listing Requirements. The Directors will continue to identify and attend other training courses to equip themselves effectively to discharge their duties as Directors on a continuous basis.

During the financial year under review, the Directors have attended the following training programmes:

Directors	Name of Seminar and Training Programmes
Dato' Mohamed Suffian Bin Awang	Strategic Plan 2020 (SP 20 (V2))
Datuk Teoh Hwa Cheng	Industrial 4.0 -Digital Transformation : The Changing Nature Of Work (Automotive Industry) Passion For Extraordinary Leadership Performance
Datin Sam Yin Thing	Industrial 4.0 -Digital Transformation : The Changing Nature Of Work (Automotive Industry) Passion For Extraordinary Leadership Performance
Datuk Leong Kam Weng	International Malaysia Law Conference MIA International Accountants Conference 2018 Risk Management Anti-Money Laundering & Counter Financing of Terrorism Compliance Audit Committee Institute Breakfast Roundtable 2019 Introduction to Value Reporting
Kong Kam Seong	ACCA Evening Talk: Write the Future with the Power of Big Data Horenso: The Secret Recipe of High Performing Working Culture ICLIF: Mandatory Accreditation Programme for Directors of Public Listed Companies Fundamentals of Big Data

The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time and update the Board on the same at Board meeting. The External Auditors also briefed the Board members on any current and future changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

8. Board Committees

In discharging its fiduciary duties, the Board has delegated specific tasks to Board Committees. These Board Committees have the authority to examine particular issues and report to the Board on their proceedings and deliberations together with its recommendations. However, the ultimate responsibility for the final decision on all matters lies with the entire Board as a whole.

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

The ARMC assists the Board in its oversight of the Company's financial statements and reporting in fulfilling its fiduciary responsibilities relating to the internal controls, financial and accounting records and policies as well as financial reporting practices of the Group.

A copy of the Terms of Reference of the ARMC is available for viewing at the Company's website at www.peccaleather.com.

The composition and activities of the ARMC during the financial year under review are set out in the Audit and Risk Management Committee Report of this Annual Report.

CORPORATE GOVERNANCE (cont'd)
OVERVIEW STATEMENT

II **BOARD COMPOSITION** (continued)

8. **Board Committees** (continued)

(b) Nomination Committee ("NC")

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

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

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

Kong Kam Seong (Member)
Independent Non-Executive Director

The Board is of the view that all the 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.

The NC assists the Board in carrying out the annual assessment of the effectiveness of the Board as a whole, the Board Committees and the contribution or performance of each individual Director. The NC also assists the Board in assessing the level of independence of the Independent Directors annually. The principal duties and responsibilities of the NC as defined in the Terms of Reference of the NC, include but are not limited to the following:-

(i) To recommend to the Board, candidates for all directorships. The NC should consider the candidates' skills, knowledge, expertise, experience, professionalism, integrity, time commitment, character, competence and number of directorships, and in the case of candidates for the position of Independent Non-Executive Director, the NC should ensure the candidate meets the requirements as an Independent Non-Executive Director.

(ii) To assist the Board in carrying out an annual assessment on the effectiveness of the Board and Board Committees and the performance of each Director.

(iii) To carry out an annual review assessment on the independence of the Independent Directors.

(iv) To carry out an annual review on the mix of skills, experience and other qualities of the Board, including core competencies which Non-Executive Directors should bring to the Board. This activity shall be disclosed in the Annual Report.

(v) To make recommendations to the Board concerning the re-election and re-appointment of Directors at each AGM.

The duties and responsibilities of the NC are set out in the Terms of Reference of the NC, which is published and available for viewing at the Company's website at www.peccaleather.com.

CORPORATE GOVERNANCE (cont'd) **OVERVIEW STATEMENT**

II BOARD COMPOSITION (continued)

8. Board Committees (continued)

(b) Nomination Committee ("NC") (continued)

Summary of Works

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

(i) Assessed and was satisfied with the effectiveness of the Board and the Board Committees as a whole, and the contributions of each Director.

(ii) 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.

(iii) Assessed the independence of the Independent Directors and concluded that the Independent Directors are independent and have complied with the criteria of independence as set out in the MMLR.

(iv) Assessed and was satisfied with the character, experience, integrity, competence and time commitment of the Directors and Chief Financial Officer.

(v) Discussed the training programmes for the Directors to enhance their skills and knowledge.

(vi) Evaluated the performance of Datuk Teoh Hwa Cheng and Mr Kong Kam Seong and recommended their re-election at the Ninth Annual General Meeting ("AGM") of the Company to the Board.

(vii) Reviewed the Terms of Reference.

(c) Remuneration Committee ("RC")

The RC of the Company comprises two (2) Non-Executive Directors and one (1) Managing Director and the composition is as follows:-

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

Kong Kam Seong (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 is governed by the Terms of References of the RC which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the RC as defined in the Terms of References of the RC, include but are not limited to the following:-

(i) To ensure that remuneration for Directors is set at a competitive level to recruit, attract, retain and motivate high calibre individuals;

(ii) To recommend to the Board the appropriate remuneration packages for the Executive Directors, Non-Executive Directors and key management;

(iii) To review the performance of the Executive Directors and the Managing Director and recommend to the Board specific adjustments in remuneration and/or reward payments, if any, reflecting their contribution for the year;

CORPORATE GOVERNANCE (cont'd)
OVERVIEW STATEMENT

II BOARD COMPOSITION (continued)

8. Board Committees (continued)

(c) Remuneration Committee ("RC") (continued)

(iv) To ensure that the level of remuneration be aligned with the business strategy and long-term objectives of the Company, complexity of the Company's activities and reflects the experience and level of responsibilities undertaken by the Directors and key senior management; and

(v) To review the fees of the Directors and benefits payable to Directors including any compensation for loss of employment of the Director or former Director and recommend to the Board of Directors and thereafter to be approved at a general meeting of the Company.

The Terms of Reference of the RC, is published and available for viewing at the Company's website at www.peccaleather.com.

Summary of Works

Below is a summary of key activities undertaken by the RC:-

(a) Reviewed the Directors' Fees and benefits payable to the Directors from 1 July 2018 until the Financial Year Ended 30 June 2019 and recommended the same to the Board of Directors for approval;

(b) Reviewed the remuneration package of the Executive Directors and Senior Management of the Company and recommended the same to the Board for approval;

(c) Reviewed the Terms of Reference of the RC; and

(d) Reviewed the Directors and Senior Management's Remuneration Policy.

9. Annual Assessment on effectiveness of the Board and Individual Directors

The NC has put in place a formal evaluation process to assess the effectiveness of the Board as a whole, the effectiveness of the Board Committees, contribution and performance of each director and performance of audit committee members on an annual basis.

The evaluation process is led by the NC Chairman who is an Independent Non-Executive 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(s) for re-election at the AGM.

The NC reviews the effectiveness of the Board by taking into account the composition of the Board, time commitment, boardroom activities and the overall performance of the Board.

The NC undertakes annual assessment on the independence of directors. When assessing independence, the NC focuses on whether the Independent Directors are able to bring independent and objective judgement and act in the best interest of the Group.

Upon its annual assessment conducted on effectiveness of the Board and Board Committees; character, experience, integrity, competence and time commitment of each Director and Chief Financial Officer; mix of skills and experience of the Board; level of independence of the Directors; and term of office and performance of the ARMC and each of its members, the NC had concluded that the Directors have discharged their duties more than satisfactory. The NC was also satisfied with the performance of the Board and Board Committees. As for the balance and composition of the Board, the NC concluded that the Directors have the appropriate mix of skills, experience, knowledge and professional qualifications which will contribute positively to the Board Committees and the Board as a whole.

CORPORATE GOVERNANCE (cont'd)
OVERVIEW STATEMENT

III REMUNERATION

1. Directors' Remuneration Policy and Procedures

The RC has established a Remuneration Policy for Directors and Senior Management which is linked to the strategic performance 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 performances. 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(s) who report 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(s) 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 Senior Management and Executive Directors are not present during the discussions when matters affecting their own remuneration arrangements are being considered.

2. Remuneration of Directors

Details of the remuneration of Directors (paid by both the Company and the Group) who served during the financial year ended 30 June 2019 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	12,500				108,500
Datuk Teoh Hwa Cheng	60,000	1,500	503,070	123,000		687,570
Datin Sam Yin Thing		26,700	257,670	63,000		347,370
Sam Chee Keng	60,000	24,300	241,290	58,995		384,585
Dato' Dr. Norraesah Binti Haji Mohamad	40,000	2,500				42,500
Datuk Leong Kam Weng	96,000	12,000				108,000
Kong Kam Seong	5,000	4,000				9,000
TOTAL	357,000	83,500	1,002,030	244,995		1,687,525

CORPORATE GOVERNANCE (cont'd)
OVERVIEW STATEMENT

III REMUNERATION (continued)

2. Remuneration of Directors (continued)

The Company

Name	Fees (RM)	Allowance (RM)	Salaries (RM)	Bonus (RM)	Other emoluments (RM)	Total (RM)
Dato' Mohamed Suffian Bin Awang	96,000	12,500				108,500
Datuk Teoh Hwa Cheng		1,500				1,500
Datin Sam Yin Thing		1,500				1,500
Sam Chee Keng		1,500				1,500
Dato' Dr. Norraesah Binti Haji Mohamad	40,000	2,500				42,500
Datuk Leong Kam Weng	96,000	12,000				108,000
Kong Kam Seong	5,000	4,000				9,000
TOTAL	237,000	35,500				272,500

3. Remuneration of Key Senior Management

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.

Although the Code has stipulated that the Company should disclose on a named basis the top five (5) senior management's detailed remuneration including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000, the Board would like to provide for an advocacy period in the interim.

The Board has not disclosed on a named basis the top five senior management's remuneration in bands of RM50,000 as the Board is of the opinion that such disclosure may cause tension and unhealthy competition among senior management. In addition, such disclosure would not be in the best interest of the Group, given the highly possibility of these employees being poached.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I ARMC

1. Composition

The ARMC is responsible for assisting the Board in fulfilling its statutory and fiduciary responsibilities of monitoring the Group's management of its financial risk processes, accounting and financial reporting practices, ensuring the efficacy of the Group's system of internal control and in maintaining oversight of both the internal and external audit functions.

