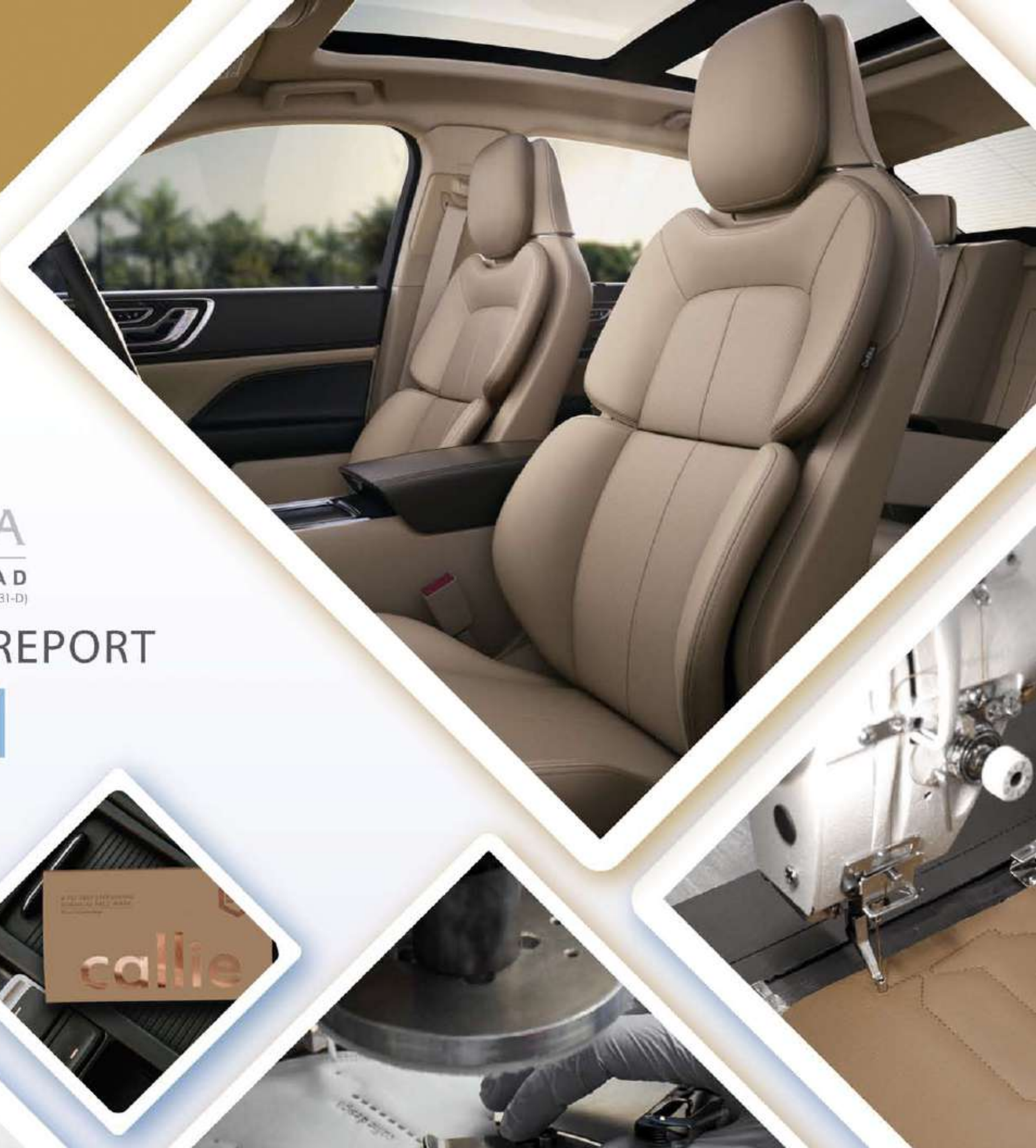
PECCA
GROUP BERHAD
Registration No. 201001025617 (909531-D)

ANNUAL REPORT 2021




WHAT'S INSIDE

WHO WE ARE

Pecca Group Berhad ("Pecca" or "the Company") was listed on the Main Market of the Bursa Malaysia Securities Berhad ("Bursa Securities") under the industrial products and services sector on 19 April 2016.

Pecca and its subsidiaries ("the Group")'s core activities are styling, manufacturing, distribution and installation of leather upholstery for seat covers for the automotive and aviation industries. While the Group's principal business started with the automotive seat covers leather upholstery business via our operating subsidiary, Pecca Leather Sdn Bhd ("PLSB"), the company today had expanded into other segments using its manufacturing capabilities into aviation and healthcare personal protective equipment (PPE) which includes facemask, face shields, PPE garments, etc. PLSB has invested in machineries and cleanroom facilities to produce high-quality PPE products and registered with the Medical Device Authority (MDA) of Malaysia for the establishment license to commerce the sale of PPE products. In addition, PLSB also obtained the certification from the U.S. Food and Drug Administration (FDA) and the EU's CE marking.

VISION

To be the leading upholstery manufacturer globally.

MISSION

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

PECCA
IN A GLANCE

REVENUE

RM 144.75 million

PROFIT AFTER TAX

RM 19.20 million

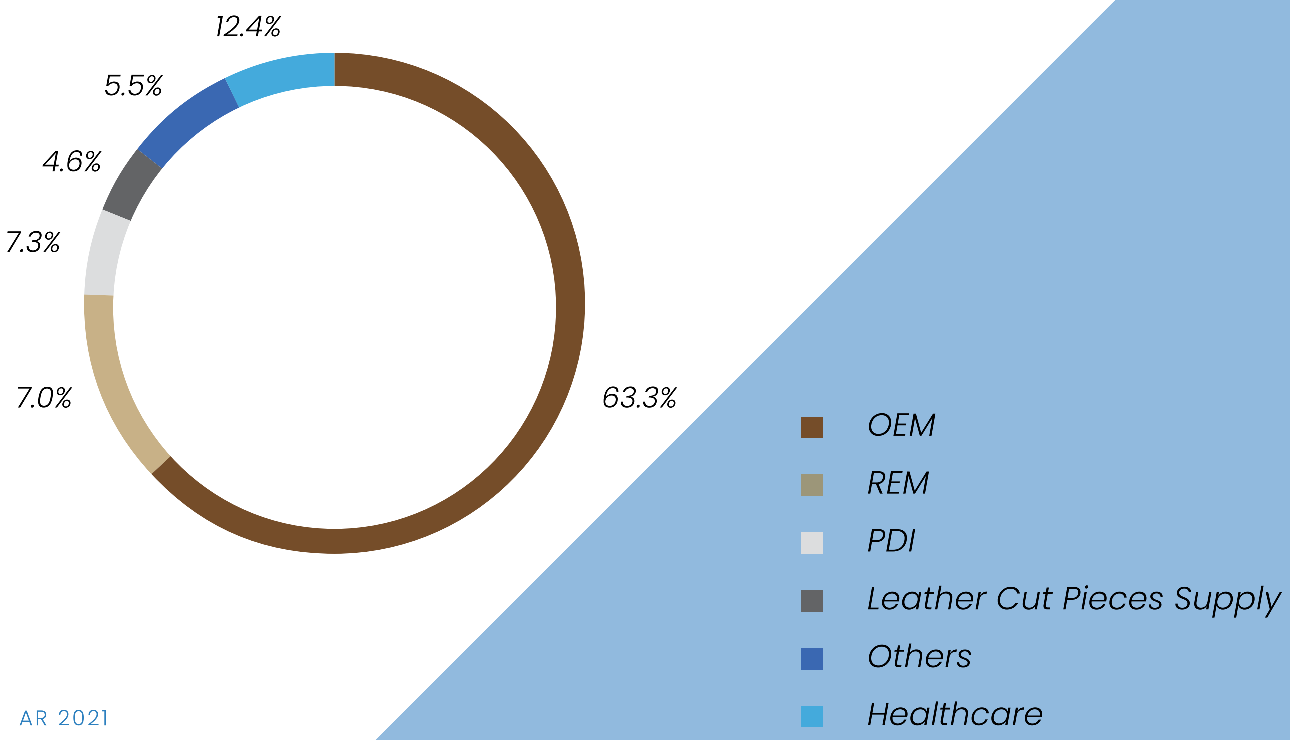
EARNINGS PER SHARE

10.87 sen

TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

RM 167 million

Revenue By Segment



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)

TEOH ZI YI
(Executive Director)

TEOH ZI YUEN
(Executive Director)

DATUK LEONG KAM WENG
(Independent Non-Executive Director)

DATO' DR. NORHIZAN BIN ISMAIL
(Independent Non-Executive Director)
(Appointed on 17 September 2021)

LEONG CHEE TONG
(Independent Non-Executive Director)
(Retired on 17 September 2021)

CHEW KIAN SENG
(Executive Director)
(Resigned on 20 August 2021)

REGISTERED OFFICE

BOARDROOM CORPORATE SERVICES SDN BHD
Registration No. 196001000110 (3775-X)
12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
T: (03) 7890 4800 F: (03) 7890 4650

BUSINESS ADDRESS

No. 1, Jalan Perindustrian Desa Aman 1A
Industri Desa Aman, Kepong
52200 Kuala Lumpur
T: (03) 6275 1800 F: (03) 6275 9867
E: enquiry@peccaleather.com
www.peccaleather.com

LISTING

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

AUDIT & RISK MANAGEMENT COMMITTEE

Datuk Leong Kam Weng (Chairman)

Dato' Mohamed Suffian Bin Awang

Dato' Dr. Norhizan Bin Ismail
(Appointed on 17 September 2021)

Leong Chee Tong
(Retired on 17 September 2021)

Chew Kian Seng
(Resigned on 16 October 2020)

NOMINATION COMMITTEE

Dato' Mohamed Suffian Bin Awang (Chairman)

Datuk Leong Kam Weng

Dato' Dr. Norhizan Bin Ismail
(Appointed on 17 September 2021)

Leong Chee Tong
(Retired on 17 September 2021)

Chew Kian Seng
(Resigned on 16 October 2020)

REMUNERATION COMMITTEE

Datuk Leong Kam Weng (Chairman)

Datuk Teoh Hwa Cheng

Dato' Dr. Norhizan Bin Ismail
(Appointed on 17 September 2021)

Leong Chee Tong
(Retired on 17 September 2021)

Chew Kian Seng
(Resigned on 16 October 2020)

AUDITORS

KPMG PLT
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
T: (03) 7721 3388 F: (03) 7721 3399

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143 /
SSM Practising Certificate No. 202008001023)

Tai Yuen Ling (LS 0008513/
SSM Practicing Certificate No. 202008001075)

SHARE REGISTRAR

BOARDROOM SHARE REGISTRARS SDN BHD
Registration No. 199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
T: (03) 7890 4700 F: (03) 7890 4670