The ARMC comprises three (3) members, all of whom are Independent Non-Executive Directors. The ARMC Chairman, Datuk Leong Kam Weng, is the Independent Non-Executive Director and is not the Chairman of the Board. Datuk Leong Kam Weng is a Fellow of CPA Australia and a Chartered Accountant of the Malaysian Institute of Accountants.

CORPORATE GOVERNANCE (cont'd)
OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (continued)

I ARMC (continued)

1. Composition

The independence, objectivity and integrity of the members of the ARMC are the key requirements which the Board of the Company recognises as essential for an effective and independent ARMC. None of the members of the ARMC is a former key audit partner. The ARMC has institute a policy by way of inclusion in the Terms of Reference of the ARMC that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC.

More information on the ARMC and its activities during the financial year is set out in the Audit and Risk Management Committee Report of this Annual Report.

2. Financial Reporting

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group, and ensuring that the financial statements of the Group comply with the Companies Act 2016 and applicable approved financial reporting standards in Malaysia.

The ARMC assists the Board in discharging its fiduciary duties by ensuring that the audited financial statements and quarterly financial reports are prepared in accordance with the Malaysian Financial Reporting Standards and Main Market Listing Requirements of Bursa Securities. In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Board aims to present a balance and fair assessment of the Company's financial position and prospects. The ARMC reviews the Company's quarterly financial results and annual audited financial statements to ensure accuracy adequacy and completeness prior to presentation to the Board for its approval.

3. Suitability and Independence of External Auditors

The Board maintains a good professional relationship with the external and internal auditors through the ARMC in discussing with them their audit plans, audit findings and financial statements. The ARMC invites the external auditors at least twice a year to discuss their findings and audited financial statements of the Group. In addition, the ARMC also met with the external auditors during the Financial Year Ended 30 June 2019 without the presence of the Executive Directors, Chief Executive and Senior Management of the Company.

The ARMC is responsible for the recommendation on the appointment and re-appointment of the Company's external auditors and the audit fees. The ARMC carried out an assessment of the performance and suitability of the external auditors based on the quality of services, sufficiency of resources, communication and interaction and independence and objectivity.

Messrs KPMG PLT, the External Auditors of the Company have confirmed to the ARMC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

The ARMC is satisfied with the suitability and independence of Messrs KPMG PLT based on the quality and competency of services delivered, sufficiency of the firm and professional staff assigned to the annual audit as well as the non-audit services performed for the financial year ended 30 June 2019 and has recommended their re-appointment for the financial year ending 30 June 2020.

For the financial year ended 30 June 2019, 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: - KPMG PLT	50,000	155,000
Non-Audit: - KPMG PLT - Local affiliates of KPMG PLT	- 5,000	6,000 26,000
Total	55,000	187,000

CORPORATE GOVERNANCE (cont'd)
OVERVIEW STATEMENT

II RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

1. Risk Management and Internal Controls

The Board assumes its overall responsibility in establishing a risk management framework and maintaining a sound system of risk management and internal control throughout the Group which provides reasonable assurance in ensuring the effectiveness and efficiency of the Group's operations that not limiting to financial aspects of the business but also operational and regulatory compliance. The ARMC has been entrusted by the Board to ensure effectiveness of the Group's internal control systems. The ultimate objectives are to protect the Group's assets and safeguard shareholders' investments.

The Board acknowledges that while the internal control system is devised to cater for particular needs of the Company and risk management to provide reasonable assurance against material misstatements or loss.

The Statement on Risk Management and Internal Control as set out in this Annual Reports provides an overview of the state of risk management and internal controls within the Group.

2. Internal Audit Function

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 a 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.

CORPORATE GOVERNANCE (cont'd)
OVERVIEW STATEMENT

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

I COMMUNICATION WITH STAKEHOLDERS

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

The Board has established a dedicated section for corporate information on the Company's website at 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.

II CONDUCT OF GENERAL MEETINGS

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

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

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 allowed the shareholders to have immediate access of the notice of AGM and make the necessary preparations for the AGM.

The shareholders who were unable to attend the AGM, were allowed to appoint up to two (2) proxies to attend, participate, speak and vote on their behalf at the 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 the shareholders by having a question and answer session during the AGM which the Directors (inclusive of the Chairman of ARMC, NC and RC) were present and available to provide meaningful responses to the questions raised by the shareholders.

All the resolutions set out in the Notice of the AGM were put to vote by poll voting in accordance with Paragraph 8.29A of the MMLR. The Company had appointed one (1) independent scrutineer to verify the poll results. The outcome of the AGM was announced to Bursa Securities on the same meeting day.

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

This CG Overview Statement was approved by the Board of Directors of the Company on 23 October 2019.

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 2019 is as follows:

Purposes	Revised Expected Timeframe for Utilization (from 19 April 2018)	Revised Amount (RM'000)	Actual Utilization (RM'000)	Utilized (%)
Working capital	–	27,859	(27,859)	100
Repayment of bank borrowings	–	17,100	(17,100)	100
Purchase of new machineries for the production of car leather seat covers	Within 24 months	4,871	(3,932)	81
Construction of an additional storey of production floor area on the existing factory building	–	5,000	(5,000)	100
Opening of retail outlets	–	0	0	100
Establishment of market presence in Thailand	Within 24 months	1,500	(270)	18
Expansion of aviation business	Within 24 months	834	(834)	100
Estimated listing expenses	–	4,111	(4,111)	100
Purchase of raw material	–	3,000	(3,000)	100
Selling and distribution expenses of:				
– Retail	–	2,000	(40)	2
– Thailand	–	850	(27)	3
– Aviation	–	745	(27)	4
Total Public Issue Proceeds		67,870	(62,200)	92

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 2019.

ADDITIONAL (cont'd)
COMPLIANCE INFORMATION

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 2019 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

4. ALLOCATION OF SHARE SCHEME FOR EMPLOYEES

During the FYE 2019, the Company has proposed an establishment of Employees' Share Option Scheme ("ESOS") for shareholders' approval. The proposed ESOS was approved by the shareholders during the Extraordinary General Meeting held on 28 June 2019. An ESOS committee was established on 23 August 2019.

AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

1. CONSTITUTION

The Audit and Risk Management Committee ("ARMC") 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
- Kong Kam Seong* – Member of ARMC

Note:-
^ - Retired 26 November 2018
* - Appointed 1 February 2019

2. MEETINGS OF THE COMMITTEE

During the financial year ended 30th June 2019 ("FYE 2019"), 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 (Retired on 26 November 2018)	0/2	0%
• Kong Kam Seong (Appointed on 1 February 2019)	2/2	100%

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

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

3.1 Objectives

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

3.2 Composition

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

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

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

AUDIT AND RISK MANAGEMENT (cont'd) **COMMITTEE REPORT**

3.3 Quorum and Meeting Procedures

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

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

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

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

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

3.4 Authority

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

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

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

3.5 Responsibilities and duties

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

i review the Committee's terms of reference.

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

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

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

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

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

vii. review major audit findings.

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

ix. review the appointment and resignation of external auditors.

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

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

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

AUDIT AND RISK MANAGEMENT (cont'd)
COMMITTEE REPORT

3.5 Responsibilities and duties (cont'd)

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

xiv. review procedures in place to ensure that the Group is in compliance with the Companies Act, 2016 and MMLR and other legislative and reporting requirements.

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

4 SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The main activities carried out by the ARMC during the FYE 2019 were as follows:-

(a) Financial Reporting

i. Reviewed the unaudited financial results of the Company and the Group for the quarter ended 30 September 2018, 31 December 2018, 31 March 2019 and 30 June 2019 respectively for the financial year ended 30 June 2019 and recommend the same to the Board of Directors for approval.

ii. Reviewed the proposed declaration of Final Dividend in respect year ended 30 June 2018 and Interim Dividend in respect of FYE 2019.

iii. Monitored the compliance requirements in line with the new updated of Bursa Securities, Securities Commission Malaysia, Malaysian Accounting Standards Board and other legal and regulatory bodies.

iv. Reviewed the draft audited financial statements of the Company and the Group for the financial year ended 30 June 2019 prior to the submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable Financial Reporting Standards in Malaysia.

(b) External Audit

i. Reviewed with the External Auditors' (Messrs KPMG PLT) on their audit findings in respect of FYE 2018 and held a meeting with the external auditors without the presence of Executive Board members and Management of the Company.

ii. Reviewed with the External Auditors, their scope of work and audit planning memorandum for FYE 2019 and held few private meeting with the External Auditors without the presence of Executive Board members and Management of the Company.

iii. Reviewed the independence, suitability, objectivity and effectiveness of the External Auditors before recommending their re-appointment and remuneration to the Board.

iv. Reviewed the annual audited financial statements of the Group and the Company prior to submission to the Board for approval and release the same to Bursa Malaysia Securities Berhad.

(c) Internal Audit

i. Reviewed with the Internal Auditors (GovernAce Advisory & Solutions Sdn Bhd) on the internal audit plans, their evaluation of the internal control system and the follow-up on the previous audit findings.

ii. Reviewed the Risk Profile Report dated 23 August 2018 and the updates on 28 February 2019.

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

iv. Reviewed and discussed the effective implementation of the action plans taken by Management in response to audit findings and weaknesses identified during the audit review.

v. Reviewed and assessed the competency of the internal audit function.

AUDIT AND RISK MANAGEMENT (cont'd)
COMMITTEE REPORT

(d) Others

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

ii. Reviewed the Statement of Risk Management and Internal Control, Audit and Risk Management Committee Report, Corporate Governance Overview Statement and Corporate Governance Statement prior to recommending the same to the Board for approval and inclusion in Annual Report 2019.

iii. Reviewed the Circular to Shareholders in respect of Proposed Renewal of Authority to the Company to Purchase its own Ordinary Shares and Proposed Adoption of a New Constitution of the Company.

5. EXTERNAL AUDIT FUNCTIONS

The Company's independent external auditors, Messrs KPMG PLT, plays an essential role in enhancing the Company's reliability in its financial reporting. The external auditors have an obligation to highlight any significant weakness in the Company's control and compliance systems and bring the same to the attention of Management, ARMC and the Board.

The ARMC is pleased to report that there was no significant matter significant matter of disagreement that arose between the external auditors and the Management. During the financial year under review, the external auditors provided both audit and non-audit related services as follows:-

	Audit Related Fees (RM)	Non-Audit Related Fees (RM)
Company	50,000	5,000
Group	155,000	32,000

6. 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 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 2019 include:-

- Performed follow-up audit on area of Revenue to Receivable.
- Performed internal audit reviews and report findings on Warehouse.
- Performed internal audit reviews and report findings on Procurement to Payables
- Performed internal audit reviews and report findings on Production and Quality Control.

The total cost incurred by the internal audit function of the Group during the financial year ended 30 June 2019 amounted to RM39,000.

During financial year 2019, there were six personnel with relevant qualification in internal auditing assigned to carried out the internal audit review of the Group.

AUDIT AND RISK MANAGEMENT (cont'd) **COMMITTEE REPORT**

The independent internal audit function plays a pivotal role in improving the Group's operations and is guided by the International Professional Practices Framework ("IPPF") issued by the Institue of Internal Auditors Inc.

The ARMC and the Board were satisfied with the performance of the Internal Auditors for the financial year ended 30 June 2019.

The Committee is pleased to disclose that there were no significant weaknesses identified that would have resulted in any material losses, contingencies or uncertainties to the Group which would require a separate disclosure in the financial statement.

	Audit Related Fees (RM)	**Non-Audit Related Fees (RM)**
Company	-	-
Group	**39,000**	**-**

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.

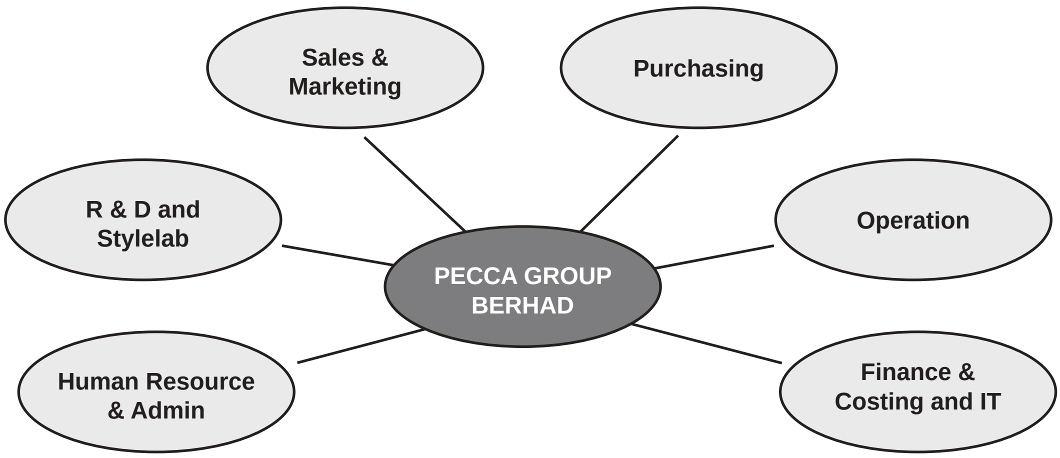
Whilst acknowledging its responsibilities, the Board is aware of the limitations that are inherent in any systems of internal control and risk management where such systems being designed to manage, rather than eliminate, the risks that may impede the achievement of the Group's business objectives. Accordingly,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

STATEMENT ON RISK (cont'd) MANAGEMENT AND INTERNAL CONTROL

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 28 February 2019 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 has 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 2019 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 ARMC, Nomination Committee and Remuneration Committee. Each Committee has clearly defined terms of reference and responsibilities.

2. Code of Ethics

The Group is committed to conduct 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 cover Sales, Procurement, Production, Human Resource and Finance.

4. Annual Surveillance and Process Audit

The Company is an ISO/TS 16949: 2016 certified manufacturer and also holds the ISO 9001:2015 and OHSAS 18001:2007 certification. As such, the Company is subjected to annual surveillance audits performed by certifying bodies, Kiwa Cerment Italia to ensure that the Company continues to meet the quality standards requirements.

5. Internal Audit

The Group has engaged an external service provider, 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

STATEMENT ON RISK (cont'd)
MANAGEMENT AND INTERNAL CONTROL

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 53 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 2019.

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 23 October 2019.

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 Audit and Assurance Practise Guide ("AAPG") 3, 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 2019, 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.

AAPG 3 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 external 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 2019, 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.

FINANCIAL **STATEMENTS**

Directors' report
for the year ended 30 June 2019

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 2019.

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:	16,616	1,334
Owners of the Company	56	–
Non-controlling interests	16,672	1,334

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 2018:

- a single tier final dividend of RM0.030 per ordinary share totalling RM5,510,301 declared on 24 October 2018 and paid on 14 December 2018.

ii) In respect of the financial year ended 30 June 2019:

- a single tier interim dividend of RM0.025 per ordinary share totalling RM4,588,700 declared on 12 April 2019 and paid on 10 May 2019.

On 23 October 2019, the Directors declared a single tier second interim dividend of RM0.035 per ordinary share in respect of the financial year ended 30 June 2019 to be paid on 29 November 2019. Based on the total number of issued shares (excluding treasury shares) of the Company at the end of the reporting period, the single tier second interim dividend would amount to RM6,417,877.

The Directors do not recommend any final dividend to be paid for the financial year ended 30 June 2019.

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
Datuk Leong Kam Weng
Kong Kam Seong (Appointed on 1 February 2019)
Dato' Dr Norraesah Binti Haji Mohamad (Retired on 26 November 2018)
Sam Chee Keng (Retired on 26 November 2018)

Directors' report (cont'd)
for the year ended 30 June 2019

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 1.7.2018	**Bought**	**Sold**	**At 30.6.2019**
Shareholdings in the Company which Directors have direct interests:				
Datuk Teoh Hwa Cheng	10,302,853	–	–	**10,302,853**
Dato' Mohamed Suffian Bin Awang	100,000	–	–	**100,000**
Datuk Leong Kam Weng	100,000	–	–	**100,000**
Datin Sam Yin Thing	24,002	4,056,000	–	**4,080,002**
Shareholdings in the Company which Directors have indirect interests:				
Datuk Teoh Hwa Cheng				
– own	85,692,420	–	–	**85,692,420**
– others	27,000	270,000	–	**297,000**
Datin Sam Yin Thing				
– own	85,692,420	–	–	**85,692,420**
– others	27,000	270,000	–	**297,000**

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, Kong Kam Seong, holding office at 30 June 2019 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 2019

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.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

At an Extraordinary General Meeting held on 28 June 2019, the Company's shareholders approved the establishment of an ESOS of not more than 10% of the issued share capital (excluding Treasury Shares) of the Company.

There were no options granted to an eligible person 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.

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 2019 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.

Directors' report (cont'd)
for the year ended 30 June 2019

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

....

Datin Sam Yin Thing
Director

Kuala Lumpur

Date: 23 October 2019

Statements of financial position as at 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets					
Property, plant and equipment	3	**50,295**	52,874	**–**	–
Investments in subsidiaries	4	**–**	–	**76,261**	76,261
Other investments	5	**232**	5,293	**–**	5,126
Total non-current assets		**50,527**	58,167	**76,261**	81,387
Inventories	6	**16,917**	18,887	**–**	–
Other investments	5	**–**	38,738	**–**	32,232
Current tax assets		**–**	947	**27**	47
Trade and other receivables	7	**28,994**	19,997	**424**	13,751
Prepayments		**1,173**	866	**–**	–
Cash and cash equivalents	8	**92,847**	47,228	**62,290**	20,471
Total current assets		**139,931**	126,663	**62,741**	66,501
Total assets		**190,458**	184,830	**139,002**	147,888
Equity					
Share capital	9	**135,702**	135,702	**135,702**	135,702
Reserves		**29,871**	23,854	**2,967**	12,058
Total equity attributable to owners of the Company		**165,573**	159,556	**138,669**	147,760
Non-controlling interests		**(223)**	(274)	**–**	–
Total equity		**165,350**	159,282	**138,669**	147,760
Liabilities					
Deferred tax liabilities	10	**5,868**	6,120	**–**	–
Total non-current liabilities		**5,868**	6,120	**–**	–
Trade and other payables	11	**18,534**	19,428	**333**	128
Current tax liabilities		**706**	–	**–**	–
Total current liabilities		**19,240**	19,428	**333**	128
Total liabilities		**25,108**	25,548	**333**	128
Total equity and liabilities		**190,458**	184,830	**139,002**	147,888

The notes on pages 71 to 116 are an integral part of these financial statements.