CORPORATE STRUCTURE

PECCA GROUP BERHAD
Registration No. 201001025617 (909531-D)

PECCA LEATHER

Pecca Leather Sdn Bhd (PLeather) 100%
Registration No. 200001015763 (518370-H)

- 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
- Manufacturing and distribution of healthcare products

PECCA AVIATION SERVICES

Pecca Aviation Services Sdn Bhd (PAviation) 100%
Registration No. 200901019805 (862902-W)

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

P-PLUS

Pecca Plus Sdn Bhd (PPlus) 100%
Registration No. 201101028085 (956220-V)

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

PECCA LEATHER (THAILAND)

Pecca Leather (Thailand) Limited (PThai) 49%
Registration No. 0115559022968

- Supply of leather upholstery for automotive industry

BOARD OF DIRECTORS PGB

Left to right:

TEOH ZI YUEN
Executive Director

DATUK TEOH HWA CHENG
Group Managing Director

DATUK LEONG KAM WENG
Independent Non-Executive Director

DATO' MOHAMED SUFFIAN BIN AWANG
Independent Non-Executive Chairman

DATO' DR. NORHIZAN BIN ISMAIL
Independent Non-Executive Director

DATIN SAM YIN THING
Executive Director

TEOH ZI YI
Executive Director

OUR DIRECTORS

DATO' MOHAMED SUFFIAN BIN AWANG

Independent Non-Executive Chairman

50 Malaysian Male

Dato' Mohamed Suffian Bin Awang ("Dato' Mohamed Suffian") 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 is also the Chairman of Nomination Committee and a member of Audit and Risk Management Committee of the Company. 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 is Chairman for Maritime Institute of Malaysia (MIMA) and also Board of Director in Medical Devices Authority under Ministry of Health Malaysia. Dato' Mohamed Suffian does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 30 June 2021.

OUR DIRECTORS

DATUK TEOH HWA CHENG

Group Managing Director

53 Malaysian Male

Datuk Teoh Hwa Cheng ("Datuk Teoh") 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 is a member of the Remuneration Committee of the Company. He brings with him more than 27 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. Datuk Teoh is the spouse of Datin Sam Yin Thing and father of Mr Teoh Zi Yi and Ms Teoh Zi Yuen. He does not hold any directorship in other public companies or listed issuers. He has no conflict of interest with the Company except that he is a substantial shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 30 June 2021.

OUR DIRECTORS

DATIN SAM YIN THING

Executive Director

50 Malaysian Female

Datin Sam Yin Thing ("Datin Sam") is the Executive Director of Pecca Group Berhad. She was appointed to the Board on 31 October 2011. She is currently responsible for overseeing the purchasing functions of our Pecca Group, especially those in relation to vendor development for key raw materials. These include leather and PVC raw materials, where she has extensive knowledge from her involvement in the leather industry for the past 22 years. Datin Sam is the spouse of Datuk Teoh and mother of Mr Teoh Zi Yi and Ms Teoh Zi Yuen. She does not hold any directorship in other public companies or listed issuers. She has no conflict of interest with the Company except that she is a substantial shareholder of the Company. She has never been convicted for any offence within the past five (5) years. She attended all the five (5) Board Meetings held during the financial year ended 30 June 2021.

OUR DIRECTORS

DATUK LEONG KAM WENG

Independent Non-Executive Director

57 Malaysian Male

Datuk Leong Kam Weng ("Datuk Leong") is our Independent Non– Executive Director. He was appointed to our Board on 11 September 2014. He is the Chairman of Audit and Risk Management Committee and Remuneration Committee and a member of Nomination Committee of the Company. 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 Xin Hwa Holdings Berhad, which is listed on Bursa Malaysia Securities Berhad. He is also a director of several non-listed public companies namely, Tokio Marine Life Insurance Malaysia Berhad, Asian Outreach (M) Berhad and Pusat Penyayang KSKA. Datuk Leong does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 30 June 2021.

OUR DIRECTORS

DATO' DR. NORHIZAN BIN ISMAIL

Independent Non-Executive Director

60 Malaysian Male

Dato' Dr. Norhizan bin Ismail ("Dato' Dr. Norhizan") was appointed as the Independent Non-Executive Director of Pecca Group Berhad on 17 September 2021. He was also appointed as a member of Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

He obtained a Medical Doctor (MD) Degree from Universiti Sains Malaysia (USM) in August 1986, amongst the pioneer group of medical doctors graduated from USM. Passion and strong determination in improving health of the community has led him to pursue his study in the field of Public Health in which he was conferred a Master Degree in Public Health (MPH) from University of Malaya in 1996. In view of his experience and contributions in the field of Public Health, he was gazetted as a Public Health Physician in 2002. He subsequently enhanced his technical expertise by successfully obtained certification through a two years Epidemic Intelligent Program (EIP) training in Ministry of Health (MOH) Malaysia from 2004 to 2006. He was then further acknowledged by MOH Malaysia and Academy of Medicine of Malaysia as a Public Health Specialist in 2011 and was listed in the National Specialist Register (NSR) of Malaysia. The Council of Malaysian Public Health Physicians' Association has also acknowledged his motivation and vast contributions in Public Health thus admitting him as a Fellow of Public Health Medicine Malaysia on 16 July 2018.

Dato' Dr. Norhizan is very passionate in his field of expertise and has dedicated his heart and soul for nearly 35 years with MOH Malaysia. Throughout his tenure, he has served all levels of healthcare services which include hospitals, District Health offices and State Health Departments where he took on strategic post as Pahang and Kedah State Health Director and was conferred Datukship from both states. He also served in various units and sectors within the Headquarters of MOH Malaysia adding on to his invaluable and extensive experience. His career was further flourished when he served as the Director of Medical Development Division MOH Malaysia. His highest achievement was the appointment as Deputy Director General of Health (Medical) MOH Malaysia prior to his official retirement on 17 August 2021.

Dato' Dr. Norhizan does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He does not hold any directorship in other public companies or listed issuers.

Dato' Dr. Norhizan does not attend any meeting held during the financial year ended 30 June 2021 as he was appointed on 17 September 2021

OUR DIRECTORS

TEOH ZI YI

Executive Director

28 Malaysian Male

Teoh Zi Yi ("Mr Teoh") is the Executive Director of Pecca Group Berhad. He was appointed to the Board on 16 October 2020. He is currently responsible for overseeing the new project of Pecca Group, on new business development, diversification strategy and planning, and research and development of new car accessories product. Mr. Teoh graduated with a Bachelor of Business Management Degree from University of East Anglia in Norwich, England. Mr Teoh is the son of Datuk Teoh and Datin Sam, and is the sibling of Ms Teoh Zi Yuen. He does not hold any directorship in other public companies or listed issuers. He has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended four (4) Board Meetings held during the financial year ended 30 June 2021 since his appointment on 16 October 2020.

OUR DIRECTORS

TEOH ZI YUEN
Executive Director

26 Malaysian Female

Teoh Zi Yuen ("Ms Teoh") is the Executive Director of Pecca Group Berhad. She was appointed to the Board on 16 October 2020. She is currently responsible for Corporate Affairs and Investor relations of Pecca Group. When the COVID-19 pandemic struck on 18th March 2020, she took the opportunity to lead the planning of investment and production into the healthcare segment. This would tap into our core expertise of manufacturing high-quality leather seat covers, a skill that could be carried over into the production of high-quality medical-grade face masks. Ms Teoh holds a Bachelor of Economics Degree from Pepperdine University in Los Angeles, California, USA. Ms Teoh is the daughter of Datuk Teoh and Datin Sam, and is the sibling of Mr Teoh. She does not hold any directorship in other public companies or listed issuers. She has no conflict of interest with the Company. She has never been convicted for any offense within the past five (5) years. She attended four (4) Board Meetings held during the financial year ended 30 June 2021 since her appointment on 16 October 2020.

OUR
KEY MANAGEMENT

K.KARUNAKARAN A/L KARUPPANNAN

Chief Operation Officer

54 Malaysian 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.

Mr K. Karunakaran has over 27 years of working experience gained 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.

He was instrumental in setting up 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 ISO9001:2000, ISO/TS 16949, EMS ISO14001:2004, OSHAS 18001:2007 and VDA6.3 certifications. He now oversees the overall plant operations, including the supply chain management of our Group.

He does not hold any directorship in public companies or listed issuers. He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years.

MAT NIZAM BIN MAT DARON

General Manager Sales

51 Malaysian Male

Mat Nizam Bin Mat Daron was appointed as the General Manager of Sales of Pecca Leather on 1 July 2016. He obtained his Executive Masters in Entrepreneurship from Asia e-University. Mat

Mat Nizam 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. He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years.

OUR
KEY MANAGEMENT

SAM CHEE KENG
Technical Director

42 Malaysian Male

Sam Chee Keng was appointed as the Factory Manager of Pecca Group Berhad 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 is the siblings of Datin Sam and Mr Sam Chee Siong, and Brother-in-Law of Datuk Teoh. He does not hold any directorship in other public companies or listed issuers. He has no conflict of interest with the Company and has never been convicted for any offence within the past five (5) years.

CHU SHU LIP
Special Function - Advisor

53 Malaysian Male

Chu Shu Lip was appointed as the Special Function - Advisor of Pecca Leather on 8 October 2020. He obtained his Bachelor Degree in Business Administration from University of Arkansas, USA. Mr. Chu has over 20 years of sales experience in the automotive industry.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years.

OUR

KEY MANAGEMENT

SAM CHEE SIONG

Operations Manager

47 Malaysian Male

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

Sam Chee Siong has over 20 years of working experience in the operations of producing 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 is the siblings of Datin Sam and Mr Sam Chee Keng, and Brother-in-Law of Datuk Teoh. He does not hold any directorship in other public companies or listed issuers. He has no conflict of interest with the Company and has never been convicted for any offence within the past five (5) years.

LIM BOON KUAN

Financial Controller

54 Malaysian Male

Mr Lim Boon Kuan was appointed as Financial Controller of Pecca Leather Sdn Bhd on 14 June 2021 and is responsible for accounts and finance functions. He is a Member of Malaysian Institute of Accountants and fellowship of Association of Certified Chartered Accountants.

Mr Lim has over 25 years of extensive working experience and knowledge in various industries such as textiles, property, mechanical and engineering, courier services, trading, manufacturing and stockbroking. He has previously held senior leadership positions as Senior Manager, Financial Controller and Chief Financial Officer in his past employments with several listed companies.

He does not hold any directorship in public companies or listed issuers. He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years.

OUR KEY MANAGEMENT

UVARAJASINGAM A/L KANAGASINGAM

Quality Assurance & Business Development Manager

44 Malaysian Male

Uvarajasingam was appointed as the Quality Assurance and Business Development Manager of Aviation Services Sdn Bhd on 1 January 2020.

Uvarajasingam has been in the Aviation Industry for 25 years working with major airlines like Malaysia Airlines and Malindo in the Cabin Interior Maintenance environment. He completed his Aviation Engineering education in the United Kingdom in 1997.

He does not hold any directorship in public companies or listed issuers. He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years.

CHAIRMAN & MANAGING DIRECTOR'S

MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

The Covid-19 pandemic is certainly the most significant theme for businesses in 2021. Most business owners in this region will likely agree that this is one of the biggest shocks to businesses after the Asian Financial Crisis, and has stress tested the resiliency and agility of businesses, entrepreneurs and business leaders to adapt to waves of unprecedented and significant business shocks. In Pecca's long history, the Covid-19 pandemic was certainly our biggest test ever in business and what sums up our company's experience was in finding the silver lining behind the clouds. Despite the hurdles, we weathered through the various challenges, by leveraging on our strong foundations in business processes, staff unity and strong entrepreneurial spirit to swiftly take up new business opportunities that emerged from the pandemic to kickstart our venture into healthcare.

"Business Transformation, Ecosystem Development and Strengthening our Core" have been our 3 dominant business mindsets since 2020 and will continue to define Pecca's business so that strategy for the next few years. We are determined to transform Pecca into a dual engine growth ecosystem so our business has diversified sources of income that is in line with long term business trends of the world, heightened health and safety standards in the post-covid pandemic environment. We have also recently announced our acquisition into Rentas Health to further strengthen our foray into healthcare. On the other hand, we are optimistic in the recovery of the automotive orders and expect to further increase our client base after this pandemic.

Our company's motto "Passion & Perfection" has been inspired by our passion in the heart to take something which is imperfect and craft it into a perfect work of art. Therefore, R&D has always been the heart of our company so that we can provide our customers the best quality products. Since 2020, we have achieved significant breakthroughs in healthcare technology with provide a highly breathable and fashionable 4-ply masks as well as automotive leather technology with higher production automation, we have also developed new products to tap into the trending electric vehicles (EVs) and higher quality car seat covers which is expected to fetch higher margins. We are a strong believer in providing comprehensive customer support and having strong collaborations with customers. We put in relentless efforts to solve customers' pain points, develop new clients as well as strengthen existing relationships.

We would like to express our greatest gratitude to our staff for supporting the management team in times of difficulties. It was the spirit of unity and strong support that has helped us steer through the toughest business challenges since our business inception. We would like to thank all of them for their relentless support to new Covid preventive measures, single-mindedness to ensure business continuity and discipline in the new working environment.

Action speaks louder than words and we believe in rewarding our shareholder through tangible dividend distributions that ties back to our profit performance. We have sustained strong dividend payments since listing and we are optimistic in improving our dividend payments with the growth plans that we have in place.

Apart from that, we have also made significant enhancements to our efforts to drive business sustainability via energy conservation initiatives and various ESG initiatives. Please refer to our Sustainability Statement in this year's annual report for more details.

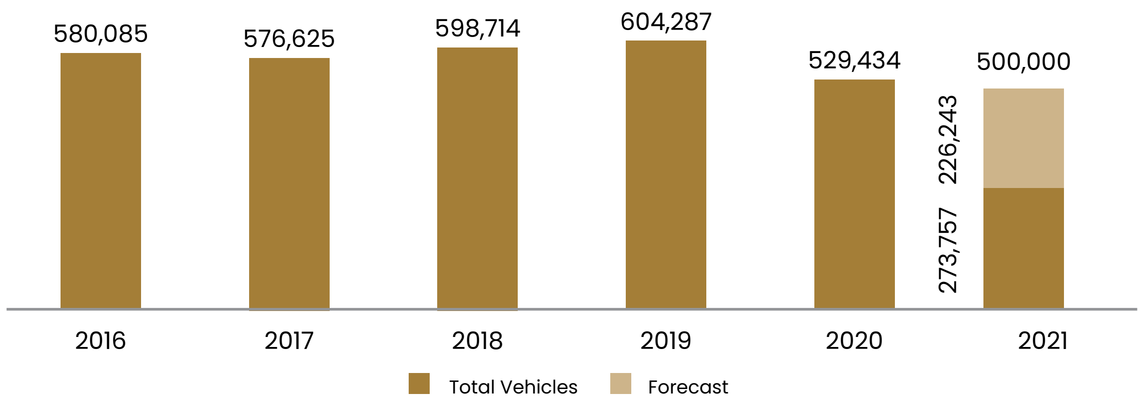
On this note, I present to you our annual report for the financial year ended 30th June 2021.

MANAGEMENT DISCUSSION & ANALYSIS

1. Market Overview

Automotive market overview:

Total Industry Vehicle (TIV) as at August 2021



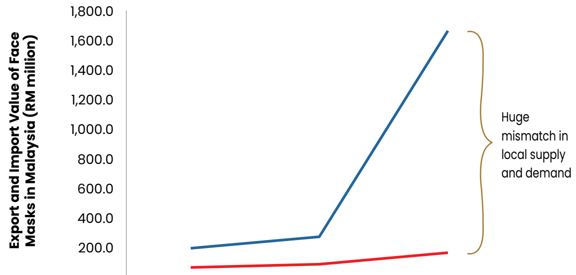
Source: MAA

Due to movement control order and various preventive measures imposed by the Malaysian Government throughout the year 2020, Malaysia's automotive sector had recorded a negative growth of TIV in 2020. As the pandemic continued to disrupt the automotive sector in the middle part of the year 2021, TIV sales have not recovered strongly and MAA is forecasting TIV sales to be 500,000 units in 2021. As of 2021, TIV sales data has reached 273,757 units, or around 54.82% of the full year MAA forecast. This is encouraging as most of the automobile sales are typically sold in the later part of the year, and we expect the recovery in automobile sales to drive our leather upholstery business moving forward.

The Malaysian Government has introduced various incentives to support the local automotive industry, with the most significant being the exemption of Sales Service Tax (SST) for car sales. This SST exemption has been extended to 31st December 2021, where SST is 100% exempted for locally-assembled cars (CKD models) and 50% exempted for fully imported cars (CBU models). This makes car purchase cheaper for consumers, and coupled with expected new car model launches in 2H21 as well as 2022, the overall automotive sector in Malaysia should see a meaningful recovery moving forward.

Healthcare market overview:

Figure 1-2: Export and Impact Value of Face Masks in Malaysia, 2018-2020

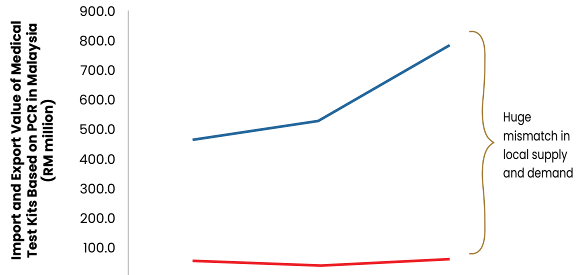


	2018	2019	2020
Import Value	190.8	265.1	1,660.8
Export Value	75.9	88.3	152.3

Year

Source: Malaysia External Trade Statistics ("METS")

Figure 2-2: Export and Impact Value of Medical Test Kits Based on PCR in Malaysia, 2018-2020



	2018	2019	2020
Import Value	467.0	521.0	788.3
Export Value	50.3	31.5	54.4

Year

Source: METS

MANAGEMENT DISCUSSION & ANALYSIS

1. Market Overview (Cont'd)

The Covid-19 Pandemic has significantly increased the demand for Personal Protective Equipment (PPE) products. PPE are products worn by workers to protect them from hazards in the workplace and by the public to protect themselves from potential contaminants. Healthcare-related PPE products include disposable rubber gloves, goggles, coveralls, face masks, face shields, jumpsuits, caps, gown, shoe covers.

In Malaysia, there is a shortage of face masks because of limited production capacity locally, and the Malaysian government had to source for the products from foreign suppliers. Based on the independent research firm Protégé, the total industry production capacity is estimated to be around 1.33 billion face masks in 2021, falling short of the market demand of around 4 billion face masks or 11 million face masks per day in 2021. Hence locally manufactured face masks are still insufficient to fulfil this demand in 2021.

The demand for face mask is expected to sustain as Covid-19 is becoming an endemic that remains permanently in the community which means health protection is more essential than ever. Many countries have mandated their citizens to wear one in public spaces to prevent contracting or spreading the virus. Face masks are also required by healthcare professionals treating Covid-19 patients and testing for the virus. Ministry of Health ("MOH") has encouraged Malaysians to wear double masks (surgical face mask followed by a reusable fabric mask) or a tight-fitting N95 respirator especially in public spaces. Mask mandate continues to be in effect despite higher vaccination rates as mutations in the virus led to more contagious strains of the virus.

There is also a shortage of Covid-19 PCR test kits in Malaysia because of limited production capacity locally. Most test kits are imported from countries such as China and Korea after receiving the relevant approvals. Based on the independent research firm Protégé, the Covid-19 PCR test kit market (in terms of tests conducted) in Malaysia is projected to grow from 3.3 million tests in 2020 to 33.5 million tests in 2021 before declining to 19.0 million tests in 2022 and 10.0 million tests in 2023.

As the most reliable test on the market, there is a high demand for COVID-19 PCR test kits to effectively identify COVID-19 cases and isolate them from the community, thus preventing further spread of the virus. Demand growth for Covid-19 test kits is primarily driven by the implementation of routine Covid-19 testing to prevent further spread. MOH has gradually increased COVID-19 testing capacity in order to identify COVID-19 positive patients in a more efficient manner to curb the spread of the virus. Public and private hospitals require patients to take a test prior to being admitted to the hospital to avoid the spreading of Covid-19 among the fellow patients and healthcare professionals. Covid-19 tests are also required prior to departure for individuals who are travelling internationally or within Malaysia by air. Travellers undergoing quarantine are also required to undergo an additional test during their quarantine period. Scientists believe that COVID-19 is unlikely to be eradicated fully and will become endemic, hence testing for Covid-19 may become a standard requirement before undertaking certain activities. Despite the availability of vaccines, testing for COVID-19 may become a norm in the future in order to limit the chances of another severe outbreak of the disease in the community.