Statements of profit or loss and other comprehensive income for the year ended 30 June 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	12	**131,375**	112,668	**–**	22,816
Cost of sales		**(91,995)**	(85,895)	**–**	–
Gross profit		**39,380**	26,773	**–**	22,816
Other income		**602**	1,824	**599**	1,059
Selling and distribution expenses		**(6,660)**	(6,683)	**–**	–
Administrative expenses		**(13,337)**	(10,318)	**(888)**	(574)
Other expenses		**(77)**	(102)	**–**	–
Results from operating activities		**19,908**	11,494	**(289)**	23,301
Finance income	13	**2,271**	1,443	**1,638**	1,121
Profit before tax	14	**22,179**	12,937	**1,349**	24,422
Tax expense	15	**(5,507)**	(2,859)	**(15)**	(37)
Profit for the year		**16,672**	10,078	**1,334**	24,385
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		**(10)**	3	**–**	–
Total comprehensive income for the year		**16,662**	10,081	**1,334**	24,385
Profit attributable to:					
Owners of the Company		**16,616**	10,217	**1,334**	24,385
Non-controlling interests		**56**	(139)	**–**	–
Profit for the year		**16,672**	10,078	**1,334**	24,385
Total comprehensive income attributable to:					
Owners of the Company		**16,611**	10,218	**1,334**	24,385
Non-controlling interests		**51**	(137)	**–**	–
Total comprehensive income for the year		**16,662**	10,081	**1,334**	24,385
Basic and diluted earnings per ordinary share (sen)	16				
– basic		**9.05**	5.51		
– diluted		**9.05**	5.51		

The notes on pages 71 to 116 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 30 June 2019

Group	Note	Share capital 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 1 July 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 9.3	Note 9.4	Note 9.5	Note 9.6				

Consolidated statement of changes in equity (cont'd)
for the year ended 30 June 2019

		Attributable to owners of the Company								
		Non-distributable				Distributable				
Group	**Note**	**Share capital 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**
At 1 July 2018		135,702	(5,637)	(60,822)	2	10,899	79,412	159,556	(274)	159,282
Adjustment on initial application of MFRS 9	23	–	–	–	–	–	(169)	(169)	–	(169)
Adjusted balance at 1 July 2018		135,702	(5,637)	(60,822)	2	10,899	79,243	159,387	(274)	159,113
Foreign currency translation differences for foreign operations		–	–	–	(5)	–	–	(5)	(5)	(10)
Total other comprehensive loss for the year		–	–	–	(5)	–	–	(5)	(5)	(10)
Profit for the year		–	–	–	–	–	16,616	16,616	56	16,672
Total comprehensive income for the year		–	–	–	(5)	–	16,616	16,611	51	16,662
Contributions by and distributions to owners of the Company										
– Repurchase of treasury shares		–	(326)	–	–	–	–	(326)	–	(326)
– Dividends to owners of the Company	17	–	–	–	–	–	(10,099)	(10,099)	–	(10,099)
Total transactions with owners of the Company		–	(326)	–	–	–	(10,099)	(10,425)	–	(10,425)
At 30 June 2019		**135,702**	**(5,963)**	**(60,822)**	**(3)**	**10,899**	**85,760**	**165,573**	**(223)**	**165,350**
		Note 9.1	Note 9.3	Note 9.4	Note 9.5	Note 9.6				

Statement of changes in equity (cont'd)
for the year ended 30 June 2019

Company	Note	<--- Non-distributable ---> Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 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 2018/1 July 2018		135,702	(5,637)	17,695	147,760
Profit and total comprehensive income for the year		–	–	1,334	1,334
Contributions by and distributions to owners of the Company					
– Repurchase of treasury shares		–	(326)	–	(326)
– Dividends to owners of the Company	17	–	–	(10,099)	(10,099)
Total transactions with owners of the Company		–	(326)	(10,099)	(10,425)
At 30 June 2019		**135,702**	**(5,963)**	**8,930**	**138,669**
		Note 9.1	Note 9.3		

The notes on pages 71 to 116 are an integral part of these financial statements.

Statements of cash flows
for the year ended 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit before tax		**22,179**	12,937	**1,349**	24,422
Adjustments for:					
Depreciation of property, plant and equipment	3	**3,864**	4,090	**–**	–
Dividend income		**–**	–	**–**	(22,816)
Fair value loss/(gain) on other investments	14	**164**	(921)	**158**	(536)
Finance income	13	**(2,271)**	(1,443)	**(1,638)**	(1,121)
(Gain)/Loss on disposal of property, plant and equipment	14	**(188)**	48	**–**	–
Gain on disposal of other investment	14	**–**	(134)	**–**	–
Impairment loss/(Reversal of impairment loss) on trade receivables	14	**840**	(2)	**–**	–
Property, plant and equipment written off	14	**520**	63	**–**	–
Unrealised (gain)/loss on foreign exchange	14	**(302)**	577	**–**	–
Operating profit/(loss) before changes in working capital		**24,806**	15,215	**(131)**	(51)
Change in inventories		**1,970**	(2,217)	**–**	–
Change in trade and other receivables		**(9,877)**	3,064	**–**	–
Change in prepayments		**(307)**	1,004	**–**	–
Change in trade and other payables		**(819)**	3,866	**205**	(32)
Cash generated from/(used in) operations		**15,773**	20,932	**74**	(83)
Income tax (paid)/refund		**(4,106)**	(4,272)	**5**	(109)
Dividend received		**–**	–	**13,340**	9,476
Net cash from operating activities		**11,667**	16,660	**13,419**	9,284
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	**(1,805)**	(6,243)	**–**	–
Acquisition of other investments		**(65)**	–	**–**	–
Repayments from/(Advances to) subsidiary		**–**	–	**(13)**	(64)
Proceeds from disposal of property, plant and equipment		**188**	40	**–**	–
Proceeds from disposal of other investment		**–**	236	**–**	–
Interest received		**2,271**	1,443	**1,638**	1,121
Placement of other investments in licensed financial institutions		**–**	(83,700)	**–**	(57,200)
Redemption of other investments in licensed financial institutions		**43,700**	40,757	**37,200**	20,378
Net cash from/(used in) investing activities		**44,289**	(47,467)	**38,825**	(35,765)

Statements of cash flows (cont'd)
for the year ended 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from financing activities					
Dividends paid	17	**(10,099)**	(9,240)	**(10,099)**	(9,240)
Repurchase of treasury shares		**(326)**	(5,113)	**(326)**	(5,113)
Net cash used in financing activities		**(10,425)**	(14,353)	**(10,425)**	(14,353)
Net increase/(decrease) in cash and cash equivalents		**45,531**	(45,160)	**41,819**	(40,834)
Effect of exchange rate fluctuations on cash held		**88**	(303)	**–**	–
Cash and cash equivalents at 1 July 2018/2017		**47,228**	92,691	**20,471**	61,305
Cash and cash equivalents at 30 June	8	**92,847**	47,228	**62,290**	20,471

The notes on pages 71 to 116 are an integral part of these financial statements.

Notes to the financial statements
30 June 2019

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 are as follows:

Principal place of business
No. 1, Jalan Perindustrian Desa Aman 1A
Industri Desa Aman, Kepong
52200 Kuala Lumpur

Registered office
12th Floor, Menara Symphony
No 5, Jalan Professor Khoo Kay Kim
Seksyen 13,
46200 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2019 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 2019 do not include other entities.

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

These financial statements were authorised for issue by the Board of Directors on 23 October 2019.

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, interpretations and amendments 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 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 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- MFRS 17, *Insurance Contracts*

Notes to the financial statements (cont'd)
30 June 2019

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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, interpretations and amendments, where applicable:

- from the annual period beginning on 1 July 2019 for those accounting standards, interpretations and amendments, that are effective for annual periods beginning on or after 1 January 2019; and
- from the annual period beginning on 1 July 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

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

MFRS 16, *Leases*

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

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 has completed the assessment of the impact on its financial statements and will recognise an additional RM100,667 of right-of-use asset and lease liability and reclassify long-term leasehold land of RM11,577,793 from property, plant and equipment to right-of-use asset on transition to MFRS 16 on 1 July 2019. No significant impact is expected on the Company's financial statements.

(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.

Notes to the financial statements (cont'd)
30 June 2019

1. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

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 – Inventories written down to net realisable value

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.

Note 19 – Measurement of expected credit losses

Allowance for doubtful debts is made by an allowance matrix to measure expected credit losses of trade receivables. A considerable amount of judgement is required in assessing the loss rates, which are based on actual credit loss experience. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. If the financial conditions of the customers with which the Group deals were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

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.

Arising from the adoption of MFRS 15, Revenue from Contracts with Customers and MFRS 9, Financial Instruments, there are changes to the accounting policies of:

(i) revenue recognition;
(ii) impairment losses of financial instruments; and
(iii) financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 23.

(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.

Notes to the financial statements (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

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

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(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.

Notes to the financial statements (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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 a financial asset depending on the level of influence retained.

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

(b) Foreign currencies

(i) Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, 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.

(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 (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

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.

Previous financial year

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) ***Amortised cost***

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes to the financial statements (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

(a) ***Amortised cost*** (continued)

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(h)(i)) where the effective interest rate is applied to the amortised cost.

(b) ***Fair value through profit or loss***

All financial assets not measured at amortised cost are measured at fair value through profit or loss. This includes derivative financial assets. On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

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

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, Financial Instruments: Recognition and Measurement as follows:

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

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

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

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

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

(c) Available-for-sale financial assets

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Notes to the financial statements (cont'd)
30 June 2019

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(c) **Financial instruments** (continued)

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

Financial assets (continued)

Previous financial year (continued)

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

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were 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 and gains which were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, were subject to impairment assessment (see Note 2(h)(i)).

Financial liabilities

Current financial year

Financial liabilities are measured at amortised cost using the effective interest method under both MFRS 9, Financial Instruments.

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

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

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

Notes to the financial statements (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made.

If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was 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 of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current financial year.

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.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group and the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

Notes to the financial statements (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(d) Property, plant and equipment

(i) Recognition and measurement

Leasehold land and buildings 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 buildings 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.

Notes to the financial statements (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(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, 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.

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.

Notes to the financial statements (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets (continued)

(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.

(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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balances and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Notes to the financial statements (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment (continued)

(i) Financial assets (continued)

Current financial year (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery of amounts due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was 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 had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was 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.

Notes to the financial statements (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment (continued)

(i) Financial assets (continued)

Previous financial year (continued)

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

If, in a subsequent period, the fair value of a debt instrument increased and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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

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

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

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

(i) Equity instruments

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

(i) Ordinary shares

Ordinary shares are classified as equity.

Notes to the financial statements (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Equity instruments (continued)

(ii) 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.

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

(k) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(ii) 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.

Notes to the financial statements (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue and other income (continued)

(iii) 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.

(iv) 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.

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 a 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.

Notes to the financial statements (cont'd)
30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 measurements

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 a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is 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.