MANAGEMENT DISCUSSION & ANALYSIS

2. Financial Overview

RM'000	FY2017	FY2018	FY2019	FY2020	FY2021	CAGR
Extracts from Income Statement:						
Revenue	122,166	112,668	131,375	104,640	144,750	4.3%
Gross Profit	33,370	26,773	39,380	27,841	41,753	5.8%
Results From Operating Activities	16,837	11,494	19,908	8,786	24,712	10.1%
Profit Before Tax	19,617	12,937	22,179	11,324	25,800	7.1%
Profit For the Year	14,538	10,078	16,672	8,276	19,220	7.2%
Profit attributable to owners of the Company	14,679	10,217	16,616	8,387	19,234	7.0%
Extracts from Balance Sheet:						
Total Assets	185,500	184,830	190,458	171,613	195,355	1.3%
Cash And Equivalents	92,691	47,228	92,847	78,394	78,132	-4.2%
Total Liabilities	21,946	25,548	25,108	16,263	28,418	6.7%
Borrowings	0	0	0	0	0	N.A.
Total Equities	163,554	159,282	165,350	155,350	166,937	0.5%
Extracts from Cash Flow Statement:						
Net cash from/(used in) operating activities	14,641	16,660	11,667	3,573	14,836	-1.4%
Net cash (used in)/from investing activities	(1,778)	(47,467)	44,289	13	(7,289)	37.1%
Net cash used in financing activities	(8,013)	(14,353)	(10,425)	(18,184)	(7,624)	-1.2%
Financial Ratios:						
Gross Margins	27.3%	23.8%	30.0%	26.6%	28.8%	
Operational Margins	13.8%	10.2%	15.2%	8.4%	17.1%	
Net Margins	11.9%	8.9%	12.7%	7.9%	13.3%	
Return On Equity[1]	9.0%	6.4%	10.0%	5.4%	11.5%	
Current Ratio (times)	8.4	6.5	7.3	11.1	6.4	
Dividend for the FY	9,308	9,202	11,007	8,219	11,910	
Dividend Payout Ratio (%)	63.4%	90.1%	66.2%	98.0%	61.9%	
Dividend Per Share (sen)	5.0	5.0	6.0	4.6	6.9[2]	

1 Profit attributable to owners of the Company as a percentage of Equity

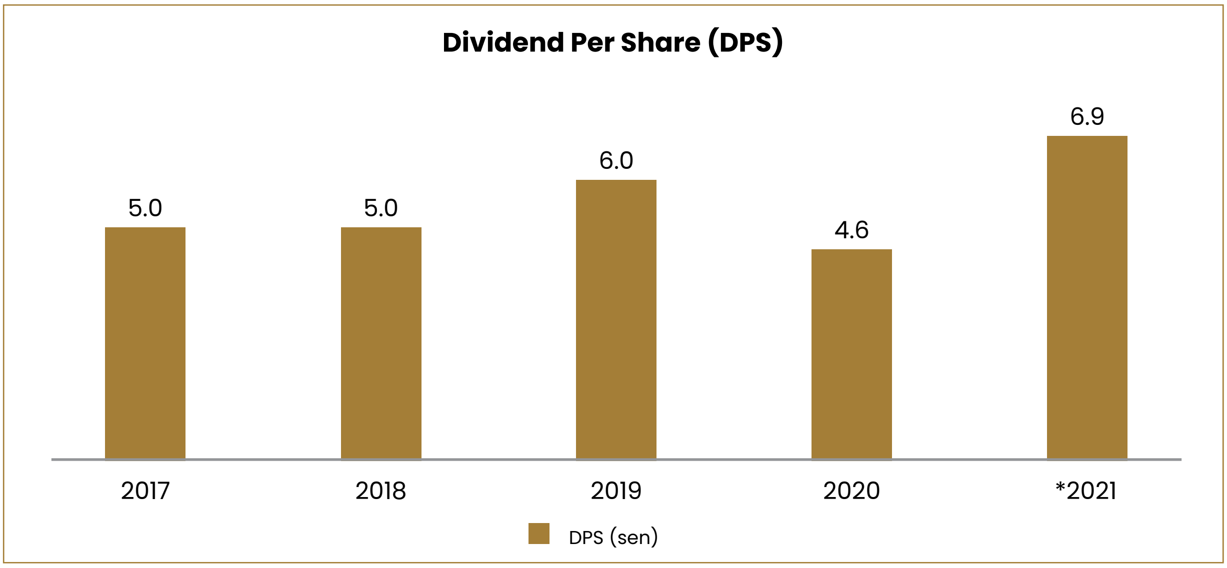
2 Adjusted based on weighted average cost of share dividend distributed on the basis of 1 treasury share for every 16 existing ordinary shares held

MANAGEMENT DISCUSSION & ANALYSIS

2. Financial Overview (Cont'd)

The Group reported revenue of RM144.8 million in FY2021, from RM104.6 million in the previous financial year. The 38.3% improvement year-on-year was mainly driven by higher revenue from the automotive division. Automotive division contributed around 87.0% to the company's total revenue in year 2021, followed by healthcare segment (12.4%), aviation (0.26%) and furniture (0.36%). Automotive division increased by 21% yoy in year 2021, attributable to the strong improvement in the OEM segment for car seat covers which improved by 32% yoy. The company's profit attributable to the owners of the company improved significantly by 129.3% yoy from RM8.39 million in year 2020 to RM19.23 million in year 2021. The company's net profit margins also improved strongly from 7.9% to 13.3% between year 2020 and 2021. The company's ROE also improved from 5.4% in year 2020 to 11.5% in year 2021. Moving forward, the Group is positive about their business prospects given the strong recovery in automotive sector whilst the prospect in the healthcare segment is expected to remain strong given the ongoing Covid-19 pandemic.

On the liquidity front, the Group has a healthy cash and equivalents of RM78.1 million, a slight decrease of 0.3% compared to RM78.4 million in FY2020, with zero debts and borrowings. The Group's net gearing ratio is at a positive net cashflow, given our net cash position. Current ratio decreased from 11.1 times to 6.4 times, due to higher trade and other payables from our operations.



* Adjusted based on weighted average cost of share dividend distributed on the basis of 1 treasury share for every 16 existing ordinary shares held

In respect of FY 2021, in appreciation to all of our shareholders, the Board of Directors has declared an interim single-tier dividend via a share dividend distribution of treasury shares on the basis of one (1) treasury share for every sixteen (16) existing ordinary shares held, which was paid on 26 February 2021. This effectively translates to a dividend payout of RM11.9 million represents 61.9% of total profit attributable to owners of the Company, exceeding the Group's dividend policy of 40%. The Group endeavors to uphold shareholders' value creation as a key long-term goal.

MANAGEMENT DISCUSSION & ANALYSIS

3. Business Overview

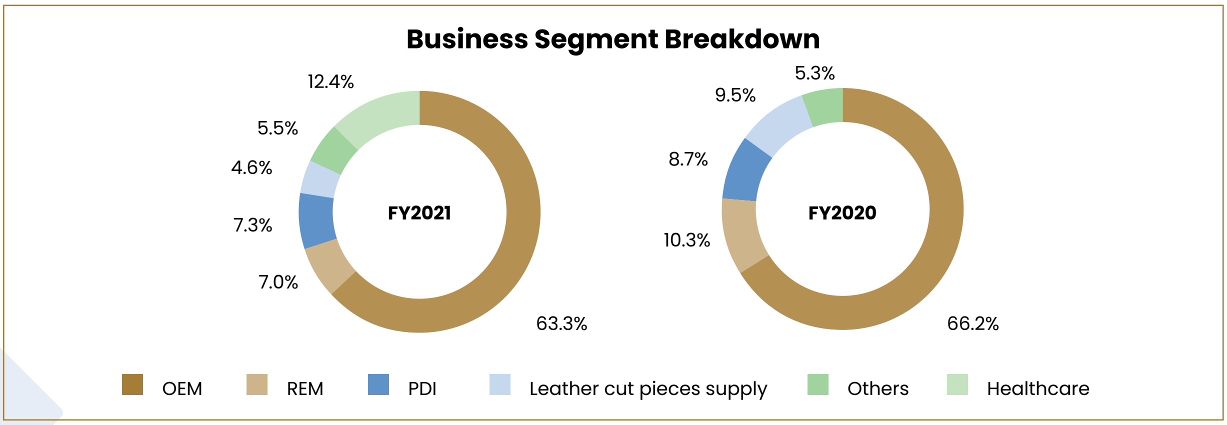
The Group's current business activities comprise of four segments namely automotive, healthcare, aviation and furniture segments. Automotive segment focuses on styling, manufacturing, distribution and installation of automotive leather upholstery for car seat covers and accessories cover. The healthcare segment focuses on manufacturing and distribution of healthcare products. Aviation segment provides services in manufacturing, repair, refurbishment, distribution and installation of aircraft seat covers and parts refurbishment. The furniture segment provides for manufacturing of leather furniture and supply of furniture seat covers. The breakdown of the Group's total revenue by business activities and products are as follows:-

Business Segments RM'000	FY2017	FY2018	FY2019	FY2020	FY2021
Automotive					
Car Seat Covers					
OEM	54,210	51,182	78,512	69,308	91,560
REM	25,649	20,737	21,010	10,771	10,110
PDI	15,958	11,494	14,741	9,144	10,570
Leather cut pieces supply	19,851	22,556	9,441	9,905	6,691
Healthcare	-	-	-	-	17,925
Others	6,498	6,699	7,671	5,512	7,894
Grand Total	122,166	112,668	131,375	104,640	144,750

The automotive segment contributed the largest pie in FY2021's revenue, with RM125.9 million or 87.0% of group revenue (please refer below for the revenue breakdown for automotive segments). In FY21, we have successfully expanded and diversified our revenue base into the healthcare business, as the healthcare business contributed RM17.9 million or 12.4% of FY2021's revenue compared to none in FY2020. The healthcare segment focuses on manufacturing and distribution of healthcare products. Other segments (includes Aviation and Furniture) contributed RM7.9 million or 5.5% to the Group.

We envision the healthcare segment to complement our automotive segment as it now provides two strong growth engines to power the growth of the company in the longer term. It is also a strong diversification strategy to our revenue base.

In addition, the healthcare business is part of the Company's Corporate Social Responsibility ("CSR") program to join the combat against the Covid-19 pandemic in Malaysia by supporting and equipping the frontline healthcare personnel with the crucial protective equipment.

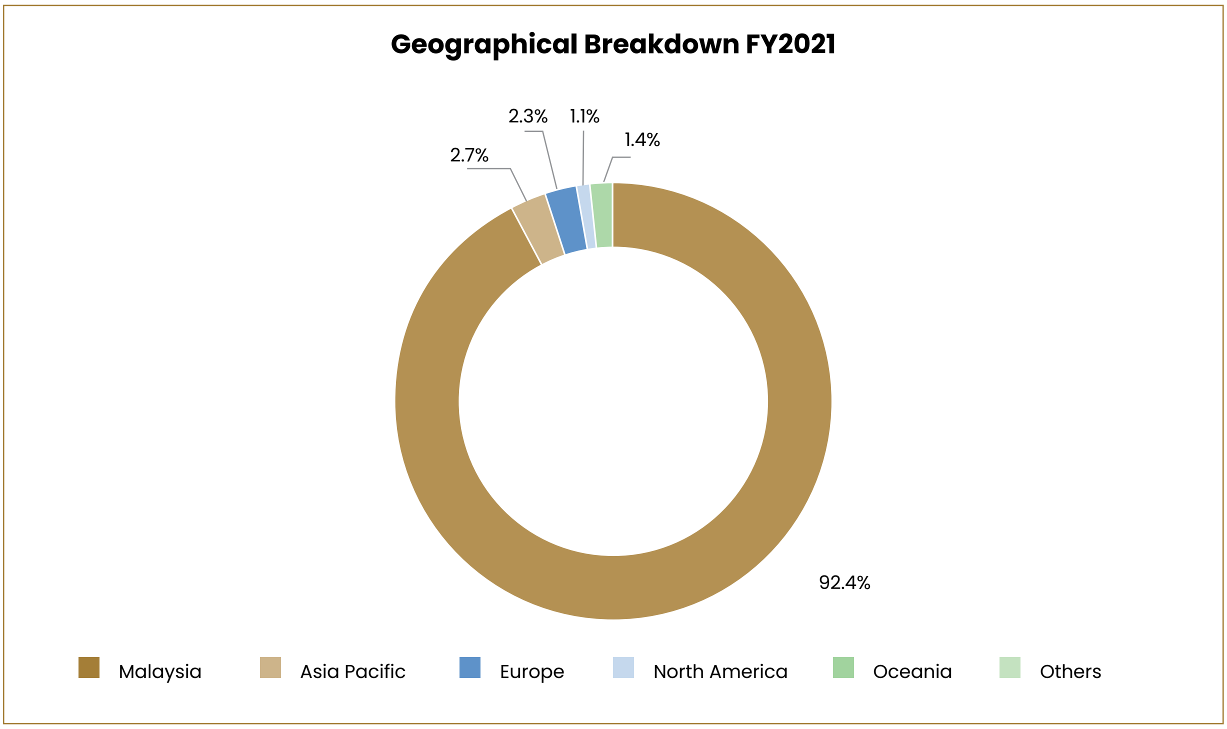


MANAGEMENT DISCUSSION & ANALYSIS

3. Business Overview (Cont'd)

Revenue Breakdown by Geographical Location

Country RM'000	FY2017	FY2018	FY2019	FY2020	FY2021
Malaysia	97,343	93,286	108,698	86,465	133,802
Asia Pacific	13,412	10,874	14,919	12,133	3,970
Europe	3,510	3,452	3,856	2,456	3,300
North America	2,816	1,545	1,940	1,727	1,581
Oceania	5,073	3,511	1,962	1,859	2,097
Others	12	-	-	-	-
Total	122,166	112,668	131,375	104,640	144,750



Geographically, the local market contributed 92.4% of total sales, with sales registering a 54.7% increase to RM133.8 million revenue in FY2021 from RM86.5 million in the previous year, mainly due to a recovery from a weak FY2020 as a result of MCO 1.0 and a maiden contribution from the Healthcare segment. Export sales were affected, with a 39.8% decline to RM10.9 million in FY2021 from RM18.2 million in FY2020. This was primarily in line with the cautious sentiment worldwide as manufacturers reviewed new launches in light of COVID-19 and the tough economic prospects.

MANAGEMENT DISCUSSION & ANALYSIS

3. Business Overview (Cont'd)

Automotive business overview:

For the automotive business segment, we add value to our customers by being a one-stop centre for the styling, manufacturing, distribution and installation of leather upholstery for car seat covers and car interior accessories. We are the leather upholstery specialist for the automotive industry and we have various products to match with different market requirements. We generally offer OE Fit leather car seat covers for our Original Equipment Manufacturer (OEM) market segment to car manufacturers, Smart Fit leather seat covers for Pre-Delivery Inspection (PDI) market segments and Quick Fit car seat for Replacement Equipment Manufacturer (REM) market segment. In FY2021, we are able to produce up to 18,000 units of car seat covers per month.

We are proud of our product quality and, as we work relentlessly to ensure a high-quality production of our car seat covers and interior finishing products. As a testament to the strength of our product quality, we have obtained and maintained the following certifications for quality management systems:

- ISO/TS 16949:2009 certified Manufacturer
- ISO 14001: 2004 Environmental Management System
- OHSAS 18001: 2007 Occupational Health and Safety Management System Certifications
- VDA 6.3 Process Auditor certification

We have a good track record serving many established local and international car manufacturers in Malaysia, namely Perodua, Toyota, Nissan, Proton, Mitsubishi and others.

MANAGEMENT DISCUSSION & ANALYSIS

3. Business Overview (Cont'd)

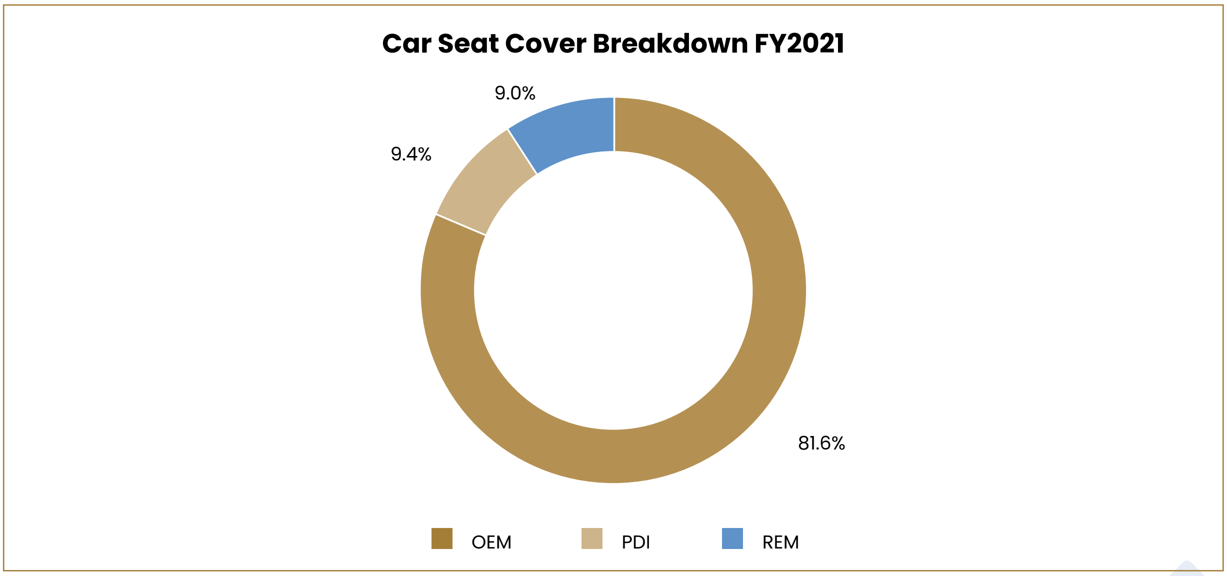
Revenue Breakdown of Automotive Segment

RM'000	FY2017	FY2018	FY2019	FY2020	FY2021
Car Seat Covers					
OEM	54,210	51,182	78,512	69,308	91,560
REM	25,649	20,737	21,010	10,771	10,110
PDI	15,958	11,494	14,741	9,144	10,570
Sub-Total for Car Seat Covers	95,817	83,413	114,263	89,223	112,240
Leather cut pieces supply	19,851	22,556	9,441	9,905	6,691
Others	6,005	5,429	6,422	5,016	6,992
Total	121,673	111,398	130,126	104,144	125,923

Total revenue derived from car seat covers stood at RM112.2 million, a 25.8% increase from RM89.2 million in the previous year, contributed by strong backlog orders after MCO 1.0 in FY2020 and increased orders from our customers' new car model launches. The automotive segment rebounded significantly from the low of 4QFY20 (April – June 2020) as our production recovered swiftly after the MCO 1.0 full lockdown. Utilisation rate recovered from 31% in 4QFY20 to around 80% in subsequent quarters.

Leather cut pieces supply reported a decline of 32.4% from RM9.9 million in previous year to RM6.7 million, as a result of a weaker export market. Included under others are the sewing of fabric car seat covers, manufacturing of leather/PVC car accessories covers and miscellaneous seat covers, provision of wrapping and stitching services and supply of raw materials. The others segment grew 40.0% from RM5.0 million to RM7.0 million on the back of increased accessories sales.

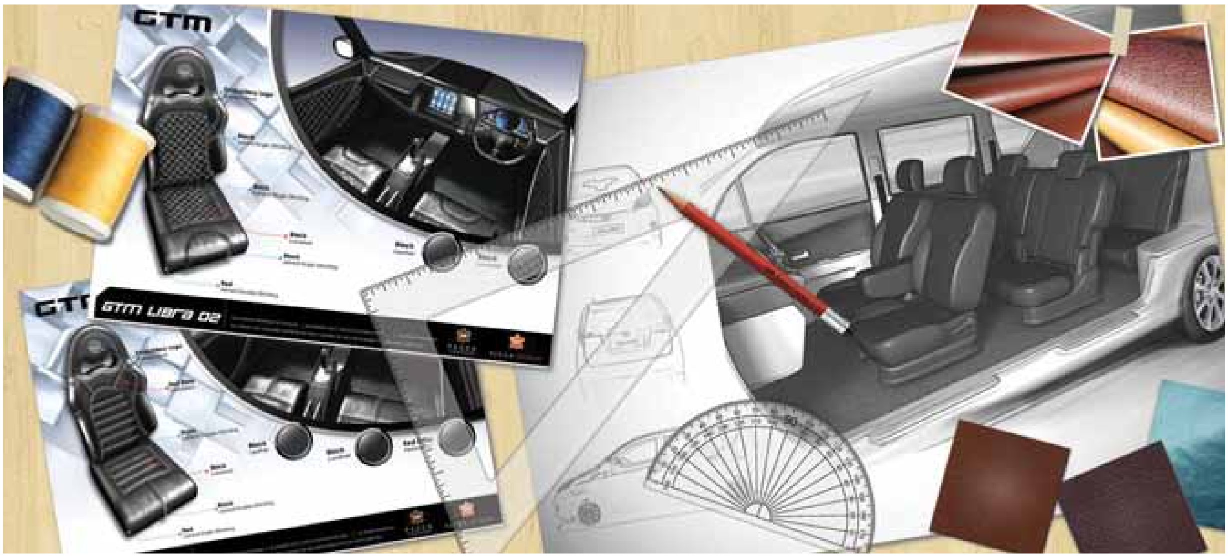
However, the Malaysian government had imposed another full lockdown in June 2021 which then affected our utilization rate down to 40% again. Moving forward, we expect utilisation rate to recover swiftly as most automobile manufacturers are catching up with their backlog orders. More orders are also supported by new car model launches in the second half of 2021.