Notes to the financial statements (cont'd)
30 June 2019

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 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 2018/1 July 2018	12,327	23,669	20,289	4,040	1,399	3,310	3,569	4,334	5,950	78,887
Additions	–	–	74	614	6	167	77	146	721	1,805
Disposals	–	–	–	(1,212)	–	–	–	–	–	(1,212)
Write-off	–	–	(1,823)	–	–	–	–	–	–	(1,823)
At 30 June 2019	12,327	23,669	18,540	3,442	1,405	3,477	3,646	4,480	6,671	77,657
Depreciation										
At 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 2018/1 July 2018	618	2,872	10,642	3,124	1,133	1,950	2,790	2,884	–	26,013
Depreciation for the year	131	473	1,693	387	120	317	324	419	–	3,864
Disposals	–	–	–	(1,212)	–	–	–	–	–	(1,212)
Write-off	–	–	(1,303)	–	–	–	–	–	–	(1,303)
At 30 June 2019	749	3,345	11,032	2,299	1,253	2,267	3,114	3,303	–	27,362
Carrying amounts										
At 1 July 2017	11,840	21,270	10,240	1,217	367	1,618	607	1,789	1,924	50,872
At 30 June 2018/1 July 2018	11,709	20,797	9,647	916	266	1,360	779	1,450	5,950	52,874
At 30 June 2019	**11,578**	**20,324**	**7,508**	**1,143**	**152**	**1,210**	**532**	**1,177**	**6,671**	**50,295**

Notes to the financial statements (cont'd)
30 June 2019

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
2019			
At cost	**4,903**	**16,752**	**21,655**
Accumulated depreciation	**(504)**	**(2,930)**	**(3,434)**
	4,399	**13,822**	**18,221**
2018			
At cost	4,903	16,752	21,655
Accumulated depreciation	(455)	(2,595)	(3,050)
	4,448	14,157	18,605

Fair value information

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

Group	Level 3 2019 RM'000	 2018 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 financial year end, there has been no transfer between all levels of fair value.

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.

Notes to the financial statements (cont'd)
30 June 2019

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation process applied by the Group (continued)

Level 3 fair value (continued)

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	
	2019	**2018**
At Cost	**RM'000**	**RM'000**
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 2019 %	Effective ownership interest 2018 %
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
Pecca Plus Sdn. Bhd. (Formerly known as Everest Empire Sdn. Bhd.) ("PPlus")	Malaysia	Dormant	**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:

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.

Notes to the financial statements (cont'd)
30 June 2019

4. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

	Number of ordinary shares			
	At 1.7.2018	Bought	Sold	At 30.6.2019
Interest in non-wholly owned subsidiaries:				
PAviation	210,000	–	–	**210,000**
PThailand	2,450	–	–	**2,450**

5. OTHER INVESTMENTS

Group **2019**	**Note**	**RM'000**
Non-current		
Financial assets at fair value through profit or loss:		
– club memberships	5.1	232
2018		
Non-current		
Available-for-sale financial asset:		
– club membership, at cost	5.1	167
Financial assets at fair value through profit or loss:		
– investments in unit trusts		5,126
		5,293
Current		
Financial assets at fair value through profit or loss:		
– investments in close-ended money market funds		38,738
		44,031

Company		
2018		
Non-current		
Financial assets at fair value through profit or loss:		
– investments in unit trusts		5,126
Current		
Financial assets at fair value through profit or loss:		
– investments in close-ended money market funds		32,232
		37,358

5.1 Included in club memberships is a club membership amounting to RM167,000 (2018 : RM167,000) held in trust by a Director of the Company.

Notes to the financial statements (cont'd)
30 June 2019

6. INVENTORIES

	Note	Group 2019 RM'000	Group 2018 RM'000
At cost:			
– Raw materials		**13,578**	17,060
– Finished goods		**2,167**	954
– Work-in-progress		**776**	873
At net realisable value:			
– Raw materials		**396**	–
		16,917	18,887
Recognised in profit or loss:			
Inventories recognised as cost of sales		**79,293**	66,637
Inventories written down to net realisable value	6.1	**203**	–

6.1 There is judgement involved in assessing the level of inventory write down required in respect of slow-moving and obsolete raw materials. The write down is included in cost of sales.

7. TRADE AND OTHER RECEIVABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade					
Trade receivables		**28,900**	19,795	**–**	–
Non-trade					
Amounts due from subsidiaries	7.1	**–**	–	**424**	411
Dividend receivable		**–**	–	**–**	13,340
Other receivables and deposits		**94**	202	**–**	–
		94	202	**424**	13,751
		28,994	19,997	**424**	13,751

7.1 The non-trade amounts due from subsidiaries are unsecured, subject to interest at 4.0% (2018: 4.0%) per annum and repayable on demand.

8. CASH AND CASH EQUIVALENTS

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash and bank balances		**21,590**	13,936	**417**	533
Liquid investments	8.1	**71,257**	33,292	**61,873**	19,938
		92,847	47,228	**62,290**	20,471

8.1 The liquid investments represent investments in unit trust funds which primarily invest in money market instruments and have insignificant risks of changes in the value of the investments.

Notes to the financial statements (cont'd)
30 June 2019

9. CAPITAL AND RESERVES

9.1 Share capital

	Group and Company			
	2019		2018	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares, issued and fully paid:				
At 1 July/30 June	135,702	188,000	135,702	188,000

Included in the RM135,702,000 issued and fully paid up ordinary shares was RM41,702,000 of share premium which was transferred and became part of the Company's share capital in accordance with Section 618(2) of Companies Act 2016 which came into effect on 31 January 2017.

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 Employee Share Option Scheme ("ESOS")

At an Extraordinary General Meeting held on 28 June 2019, the Company's shareholders approved the establishment of an ESOS of not more than 10% of the issued share capital (excluding Treasury Shares) of the Company.

There were no options granted to an eligible person during the financial year.

9.3 Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 26 November 2018, 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.

The Company repurchased a total of 308,800 (2018: 3,976,300) of its issued share capital from the open market. The average price paid for the shares repurchased was RM1.05 (2018: 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 2019, the Group held 4,632,100 (2018: 4,323,300) of the Company's shares.

9.4 Merger deficit

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

9.5 Translation reserve

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

9.6 Revaluation reserve

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

Notes to the financial statements (cont'd)
30 June 2019

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

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

Group	Assets 2019 RM'000	Assets 2018 RM'000	Liabilities 2019 RM'000	Liabilities 2018 RM'000	Net 2019 RM'000	Net 2018 RM'000
Revaluation surplus of leasehold land and buildings	**–**	–	**(3,283)**	(3,336)	**(3,283)**	(3,336)
Property, plant and equipment	**–**	–	**(3,313)**	(2,992)	**(3,313)**	(2,992)
Provisions	**801**	69	**–**	–	**801**	69
Other temporary differences	**–**	139	**(73)**	–	**(73)**	139
Tax assets/(liabilities)	**801**	208	**(6,669)**	(6,328)	**(5,868)**	(6,120)
Set off of tax	**(801)**	(208)	**801**	208	**–**	–
Net tax liabilities	**–**	–	**(5,868)**	(6,120)	**(5,868)**	(6,120)

Movement in temporary differences during the financial year

	At 1.7.2017 RM'000	Recognised in profit or loss (Note 15) RM'000	At 30.6.2018/ 1.7.2018 RM'000	Recognised in profit or loss (Note 15) RM'000	At 30.6.2019 RM'000
Revaluation surplus of leasehold land and buildings	(3,389)	53	(3,336)	53	**(3,283)**
Property, plant and equipment	(2,657)	(335)	(2,992)	(321)	**(3,313)**
Provisions	96	(27)	69	732	**801**
Others	(83)	222	139	(212)	**(73)**
	(6,033)	(87)	(6,120)	252	**(5,868)**

Unrecognised deferred tax assets

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

	2019 RM'000	2018 RM'000
Group		
Unabsorbed capital allowances	**96**	78
Unutilised tax losses	**463**	624
Taxable temporary differences	**(55)**	(49)
	504	653

Effective from Year of Assessment ("YA") 2019, the unutilised tax losses from a YA can only be carried forward up to 7 consecutive YA's, whilst the unabsorbed capital allowances and other temporary differences do not expire under the 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 (cont'd)
30 June 2019

11. TRADE AND OTHER PAYABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade					
Trade payables		**9,325**	14,952	**–**	–
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		**8,909**	4,176	**333**	128
		9,209	4,476	**333**	128
		18,534	19,428	**333**	128

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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue from contracts with customers				
Sales of goods	**117,979**	88,349	**–**	–
Service income	**13,396**	24,319	**–**	–
Other revenue				
Dividend income	**–**	–	**–**	22,816
	131,375	112,668	**–**	22,816

Notes to the financial statements (cont'd)
30 June 2019

12. REVENUE (CONT'D)

12.1 Disaggregation of revenue

Group	Reportable segment Automotive		Other non-reportable segment		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Primary geographical markets						
Malaysia	**107,449**	92,799	**1,249**	487	**108,698**	93,286
Asia Pacific	**14,919**	10,874	**–**	–	**14,919**	10,874
Europe	**3,856**	3,452	**–**	–	**3,856**	3,452
North America	**1,940**	1,545	**–**	–	**1,940**	1,545
Oceania	**1,962**	3,511	**–**	–	**1,962**	3,511
	130,126	112,181	**1,249**	487	**131,375**	112,668
Major product lines						
Revenue from car seat covers:						
Original Equipment Manufacturer	**78,512**	51,182	**–**	–	**78,512**	51,182
Replacement Equipment Manufacturer	**21,010**	20,737	**–**	–	**21,010**	20,737
Pre-Delivery Inspection	**14,741**	11,494	**–**	–	**14,741**	11,494
Other sales	**3,716**	4,936	**–**	–	**3,716**	4,936
Total sales of goods	**117,979**	88,349	**–**	–	**117,979**	88,349
Major service lines						
Leather cut pieces supply	**9,441**	22,556	**–**	–	**9,441**	22,556
Other services	**2,706**	1,276	**1,249**	487	**3,955**	1,763
Total service income	**12,147**	23,832	**1,249**	487	**13,396**	24,319
	130,126	112,181	**1,249**	487	**131,375**	112,668
Timing and recognition						
At a point in time	**130,126**	112,181	**1,249**	487	**131,375**	112,668

Notes to the financial statements (cont'd)
30 June 2019

12. REVENUE (CONT'D)

12.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognised revenue	Significant payment terms	Variable element in consideration	Warranty
Car seat covers	Revenue is recognised at a point in time when the goods are delivered and accepted by the customer.	Credit period ranges from 30 to 90 days (2018: 30 to 90 days) from invoice due date.	Not applicable.	Assurance warranties of 3 to 5 years are given to customers.
Other sales	Revenue is recognised at a point in time when the goods are delivered and accepted by the customer.	Credit period ranges from 30 to 90 days (2018: 30 to 90 days) from invoice due date.	Not applicable.	Assurance warranties of 3 to 5 years are given to customers.
Leather cut pieces supply	Revenue is recognised at a point in time when the services are rendered.	Credit period ranges from 30 to 90 days (2018: 30 to 90 days) from invoice due date.	Not applicable.	Not applicable.
Other services	Revenue is recognised at a point in time when the services are rendered.	Credit period ranges from 30 to 90 days (2018: 30 to 90 days) from invoice due date.	Not applicable.	Not applicable.