MANAGEMENT DISCUSSION & ANALYSIS

3. Business Overview (Cont'd)

The Group's OEM segment made up the largest share of the car seat cover segment revenue at RM91.6 million or 81.6%, followed by the PDI segment at RM10.6 million or 9.4%, and REM at RM10.1 million or 9.0%.



The outlook of the automotive industry is expected to remain bright moving forward on the back of recovery from the easing of restrictions and opening up of more economic sectors. The trends in automotive industry is ever-changing, such as the rapid adoption of electrification in electric vehicles (EVs), higher demand of connectivity with vehicle and introduction of autonomy driver assistance. As an agile and dynamic company, Pecca is ready to align ourselves with these trends and the changing needs of our customers through innovations and enhancements in our offerings to capitalize on the growth of automotive industry.

In light of potential risk from the Group's reliance on foreign labour and disruption of daily operations from lockdowns, we have gradually installed Automated or Semi-Automated equipment through Robotics Technology to increase the degree of automation within the manufacturing process. The Group also endeavours to incorporate data analytics systems to facilitate data collection and analysis process, in order to improve operational efficiency and efficacy.

Pecca will strive to maintain our strong relationship with our customers and support their upcoming projects by manufacturing higher quality car seat covers and continuous innovation in our product offerings. The Group is confident to uphold our market leadership in the leather upholstery for the automotive industry in Malaysia while focusing on profitability growth.

Reinforcing leadership in the automotive leather

- Pecca intends to continue being a preferred partner to leading domestic and international automotive brands to expand our presence in the automotive leather upholstery sector. Hence, we will increase our product range with new designs and materials to suit customers' vehicle face lifts or incoming new vehicle models, thus placing us in prime position to ride the eventual growth in automotive demand.

3. Business Overview (Cont'd)

Enhancing operational efficiency

- While seeking to expand our revenue base, the Group also constantly enhances its operational efficiency as a key competitive advantage. Consequently, the Group is integrating Industry 4.0 systems into its operations such as Enterprise Resource Planning (ERP) System, Human Resource Management System and Warehouse Management System to improve the management and movement of goods, services, and human capital.

The Group is also awaiting final approvals from the European Aviation Safety Agency (EASA) to supply aviation leather seat covers to the aviation sector, as the certification process failed to take off due to border closures. Upon receiving the EASA license, the Group will be able to pursue leather seat cover contracts for commercial airlines, hence opening up a new market for Pecca.

Our sales are dependent on the number of vehicles produced by our automotive manufacturing customers, which is ultimately reliant on consumers demand for automotive vehicles. The resurgence of COVID-19 infections that may prompt further implementation of MCO will be detrimental to the Group's automotive segment, potentially affecting our daily operations, supply chain and sales. To mitigate the risk of COVID-19, we impose stringent health and safety SOPs for employees and visitors to observe. We have also prepared contingency plans to manage the Group's operations in the event of any MCO.

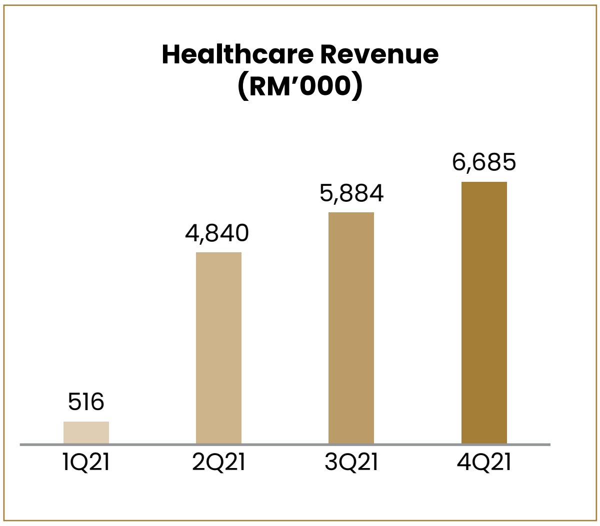
The Group faces competition risks, as we operate in a highly competitive industry with our competitor locally and internationally as well as new entrants to the industry, which could adversely affect our financial performance. Pecca along with our competitors are looking to increase market share with new and existing customers and tap into potential high growth regions. As a result, the Group is focusing on product differentiation by developing new product innovations and maintaining strong cost management as a competitive edge.

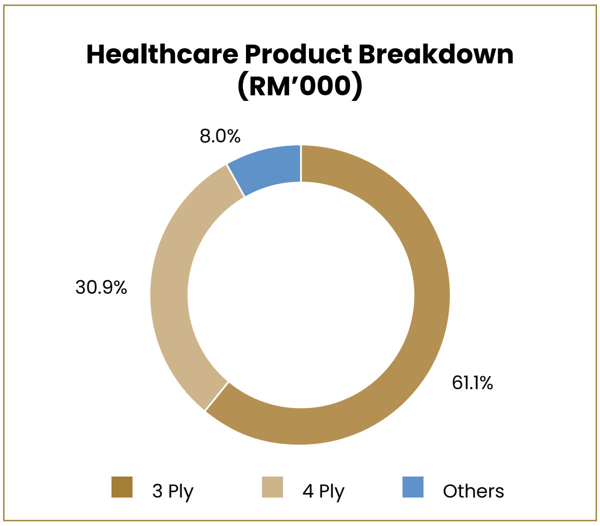
From an operational perspective, the Group faces downtime risks in its manufacturing lines, in the unlikely events of fire, flood, power outage, machinery breakdown and movement restrictions. The Group has protocols and procedures in place for all departments to minimise the impact to the Group in case of any unwanted incidents.

Healthcare business overview:

MANAGEMENT DISCUSSION & ANALYSIS

3. Business Overview (Cont'd)





The revenue for Healthcare business recorded historical highs each quarter and ended the year with RM17.9 million, as a result of the higher demand due to pandemic outbreak.

As a result of our continuous innovation efforts to develop new healthcare products for our customers, we have successfully expanded our product range to include 3ply, 4ply, KN95, N95, jumpsuits, and face shield products, with 3ply and 4ply face masks with the highest contribution to the healthcare segment at 92.0%.

Face masks marketed under the Callie and RH brands are seeing increasing visibility, now in majority of all major online and offline channels.

Due to our large variety of products, we have secured a strong and diversified customer base, catering to large players in the wholesale and retail space, healthcare providers and the government sector.

The group adheres to strict healthcare guidelines by obtaining and maintaining certifications to ensure high quality control. Upholding our certifications, the Group is also well positioned to tap into the export market. Our key certifications include ISO 13485:2016, GDPMD, MDA, FDA, CE, Filtration Efficiency Testing, SIRIM and Made in Malaysia.

Our healthcare division commenced production of face mask in August 2020 and currently has 7 production lines which mainly cater to 3 ply and 4 ply face masks with production capacity of up to 30 million pieces per month. We have also allocated more investments for expansion into higher value and more advanced more advanced respirator type mask models such as KF94, KN95 and N95 duckbill to expand our healthcare revenue base.

MANAGEMENT DISCUSSION & ANALYSIS

3. Business Overview (Cont'd)

Healthcare sector is expected to continue its growth as the pandemic has increase the awareness of healthcare more than ever, coupled with increased demand on the back of aging population and growing upper middle-income group. The Group believes corporate governance will be stricter moving forward with increased overall awareness of hygiene and cleanliness, which would increase demand of healthcare products and services.

The Group is working on expanding its face mask capacity and had earmarked RM5 million investment for the purchase of 4 to 5 new production lines to be completed by end-2021, which would increase total production capacity up to 35 million units of face masks per month. On top of that, the Group is diligently focusing on research and development with an emphasis on product differentiation by incorporating new technologies. We intend to invest in higher value and more advanced respirator-type mask models. Our continuous efforts would position the group for better and improved quality control and price margins.

Moreover, we are seeking new markets by expanding our distribution channels online and offline, as well as expanding to other Asian countries and other export markets. The Group is also awaiting its official launch in Singapore, serving a new market for the healthcare segment.

On 2 August 2021, Pecca has announced an Acquisition of 51% equity interest in Rentas Health Sdn Bhd for a purchase consideration of RM100 million to be satisfied via a combination of cash (50%) and issuance of new ordinary shares (50%) in Pecca Group Berhad. The acquisition is based on a price earnings multiple of 8.53 times based on the Profit Guarantee of RM23 million in FY22.

Healthcare industry has become a highly competitive space as more players and new entrants move into the healthcare segment, which could drive down margins and adversely affect our financial performance. The nature of healthcare business requires the Group to invest in higher quality healthcare products in order for us to stand out compared to our competitors.

The Group is also exposed to risks associated with licensing as medical products are subjected to stringent guidelines. The Group adheres to the rules and regulations for our healthcare division.

MANAGEMENT DISCUSSION & ANALYSIS

3. Business Overview (Cont'd)

Appreciation

I would like to convey my utmost gratitude to the Board, management team and our employees for your contributions and efforts in demonstrating Pecca's resilience. I would also like to thank all our clients, suppliers and shareholders for their unwavering support. We will remain fully committed in delivering stronger performance and generating long term value for our shareholders.

Sincerely,

Dato' Mohamed Suffian Bin Awang, Independent Non-Executive Chairman
Datuk Teoh Hwa Cheng, Group Managing Director

SUSTAINABILITY
STATEMENT

The Group's sustainability pursuits remain as integral to our vision of becoming a leading global upholstery manufacturer, and our mission of exceeding customers' expectation in design, quality and innovation.

The scope of the FY2020 sustainability statement covers the business activities of the entire Group, namely in the automotive segment involving the production of car seat covers for the OEM, REM and PDI categories, and the supply of leather cut pieces and related services, as well as the aviation segment.

This year, we have streamlined our disclosures after taking into considerations key reporting frameworks such as those highlighted within the Main Market Listing Requirements, GRI Standards as well as Sustainability Accounting Standards Board ("SASB"). We remain further guided by the Sustainable Development Goals ("SDGs") through better alignment of practices to corresponding indicators of the SDGs.

The following is a strategic mapping of SDGs that we have identified, with realigned strategies to link action plans to these goals.