13. FINANCE INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income of financial assets calculated using the effective interest method that are at amortised costs	**236**	107	**52**	73
Other finance income	**2,035**	1,336	**1,586**	1,048
	2,271	1,443	**1,638**	1,121

Notes to the financial statements (cont'd)
30 June 2019

14. PROFIT BEFORE TAX

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration				
– Audit fees				
KPMG Malaysia	**155**	170	**50**	50
Other auditors	**7**	4	**–**	–
– Non-audit fees				
KPMG Malaysia	**6**	6	**–**	–
Local affiliates of KPMG	**26**	26	**5**	5
Material expenses:				
Depreciation of property, plant and equipment	**3,864**	4,090	**–**	–
Fair value loss on other investments	**164**	–	**158**	–
Impairment loss on trade receivables	**840**	–	**–**	–
Inventories written down to net realisable value	**203**	–	**–**	–
Loss on disposal of property, plant and equipment	**–**	48	**–**	–
Property, plant and equipment written off	**520**	63	**–**	–
Realised loss on foreign exchange	**262**	–	**–**	–
Rental of premises	**84**	216	**–**	–
Staff costs:				
– Contributions to state plans	**1,720**	1,600	**–**	–
– Wages, salaries and others	**20,952**	20,457	**11**	6
Unrealised loss on foreign exchange	**–**	577	**–**	–
Material income:				
Fair value gain on other investments	**–**	1,537	**–**	1,059
Gain on disposal of property,plant and equipment	**188**	–	**–**	–
Gain on disposal of other investment	**–**	134	**–**	–
Gross dividend from a subsidiary (unquoted)	**–**	–	**–**	22,816
Realised gain on foreign exchange	**–**	392	**–**	–
Reversal of impairment loss on trade receivables	**–**	2	**–**	–
Rental income	**216**	216	**–**	–
Unrealised gain on foreign exchange	**302**	–	**–**	–

Notes to the financial statements (cont'd)
30 June 2019

15. TAX EXPENSE

Recognised in profit or loss

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current tax expense				
Current year	**5,663**	2,690	**10**	17
Under provision in prior year	**96**	82	**5**	20
	5,759	2,772	**15**	37
Deferred tax expense				
(Reversal)/Origination of temporary differences	**(382)**	130	**–**	–
Under/(Over) provision in prior year	**130**	(43)	**–**	–
	(252)	87	**–**	–
	5,507	2,859	**15**	37
Reconciliation of tax expense				
Profit before tax	**22,179**	12,937	**1,349**	24,422
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)	**5,323**	3,105	**324**	5,861
Non-deductible expenses	**681**	533	**210**	132
Utilisation of reinvestment allowances	**(10)**	(185)	**–**	–
Non-taxable income	**(677)**	(684)	**(524)**	(5,976)
Effect of deferred tax assets not recognised	**3**	51	**–**	–
Recognition of previously unrecognised tax losses	**(39)**	–	**–**	–
Under/(Over) provision of tax expense in prior year				
– Current tax expense	**96**	82	**5**	20
– Deferred tax expense	**130**	(43)	**–**	–
	5,507	2,859	**15**	37

16. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 June 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2019 RM'000	Group 2018 RM'000
Profit attributable to ordinary shareholders		
Continuing operations	**16,616**	10,217

Notes to the financial statements (cont'd)
30 June 2019

16. EARNINGS PER ORDINARY SHARE (CONTINUED)

Weighted average number of ordinary shares outstanding

	Group 2019 '000	Group 2018 '000
Issued ordinary shares at the beginning of the year	**188,000**	188,000
Effect of treasury shares held	**(4,375)**	(2,476)
Weighted average number of shares (basic)	**183,625**	185,524

Basic earnings per ordinary share	Group 2019 Sen	Group 2018 Sen
From continuing operations	**9.05**	5.51

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary shares at 30 June 2019 and 30 June 2018.

17. DIVIDENDS

Dividends recognised by the Company are:

	RM per share	Total amount RM'000	Date of payment
2019			
Final 2018 ordinary (single tier)	**0.030**	**5,510**	14 December 2018
Interim 2019 ordinary (single tier)	**0.025**	**4,589**	10 May 2019
		10,099	
2018			
Final 2017 ordinary (single tier)	0.030	5,548	27 December 2017
Interim 2018 ordinary (single tier)	0.020	3,692	9 April 2018
		9,240	

On 23 October 2019, the following dividends was declared by the Directors. This dividend will be recognised in the subsequent financial period.

	RM per share	Total amount RM'000
Second interim 2019 ordinary (single tier)	0.035	6,418

The Directors do not recommend any final dividend to be paid for the financial year ended 30 June 2019.

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.

Notes to the financial statements (cont'd)
30 June 2019

18. OPERATING SEGMENT (CONTINUED)

Other non-reportable segment comprises operations related to the aviation leather industry and the Group's operations. This segment does not meet the quantitative thresholds for reporting segments in 2019 and 2018.

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 financial year to acquire property, plant and equipment.

Business segment

The Group comprises the following business segment:

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

	Automotive	
	2019	**2018**
	RM'000	**RM'000**
Revenue from car seat covers:		
Original Equipment Manufacturer	**78,512**	51,182
Replacement Equipment Manufacturer	**21,010**	20,737
Pre-Delivery Inspection	**14,741**	11,494
	114,263	83,413
Leather cut pieces supply	**9,441**	22,556
Others	**6,422**	6,212
	130,126	112,181
Segment profit before tax	**20,527**	11,530
Included in the measurement of segment profit before tax are:		
Finance costs	**–**	(50)
Finance income	**642**	858
Depreciation	**3,848**	4,074
Not included in the measurement of segment profit before tax but provided to Managing Director:		
Tax expense	**(5,492)**	(2,821)

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	
	2019	**2018**
	RM'000	**RM'000**
Malaysia	**107,449**	92,799
Asia Pacific	**14,919**	10,874
Europe	**3,856**	3,452
North America	**1,940**	1,545
Oceania	**1,962**	3,511
	130,126	112,181

Notes to the financial statements (cont'd)
30 June 2019

18. OPERATING SEGMENT (CONTINUED)

Major customers

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

	Automotive	
	2019	**2018**
	RM'000	**RM'000**
Customer A	**63,479**	38,729
Customer B	**14,366**	26,477
Customer C	**11,270**	9,318
	89,115	74,524

Reconciliations of reportable segment revenues and profit or loss

	Group	
	2019	**2018**
	RM'000	**RM'000**
Revenue		
Total revenue for reportable segment	**130,126**	112,181
Other non-reportable segment	**1,249**	487
Consolidated revenue	**131,375**	112,668
Profit or loss		
Total profit or loss for reportable segment	**20,527**	11,530
Other non-reportable segment	**1,652**	24,223
Elimination of inter-segment profit	**–**	(22,816)
Consolidated profit before tax	**22,179**	12,937

19. FINANCIAL INSTRUMENTS

19.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 30 June 2019 categorised as follows:

(a) Fair value through profit or loss ("FVTPL")
– Mandatorily required by MFRS 9

(b) Amortised cost ("AC")

2019 Financial assets	**Carrying amount RM'000**	**FVTPL RM'000**	**AC RM'000**
Group			
Other investments	**232**	**232**	**–**
Trade and other receivables	**28,994**	**–**	**28,994**
Liquid investments	**71,257**	**71,257**	**–**
Cash and bank balances	**21,590**	**–**	**21,590**
	122,073	**71,489**	**50,584**

Notes to the financial statements (cont'd)
30 June 2019

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.1 Categories of financial instruments (continued)

2019 Financial assets	Carrying amount RM'000	FVTPL RM'000	AC RM'000
Company			
Trade and other receivables	424	424	–
Liquid investments	61,873	61,873	–
Cash and bank balances	417	–	417
	62,714	62,297	417

Financial liabilities	Carrying amount RM'000	FVTPL RM'000	AC RM'000
Group			
Trade and other payables	(18,534)	–	(18,534)
Company			
Trade and other payables	(333)	–	(333)

The table below provides an analysis of financial instruments as at 30 June 2018 categorised as follows:

(a) Loans and receivables ("L&R")
(b) Fair value through profit or loss ("FVTPL")
(c) Available-for-sale financial assets ("AFS")
(d) Financial liability measured at amortised cost ("FL")

2018 Financial assets	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000	FVTPL RM'000
Group				
Other investments	44,031	–	167	43,864
Trade and other receivables	19,997	19,997	–	–
Liquid investments	33,292	–	–	33,292
Cash and bank balances	13,936	13,936	–	–
	111,256	33,933	167	77,156
Company				
Other investments	37,358	–	–	37,358
Trade and other receivables	13,751	13,751	–	–
Liquid investments	19,938	–	–	19,938
Cash and bank balances	533	533	–	–
	71,580	14,284	–	57,296

Notes to the financial statements (cont'd)
30 June 2019

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 30 June 2018 categorised as follows: (continued)

2018 Financial liabilities	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000	FVTPL RM'000
Group				
Trade and other payables	**(19,428)**	**(19,428)**	**–**	**–**
Company				
Trade and other payables	**(128)**	**(128)**	**–**	**–**

19.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
– Mandatorily required by MFRS 9	**2,471**	2,873	**2,027**	2,107
Available-for-sale financial assets	**–**	134	**–**	–
Financial assets at amortised cost	**(481)**	–	**52**	–
Financial liabilities at amortised cost	**(85)**	349	**–**	–
Loans and receivables	**–**	(425)	**–**	73
	1,905	2,931	**2,079**	2,180

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

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 advances to subsidiaries, liquid investments and deposits placed with approved financial institutions.

Trade 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.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

Notes to the financial statements (cont'd)
30 June 2019

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.4 **Credit risk** (continued)

Trade receivables (continued)

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

The Group does not hold any collateral from its customers.

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

Concentration of credit risk

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Malaysia	**22,962**	16,944
Asia Pacific	**2,042**	849
Europe	**1,569**	993
North America	**2,982**	452
Oceania	**365**	568
	29,920	19,806

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 days.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables. Invoices will be considered as credit impaired when one or more events that have a detrimental impact on the recovery of the trade receivables have occurred.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency.

Loss rates are based on actual credit loss experience over the past two years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the financial year.

Notes to the financial statements (cont'd)
30 June 2019

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.4 Credit risk (continued)

Trade receivables (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2019 which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2019			
Current (not past due)	**21,253**	**(1)**	**21,252**
1 – 30 days past due	**3,884**	**(3)**	**3,881**
31 – 60 days past due	**1,206**	**(2)**	**1,204**
61 – 90 days past due	**2,131**	**(40)**	**2,091**
More than 90 days past due	**499**	**(27)**	**472**
	28,973	**(73)**	**28,900**
Credit impaired			
Individually impaired	**947**	**(947)**	**–**
	29,920	**(1,020)**	**28,900**

The movements in the allowance for impairment in respect of trade receivables during the financial year are shown below:

Group	Trade receivables Lifetime ECL RM'000	Trade receivables Credit impaired RM'000	Total RM'000
Balance at 30 June 2018 as per MFRS 139	–	11	11
Adjustment on initial application of MFRS 9	169	–	169
Balance at 1 July 2018 as per MFRS 9	169	11	180
Net remeasurement of loss allowance	(96)	936	840
Balance at 30 June 2019	**73**	**947**	**1,020**

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 30 June 2018 was as follows:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
Current (not past due)	18,846	–	18,846
1 – 30 days past due	599	–	599
31 – 60 days past due	145	–	145
61 – 90 days past due	15	–	15
More than 90 days past due	201	(11)	190
	19,806	(11)	19,795

Notes to the financial statements (cont'd)
30 June 2019

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.4 Credit risk (continued)

Trade receivables (continued)

The movements in the allowance for impairment losses of trade receivables as at 30 June 2018 was as follows:

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

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

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 statements of financial position.

Other receivables

Credit risk on other receivables of the Group are mainly arising from deposits paid for utilities. These deposits will be received upon the termination of the services.

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.

As at the end of the reporting period, the Group did not recognise any allowance for impairment losses.

Intercompany advances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries which are non-trade in nature, unsecured, subject to interest at 4.0% (2018: 4.0%) 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.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

Notes to the financial statements (cont'd)
30 June 2019

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.4 Credit risk (continued)

Intercompany advances (continued)

Recognition and measurement of impairment loss

Generally, the Company considers advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers advances to subsidiary's to be credit impaired when:

- The subsidiary is unlikely to repay its advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for the subsidiaries' advances as at 30 June 2019.

2019	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
Company			
Low credit risk	**424**	**–**	**424**

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

In the previous financial year, there was no indication that the advances to subsidiaries were not recoverable and hence no impairment loss was recognised.

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 occured significantly earlier, or at significantly different amounts.

Notes to the financial statements (cont'd)
30 June 2019

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 2019	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	**18,534**	**–**	**18,534**	**18,534**
2018				
Non-derivative financial liabilities				
Trade and other payables	19,428	–	19,428	19,428
Company				
2019				
Non-derivative financial liabilities				
Trade and other payables	**333**	**–**	**333**	**333**
2018				
Non-derivative financial liabilities				
Trade and other payables	128	–	128	128

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 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 monitors currency movements closely to minimise exposures arising from currency movements.

Notes to the financial statements (cont'd)
30 June 2019

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.6 Market risk (continued)

(i) Currency risk (continued)

Exposure to foreign currency risk

The Group'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:

Group	Denominated in USD RM'000	SGD RM'000	EURO RM'000	Total RM'000
2019				
Balances recognised in the statement of financial position				
Trade receivables	**2,982**	**2,042**	**1,563**	**6,587**
Cash and cash equivalents	**267**	**4**	**5**	**276**
Trade payables	**(5,415)**	**–**	**(3)**	**(5,418)**
Net exposure	**(2,166)**	**2,046**	**1,565**	**1,445**
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)

The Group'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 in unit trusts and close-ended money market funds held by the Group and the Company. The Group's and the Company's exposure to price risk is immaterial. Hence, sensitivity analysis is not presented.

Notes to the financial statements (cont'd)
30 June 2019

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.7 Fair value of information

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

The tables below analyses other financial instruments at fair value.

2019	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Total fair value RM'000	Carrying amount RM'000
Group				
Financial assets				
Liquid investments	**71,257**	**–**	**71,257**	**71,257**
Club memberships	**–**	**232**	**232**	**232**
	71,257	**232**	**71,489**	**71,489**
Company				
Financial assets				
Liquid investments	**61,873**	**–**	**61,873**	**61,873**

2018	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
Group				
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 funds	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 funds	32,232	–	32,232	32,232
	57,296	–	57,296	57,296

Notes to the financial statements (cont'd)
30 June 2019

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.7 Fair value of information (continued)

Level 1 fair value

The fair value of liquid investments, unit trusts and the close-ended money market funds 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 memberships are 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 (2018: no transfer in either direction).

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:

	2019 RM'000	2018 RM'000
Group		
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	**118**	494

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 (cont'd)
30 June 2019

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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
A. Subsidiaries				
Dividend income from a subsidiary	**–**	–	**–**	22,816
Interest income charged to a subsidiary	**–**	–	**8**	58
B. Related parties				
Rental charged to a related party	**216**	216	**–**	–
C. Key management personnel				
Directors				
– Fees	**352**	408	**232**	288
– Remuneration	**1,455**	2,123	**32**	33
	1,807	2,531	**264**	321
Other key management personnel				
– salaries, allowances and bonus	**1,737**	1,580	**–**	–
– defined contribution plan	**213**	199	**–**	–
	1,950	1,779	**–**	–
	3,757	4,310	**264**	321

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.

23. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, Revenue from Contracts with Customers and MFRS 9, Financial Instruments on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

Notes to the financial statements (cont'd)
30 June 2019

23. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

23.1 Impacts on financial statements

The following table summarises the impact arising from the adoption of MFRS 9 on the Group's financial statements. No significant impact was identified arising from the adoption of MFRS 9 on the Company's financial statements.

No significant impact was identified arising from the adoption of MFRS 15 on the Group's and the Company's financial statements.

a. Statement of financial position

Group	As reported RM'000	MFRS 9 adjustments RM'000	Balances with adoption of MFRS 9 RM'000
At 1 July 2018			
Trade and other receivables	19,997	(169)	19,828
Others	164,833	–	164,833
Total assets	184,830	(169)	184,661
Total liabilities	25,548	–	25,548
Share capital	135,702	–	135,702
Reserves	23,854	(169)	23,685
Non-controlling interests	(274)	–	(274)
Total equity	159,282	(169)	159,113
Total equity and liabilities	184,830	(169)	184,661

23.2 Accounting for financial instruments

a. Adoption of MFRS 9

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

(i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, Financial Instruments: Recognition and Measurement.

(ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held; and
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

(iii) If an investment in a debt security had low credit risk at date of initial application of MFRS 9, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(iv) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime ECLs until the receivable is derecognised.

Notes to the financial statements (cont'd)
30 June 2019

23. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

23.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following tables show the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 July 2018:

		1 July 2018 Reclassification to new MFRS 9 category		
Category under MFRS 139 Group	**30 June 2018 RM'000**	**Amortised cost ("AC") RM'000**	**Fair value through profit or loss ("FVTPL") RM'000**	**Notes**
Financial assets				
Loan and receivables				
Trade and other receivables	19,997	19,997	–	23.2b(i)
Cash and bank balances	13,936	13,936	–	23.2b(i)
	33,933	33,933	–	
Available-for-sale				
Other investments	167	–	167	23.2b(iii)
Fair value through profit or loss				
Other investments	43,864	–	43,864	23.2b(ii)
Liquid investments	33,292	–	33,292	23.2b(ii)
	77,156	–	77,156	
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade and other payables	19,428	19,428	–	
	19,428	19,428	–	

Notes to the financial statements (cont'd)
30 June 2019

23. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

23.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

Category under MFRS 139 Company	30 June 2018 RM'000	1 July 2018 Reclassification to new MFRS 9 category AC RM'000	FVTPL RM'000	Notes
Financial assets				
Loans and receivables				
Trade and other receivables	13,751	13,751	–	23.2b(i)
Cash and bank balances	533	533	–	23.2b(i)
	14,284	14,284	–	
Fair value through profit or loss				
Other investments	37,358	–	37,358	23.2b(ii)
Liquid investments	19,938	–	19,938	23.2b(ii)
	57,296	–	57,296	
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade and other payables	128	–	128	
	128	–	128	

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. An increase of RM168,932 in allowance for impairment was recognised in opening retained earnings of the Group at 1 July 2018 on transition to MFRS 9.

(ii) Reclassification from FVTPL designated upon initial recognition to mandatorily at FVTPL

There were quoted unit trust funds, where the Group manages and assesses its performance on a fair value basis, in accordance to the Group's risk management strategy and it is provided to the key management personnel on a periodic basis. These investments are classified as FVTPL which are designated upon initial recognition. There is no change in the carrying amount as going forward these investments in securities are mandatorily recognised as FVTPL.

(iii) Reclassification from AFS to FVTPL

These are other investments which are not held for strategic purposes. As a result, the carrying amount of RM167,000 was reclassified from available-for-sale to fair value though profit or loss.

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 64 to 116 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 2019 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

....

Datin Sam Yin Thing
Director

Kuala Lumpur

Date: 23 October 2019

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, Foo Ken Nee, 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 64 to 116 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 Foo Ken Nee, NRIC: 771128-14-5141, MIA: CA 21877, at Kuala Lumpur in the Federal Territory on 23 October 2019.