SDG 8 DECENT WORK AND ECONOMIC GROWTH	Pecca's Strategy
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Achieving greater economic productivity through diversification of business activities, technological enhancements, innovation, and a focus on high value-added sectors.
Indicators	**Highlights**
8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries	• RM19.2 million net profit attributable to shareholders • Overall customer satisfaction level of 80% • 0 whistle-blowing cases received **Material Topic Linkage:** **MT1, MT2, MT3, MT4**
8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead	

SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Pecca's Strategy
Ensure sustainable consumption and production patterns	Implementing green practices in our operations towards supporting environmental conservation, as well as responsible and sustainable business growth.
Indicators	**Highlights**
12.2 By 2030, achieve the sustainable management and efficient use of natural resources	• 0 cases relating to environmental non-compliance • Scope 2 carbon emissions amounted to 1,441 tCO2e • Water usage of 47,821m³ **Material Topic Linkage:** **MT5, MT6, MT7**
12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	

SDG 4 QUALITY EDUCATION	Pecca's Strategy
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Promoting a safe and conducive work environment, and continuous training and education opportunities for all levels of the organisation
Indicators	**Key Initiatives/Datasets**
4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	• Total training hours of 132 achieved • Average training hour/employee was 1.15 hours per participant **Material Topic Linkage:** **MT8**
4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations	

SDG 3 GOOD HEALTH AND WELL-BEING	Pecca's Strategy
Ensure healthy lives and promote well-being for all at all ages	Promoting a safe and conducive work environment, and continuous training and education opportunities for all levels of the organisation.
Indicators	**Key Initiatives/Datasets**
3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	• 12 recordable injury cases with adequate mitigation measures taken • 115 employees involved with various ESH-related trainings **Material Topic Linkage:** **MT9**

SUSTAINABILITY GOVERNANCE

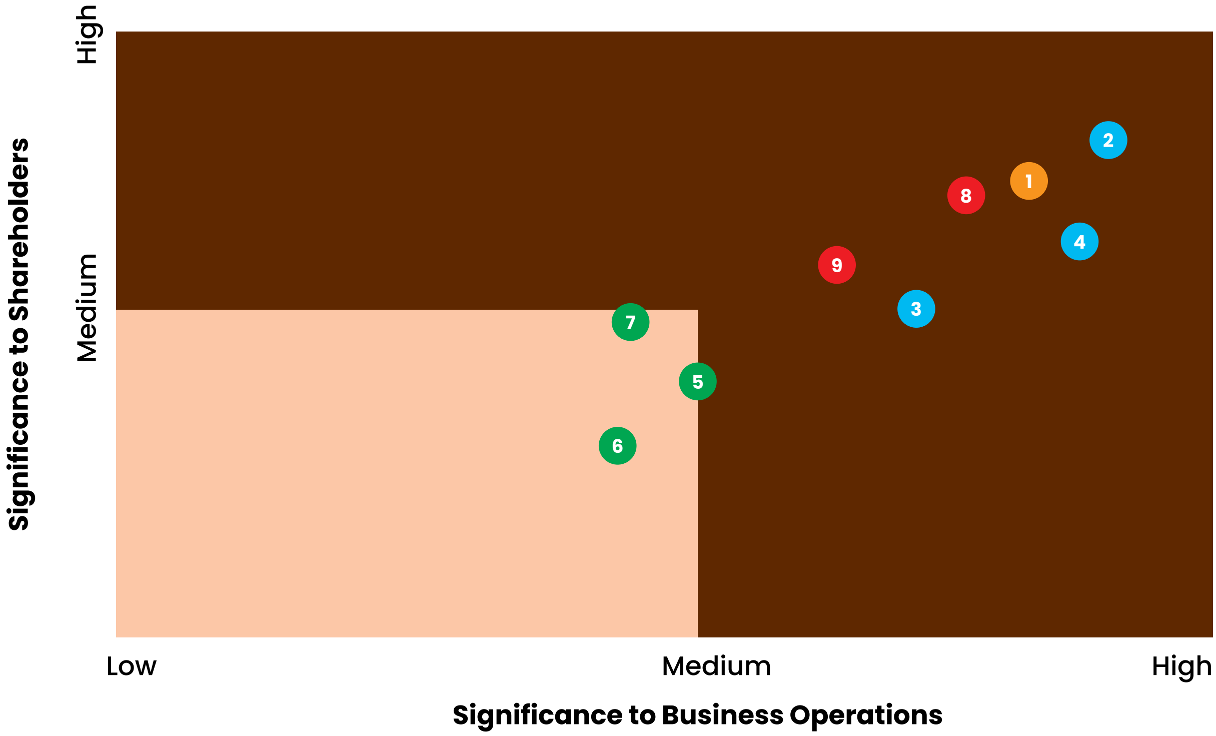
Sustainability governance at Pecca is anchored upon the same 3-tiered structure as before. This year, we have embarked on reviewing this structure and formally connecting workstreams to specific members of the Sustainability Working Committee ("SWC") to ensure accountability across all identified initiatives.

STAKEHOLDER ENGAGEMENT

We have identified the following internal and external stakeholders for the Group:

Internal stakeholders are our management and employees
External stakeholders are investors, customers, regulatory and statutory bodies, suppliers and local communities.

Our Materiality Matrix was created in consultation of various stakeholder groups, with each Material Topic encompassing highlighted matters of concern such as return on investment, reliable services, etc. That being said, we recognise that the sustainability narratives are rapidly evolving – thus we will be reviewing the Material Matrix below in our next reporting cycle to factor in any changes that we have observed in the market.



Governance | Economic | Social | Environmental

1 Regulatory Compliance

2 Economic Performance

3 Procurement and Supply Chain Management

4 Customer's Satisfaction

5 Energy Consumption

6 Water

7 Effluent and waste

8 Occupational Health and Safety

9 Training and Education

STAKEHOLDER ENGAGEMENT (CONT'D)

Concerns of all stakeholders are tackled in various manners, with all stakeholders engaged through respective channels when deemed necessary. Such engagement may happen through both formal and informal engagements, covering feedback surveys, shareholder meetings, investor conferences, etc. We have decided to use a value creation approach to outline linkage between interests of such stakeholders to Pecca's business, with concerns discussed in each material topics as captured below.

Stakeholder Group	Material Topics	Mutual Value Creation
Employees	MT 8 : Occupational Health and Safety MT 9 : Training and Education	Employees are given sufficient training and development opportunities through valuable working experience with Pecca, and we are equipped with the right skillsets to deliver on our Vision and Mission.
Investors	MT 2 : Economic Performance	We provide investors with an attractive investment case, and we in turn obtain funds to further grow the business.
Customers	MT 4 : Customer's Satisfaction	Business partners that work together with us to deliver synergistic value to a wider customer base through our quality services and products.
Regulatory and Statutory Bodies	MT 1 : Regulatory Compliance MT 5 : Energy Consumption MT 6 : Water MT 7 : Effluent and waste	We operate under strict compliance to regulatory requirements as part of our target to grow the business in an ethical manner.
Suppliers	MT 3 : Procurement and Supply Chain Management	A key part of our value network, we collaborate closely with our suppliers to ensure interests are aligned for mutual economic success.
Local Communities	MT 6 : Water MT 7 : Effluent and waste	We provide both direct and indirect positive impact through adequate social engagements for the benefit of the wider community in which we operate.

CORPORATE GOVERNANCE

Key Material Matters

(1) Regulatory Compliance, (2) Code of Conduct, (3) Anti-Bribery and Anti-Corruption, (4) Customer's Satisfaction

Regulatory Compliance

In the existing business landscape, regulations have been expanding to cover wider areas that are both general and industry-specific. Our business is primarily exposed to regulatory risks coming from anti-bribery and anti-corruption, as well as those under environment and social aspects.

On corporate governance-related matters, we have established adequate policies and processes within our systems such as Board Charter, Anti-Bribery and Anti-Corruption Policy, Whistle-Blower Policy, etc. These ultimately tie-back to recommendations from Malaysia Code of Corporate Governance, related requirements

CORPORATE GOVERNANCE (CONT'D)

Key Material Matters (Cont'd)

Regulatory Compliance (Cont'd)

from the Malaysian Anti-Corruption Commission Act, and any related guidance documents. These policies and procedures have been communicated to all of our employees throughout the organisation; as well as our business partners and suppliers whom we have come into contact through business dealings.

On environment- and social-related matters, we have maintained our ISO-certified systems and processes and have implemented regular review cycles and performance update meetings to ensure standards are kept. All government-defined standards of practice have been implemented and maintained to best effect. We believe that we have sufficiently performed to regulatory standards and beyond, where applicable. Please see the discussions on these matters in the ensuing pages of this report for more information.

Code of Conduct

We have established a code of conduct that makes references to all related Group policies. Outlines behavioral expectations to be aligned to by all employees, covering elements of non-discrimination, continued passion towards excellence, etc. These principles have been sufficiently communicated and embedded within all our staff.

Anti-Bribery and Anti-Corruption

As a good corporate citizen, Pecca takes a strong stance of zero tolerance against corruption and bribery. To implement this principle, we have outlined an Anti-Bribery and Anti-Corruption (ABAC) Policy that is available on our corporate website. Within the document, clear definitions, responsibilities, escalation methods, etc are provided. We encourage any such ABAC-related information from stakeholders be reported to us via our whistle-blower channel, clearly established within our Whistle-Blower Policy of the Group. On top of our non-retaliation stance on whistle-blowers, anonymity is also offered to the reporter to encourage reports. Further, independency of the whistle-blowing channel is also safeguarded as any of such reports may be directed to our Chairman of Audit and Risk Management Committee, with clear follow-up structures in place to ensure actions are taken where necessary.

In the year, we are proud to announce that we have received 0 whistle-blowing cases, and we will continuously strive to ensure such the implementation of our ABAC policy is upkept in everything that we do.

CONTRIBUTING TO ECONOMIC GROWTH

Key Material Matters

(1) Economic Value Generation and Distribution, (2) Climate Change, (3) Market Presence, (4) Procurement and Supply Chain Management

Economic Value Generation and Distribution

Pecca's economic performance is an essential component to the Group as it ensures long-term growth in our business in line with the interests of our shareholders. We are guided by our vision to be the leading upholstery manufacturer and healthcare PPE product manufacturer globally and strive to drive strong economic performance for all our group's stakeholders. This segment details our economic gain and contribution to the Community.

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Key Material Matters (Cont'd)

Economic Value Generation and Distribution (Cont'd)

Pecca's economic value generation is largely dependent on our ability to drive revenue or sales with the existing business model that we have implemented as a group. We have a robust Sales Processing & Planning Framework that provides a systematic procedure in reviewing our customers' sales orders and ensuring that all our order requirements are met before we deliver the finished products to our customers. Our Sales Manager is responsible for implementing these procedures and also to review the risk and opportunities related to the products and services offered to our customers.