....

Foo Ken Nee

Before me:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PECCA GROUP BERHAD

(Company No. 909531-D)
(Incorporated in Malaysia)

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 2019 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 64 to 116.

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 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Valuation of inventories

Refer to the accounting policy on Note 2(f) and Note 6 to the financial statements.

The key audit matter

The Group has significant raw materials balance as at 30 June 2019 of RM13,974,000 which represents 83% of the total inventory balance. There is judgement involved in assessing the level of inventory provision required in respect of slow moving and obsolete raw materials therefore, there is a risk that slow moving and obsolete raw materials have not been adequately provided for.

How the matter was addressed in our audit

Our audit procedures in this area included, amongst others:

- We evaluated the design and effectiveness of controls over identifying slow moving raw materials and obtained 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 utilisation 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.

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

(Company No. 909531-D)
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

(Company No. 909531-D)
(Incorporated in Malaysia)

Auditors' Responsibility for the Audit of the Financial Statements (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other 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: 23 October 2019

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 30.06.2019 (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	7 years / 5 January 2011 (for 4-storey office and 4-storey factory) 21 June 2011 (for 6-storey hostel)	31,575,703	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	18 years/ 2 December 2010	326,555	350,000 03.02.2016

ANALYSIS OF SHAREHOLDINGS

Analysis of Shareholdings as at 1 October 2019
Issued Shares : 188,000,000 (including shares held as treasury shares)
Treasury Shares : 4,632,100
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	14	0.80	150	0.00
100 – 1,000	281	16.07	187,450	0.10
1,001 – 10,000	833	47.63	4,468,950	2.44
10,001 – 100,000	512	29.27	17,972,570	9.80
100,001 to less than 5% of issued shares	106	6.06	64,743,507	35.31
5% and above of issued shares	3	0.17	95,995,273	52.35
Total	1,749	100.00	183,367,900	100.00

* Excluding a total of 4,632,100 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 1 October 2019.

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders as at 1 October 2019)

Name of Substantial Shareholder	No. of shares held			
	Direct	%(2)	Indirect	%(2)
MRZ Leather Holdings Sdn Bhd	85,692,420	46.73	–	–
Datuk Teoh Hwa Cheng	10,302,853	5.62	(1)85,989,420	(1)46.89
Datin Sam Yin Thing	4,080,002	2.23	(1)85,989,420	(1)46.89
Kumpulan Wang Persaraan (Diperbadankan)			9,941,200	5.42

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 4,632,100 shares bought back by the Company and retained as treasury shares.

ANALYSIS OF SHAREHOLDINGS (cont'd)

DIRECTORS' SHAREHOLDINGS
(as per Register of Directors' Shareholdings as at 1 October 2019)

Name of Directors	No. of shares held			
	Direct	%[2]	Indirect	%[2]
Dato' Mohamed Suffian bin Awang	100,000	0.06	–	–
Datuk Teoh Hwa Cheng	10,302,853	5.62	[1] 85,989,420	[1]46.89
Datin Sam Yin Thing	4,080,002	2.23	[1] 85,989,420	[1]46.89
Datuk Leong Kam Weng	100,000	0.06	–	–

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 4,632,100 shares bought back by the Company and retained as treasury shares.

ANALYSIS OF SHAREHOLDINGS (cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 1 OCTOBER 2019

No.	Name	No. of shares	Percentage holding (%)
1.	MRZ LEATHER HOLDINGS SDN. BHD.	45,692,420	24.92
2.	MRZ LEATHER HOLDINGS SDN. BHD.	40,000,000	21.81
3.	TEOH HWA CHENG	10,302,853	5.62
4.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	5,649,800	3.08
5.	SAM YIN THING	4,080,002	2.22
6.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	3,836,900	2.09
7.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	2,833,300	1.55
8.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	2,826,100	1.54
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ESPG IV SC E)	2,760,000	1.51
10.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NG PAIK PHENG (PB)	2,577,500	1.41
11.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)	2,277,500	1.24
12.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (ULIFE2)	2,254,400	1.23
13.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	2,000,000	1.09
14.	TAN KIM PIAU	1,911,200	1.04
15.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (DGF)	1,890,000	1.03
16.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KENANGA ISLAMIC FUND	1,372,200	0.75
17.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)(419471)	1,105,800	0.60
18.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (MYBK AM SC E)	1,066,800	0.58
19.	LOH KIAN CHONG	1,000,000	0.55

ANALYSIS OF SHAREHOLDINGS (cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 1 OCTOBER 2019 (cont'd)

No.	Name	No. of shares	Percentage holding (%)
20.	CHONG SWEE MAIN	935,001	0.51
21.	SAM CHEE KENG	916,700	0.50
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM (211901)	805,900	0.44
23.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LAI KAM MEI (LAI0576C)	800,000	0.44
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SYED MOHAMMAD HAFIZ BIN SYED RAZLAN	789,724	0.43
25.	CARTABAN NOMINEES (TEMPATAN) SDN BHD CN CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA GROWTH FUND SERIES 2	677,600	0.37
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MEDICAL FUND (IFM KENANGA)	626,000	0.34
27.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SOO HIOK	624,300	0.34
28.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA SHARIAH GROWTH OPPORTUNITIES FUND (50156 TR01)	613,600	0.34
29.	N SUVENDRA A/L S NAKENDRA	606,000	0.33
30.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB PRIVATE FUND - SERIES 3	600,000	0.33
	Total	143,431,600	78.22

* Excluding a total of 4,632,100 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 1 October 2019.

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of PECCA GROUP BERHAD will be held at Greens II, Main Wing, Level 1, Tropicana Golf & Country Resorts, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor, on Friday, 29 November 2019 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 2019 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To approve the payment of Directors' fees of up to RM324,000.00 and benefits payable to the Directors of the Company and its subsidiary of up to RM41,000.00 from 1 July 2019 until the conclusion of the next Annual General Meeting of the Company. **Ordinary Resolution 1**

3. To re-elect Datuk Teoh Hwa Cheng who is retiring pursuant to Article 98 of the Articles of Association of the Company and being eligible, has offered himself for re-election. **Ordinary Resolution 2**

4. To re-elect Mr Kong Kam Seong who is retiring pursuant to Article 103 of the Articles of Association of the Company and being eligible, has offered himself for re-election. **Ordinary Resolution 3**

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

As Special Business

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

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

   Ordinary Resolution 5

   "**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."

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

   Ordinary Resolution 6

   "**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

Notice Of Annual General Meeting (cont'd)

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

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

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

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

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

THAT upon completion of the purchase by the Company of its own ordinary shares, the Directors of the Company be and are hereby authorised to deal with the ordinary shares purchased in their absolute discretion as defined in Section 127 of the Act in the following manner:-

(a) cancel 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."

Notice Of Annual General Meeting (cont'd)

8. Proposed Adoption of a New Constitution of The Company

Special Resolution

"**THAT** the Company's existing Memorandum and Articles of Association of the Company be and is hereby deleted in its entirety and the new Constitution of the Company as set out in Part B of the Circular to Shareholders dated 29 October 2019 be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption of a New Constitution with full powers to assent to any conditions, modifications as may be required by any authorities to give effect to the Proposed Adoption of a New Constitution."

9. To transact any other business for which due notice shall have been given in accordance with the Act.

BY ORDER OF THE BOARD

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

Selangor Darul Ehsan

Date: 29 October 2019

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 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor 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 19 November 2019 (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 5 on Proposed Renewal of Authority under Section 76 of the Act for the Directors to allot and issue shares

The Company had, during its Eighth Annual General Meeting held on 26 November 2018, 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.

The Ordinary Resolution 5 proposed under item 6 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 ten per centum (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).

Notice Of Annual General Meeting (cont'd)

3. Ordinary Resolution 6 on Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

The proposed Ordinary Resolution 6, if passed, will empower the Directors to purchase the Company's shares of up to ten per centum (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 6, please refer to the Statement to Shareholders dated 29 October 2019 accompanying the Annual Report of the Company for the financial year ended 30 June 2019.

4. Special Resolution on Proposed Adoption of a New Constitution of the Company

The proposed Special Resolution, if passed, will align the Constitution of the Company with the Act, which came in force on 31 January 2017, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing laws, guidelines or requirements of the relevant authorities as well as enhance administrative efficiency and provide greater clarity and consistency throughout.

For further information on Special Resolutions, please refer to the Circular to Shareholders dated 29 October 2019 accompanying the proposed Constitution of the Company.

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'S NO: 909531-D
INCORPORATED IN MALAYSIA

PROXY FORM

No. of shares held	CDS account number of holder

I/We, ____ (name of member 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 Ninth Annual General Meeting of the Company to be held at Greens II, Main Wing, Level 1, Tropicana Golf & Country Resorts, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor on Friday, 29 November 2019 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	**Approval of the payment of Directors' fees of up to RM324,000.00 and benefits payable to the Directors of the Company and its subsidiary of up to RM41,000.00 from 1 July 2019 until the conclusion of the next Annual General Meeting of the Company**		
Ordinary Resolution 2	**Re-election of Datuk Teoh Hwa Cheng who is retiring pursuant to Article 98 of the Articles of Association of the Company and being eligible, has offered himself for re-election.**		
Ordinary Resolution 3	**Re-election of Mr Kong Kam Seong who is retiring pursuant to Article 103 of the Articles of Association of the Company and being eligible, has offered himself for re-election.**		
Ordinary Resolution 4	**Re-appointment of KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration**		
Ordinary Resolution 5	**Proposed Renewal of Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares**		
Ordinary Resolution 6	**Proposed Renewal of Authority to the Company to Purchase its own Ordinary Shares**		
Special Resolution	**Proposed Adoption of A New Constitution of the Company**		

(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 Member

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 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.

6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 19 November 2019 and only a Depositor whose name appears on such Record of Depositors shall be eligible to attend, speak and vote at this meeting entitled to appoint proxy or proxies to attend and/or vote on his behalf.

7. Pursuant to Paragraph 8.29A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of general meeting will be put to vote by way of poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

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 2019.

PECCA
GROUP BERHAD
(Company No. 909531-D)

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