Overview of our Sales Processing & Planning Framework:

Key Components in our Sales Processing & Planning Framework	Description
Customer Inquiries and Order Handling	• Customer enquiries • Feasibility study and quotation preparation • Letter of intent/purchase agreement • Customer purchase order • Processing order • Customer provided items
Amendment of Order	• Letter of amended or new purchase order
Customer feedback/ satisfaction	• Customer feedback • Direct communication • Second party audit • Customer complaint • Customer satisfaction survey
Records	• All related records shall be maintained and controlled in accordance with Control of Records
Customer Property	• Initial inspection activities • Secure storage conditions • Adequate identification
Risk and Opportunity Assessment	• Changes in process, raw material usage, equipment/machines, product or services • Changes in legislation or policy or organizational structures • New control measures to be taken after complaint

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Economic Value Generation and Distribution (Cont'd)

Aside from generating economic value through sales and profits derived from our customers, we have also sustainably contributed positive economic value to our country and our stakeholders through various stages and processes of our operations. For example, we make econonmic contributions in the form of payments to our raw materials' suppliers; we hire and train both local and foreign workers to manufacture our products and pay out satisfactory and competitive salaries to them; we purchase personal protective equipment products such as face mask, hand sanitisers, gloves, face shields, protective suits and so on for all our employees to protect them from the COVID-19 disease; we hire technical engineers to repair and maintain our production plants well; we also efficiently use utilities such as electricity and water in our production process and make prompt payments to our local utility companies; we make dividend payments to our shareholders every year; and we pay our taxes to the government of Malaysia and comply with all the rules and regulations from all relevant tax authorities. The economic value distributed to our country's government, suppliers, businesses, employees and shareholders can be referred back to the notes in our financial statements for more details.

In addition to operational expenses related to our businesses, as a responsible corporate citizen, we constantly contribute to our local communities via providing internship opportunities for undergraduates to build a next and younger generation who are knowledgeable, competent and energetic. Pecca had spent RM 10,000 for internship programme throughout the Group in the year under review.

Economic value retained by Pecca can approximated by the profits generated by the Group. In FY2021, the Group delivered RM 144.8 million revenue and RM 19.2 million net profit attributable to shareholders. An interim single-tier dividend via a share dividend distribution of treasury shares on a basis of one (1) treasury share for every sixteen (16) existing ordinary shares held was declared. As a sustainable business entity, we are committed to deliver strong economic performance to all of our stakeholders in the following years to come.

Climate Change

As a company with strong and sustainable business values, we are aware of the importance of climate change and the financial implications to our business operations as a result of climate change.

We have identified several risks and opportunities posed by climate change that have the potential to generate changes in our operations, revenue, or expenditure, with the most significant risk related to the procurement of our raw materials. Examples of our raw materials include leather, microfiber, PVC, PU and fabric. Some of these raw materials are originated from activities such as cow breeding and crude oil production which could be tied to climate-related changes within the world. Such risks have the potential to bring financial implications to our Group, as the procurement for more sustainable and environmental-friendly substitutes of raw materials can pose additional cost to our business.

Our board has implemented policies to assess and manage climate-related risks and opportunities in our Group, and has also set a strong oversight and governance leadership to the team. In regards to our raw materials, we are taking actions to increase our sourcing from suppliers who have strong ESG compliance and accountability, and also to encourage all our suppliers to comply with stricter ESG criteria. We are also leveraging on our strong research and development capabilities to increase substitution by alternative materials which are more environmental-friendly, and also to increase our production yield and efficiency so that we are able to reduce material wastages in our production processes.

As the pandemic hit businesses across our country, the government of Malaysia has proactively implemented various financial assistance programmes to help local businesses in weathering through such crisis. Our company has benefitted through the Malaysian government's Wage Subsidies Program, Penjana Kerjaya and Perkeso Saringan Prihatin, amounting to RM 550k approximately for FY21.

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Market Presence

Part of the Group's plan towards delivering sustainable economic standards involves establishing a strong market presence in Malaysia, where a significant part of our businesses operate and employees work. This is achieved through concerted efforts by all our employees, including all our hardworking factory workers and dedicated junior, middle and senior level employees, to constantly provide high quality products and services that exceed the expectations of our customers. We constantly hire local talent to develop and enhance the socioeconomic level of the local community. Our efforts have sustainably created more work and economic opportunities for the local population which contributed to the economic wellbeing of our employees.

We regularly enhance our workforce through the hiring of experienced local talents, as seen in our all-Malaysian management team comprising the Chief Financial Officer ("CFO"), Chief Marketing Officer ("CMO") and Chief Operating Officer ("COO") that are 100% Malaysians. Many of these local senior managers have shown strong dedication and commitment to understand the latest market needs and develop our market presence in our country, Malaysia.

Pecca has also adhered to the Minimum Wage Order to ensure the economic wellbeing of our employees is maintained. All of our workers are paid in accordance with Minimum Wage definition of RM 1200 per month. In addition, we are providing good health insurance and benefit to all our workers. Our local workers are covered by Group Term Life ("GTL"), Group Hospitalisation and Surgical ("GHS"), Group Personal Accident ("GPA"), outpatient benefits, while our foreign workers are covered by FWIG policy & outpatient benefits. We are committed to rewarding all our employees on meritocracy basis without any gender discrimination. We are also continuously taking actions to enhance our employees' remuneration by rewarding them good performance bonus and incentives as they achieved respective Key Performance Indicators ("KPIs").

Procurement and Supply Chain Management

Procurement and supply chain management is essential for us because we use a considerable amount of raw materials in our production processes and we would like to ensure that these raw materials are procured sustainably along our entire supply chain. Examples of our raw materials include leather, microfiber, PVC, and fabric. Our sustainable procurement practices are creating positive impacts to the local supply chain in Malaysia as we priorities local suppliers. We also promote economic inclusion when selecting our suppliers by taking into account factors such as gender distribution and other socioeconomic factors.

Pecca has set in place a robust Purchasing Control Framework that ensures cost efficiency and strategic sourcing which would enhance the competitiveness and supply chain reliability of the Group. The specific objectives of this Purchasing Control Framework are to effectively define the entire purchasing process, ensure proper approvals before issuing purchase orders to suppliers, clearly define the products being procured, define the standards for reviewing and selecting the suppliers that meet our strict requirements, properly evaluate the risk and opportunities of our procurement process, and lastly to assess our selected suppliers' risk to product conformity and uninterrupted supply of their products to us.

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Procurement and Supply Chain Management (Cont'd)

Overview of our Purchasing Control Framework:

Key Components in our Purchasing Control Framework	Mutual Value Creation
Purchase Requisition (PR)	• PR clearly describes the materials required (reference, description, quantity, required time arrival)
Quotations	• Identify potential suppliers based on the Approved Suppliers List (those direct material) and obtain quotations before making the purchase. • Compare the suppliers' quotations, such as the quality, delivery, price, statutory and regulations requirement and ensure they meet the requirements stated in the PR
Purchase Order (PO)	• Purchase Order shall include raw materials' description and delivery schedule.

We subject our main raw material suppliers to a stringent selection procedure that determines the relevant qualification criteria including the background and experience of the supplier, where priority will be given to local suppliers that are experienced in the automotive industry. The supplier is also subjected to product trial tests for quality, competitive pricing, and is required to be equipped with ISO 9001.

To ensure our 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 aim to engage local suppliers in addition to foreign suppliers when purchasing our raw materials from both local and international suppliers. Main materials such as leather, PVC and microfibers cannot be purchased locally. For the local suppliers, Pecca undergoes non-discriminatory assessments per our purchasing guidelines to ensure competitiveness is maintained. For products such as plastic piping and foam which can be sourced locally with better pricing, quality and lead time, we will purchase them from local vendors. For FY2021, more than 30% of the Group's total spending was from Malaysian suppliers and we are committed to sustainably increase our local procurement efforts. Beside on this, our main raw material leather prices has increased more than 30% from end Dec 2020 to now and the increasing do not tend to slow down. The other increasing also come from chemical , PVC, microfiber, foam material.

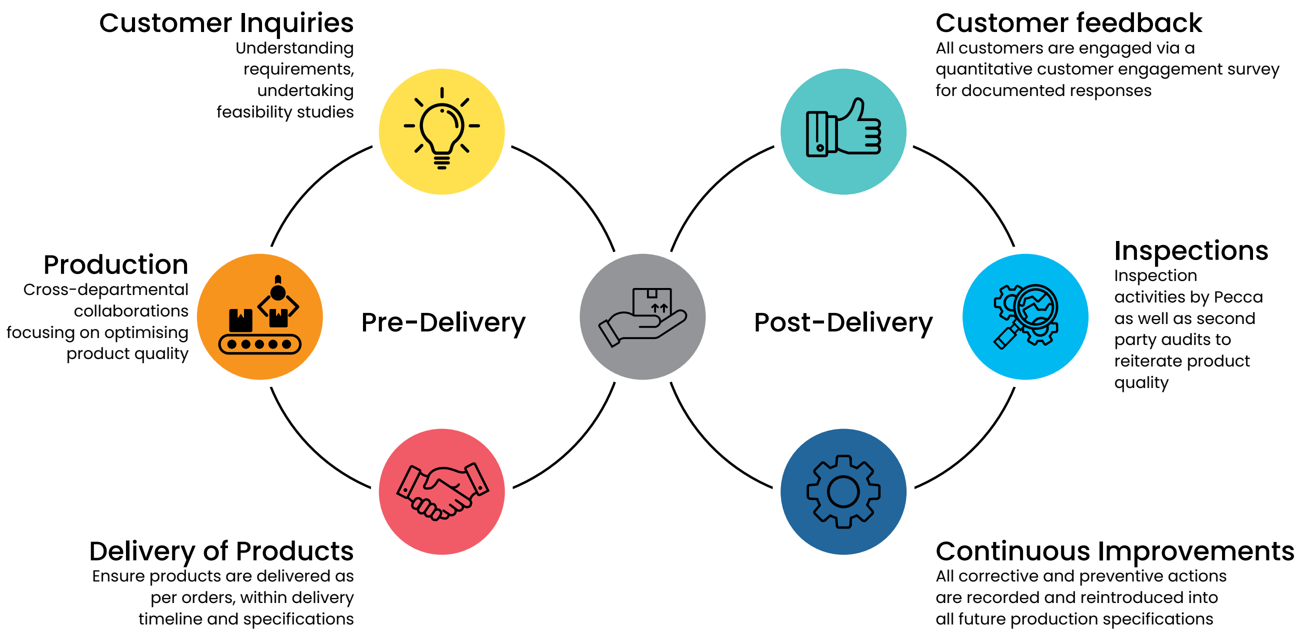
Customer's Satisfaction

Customers are among our most important stakeholders. Pecca's success is largely dependent on the Group's successful continued maintenance of client relationships to ensure mutual success. Being true to our principles of passion and perfection, we have established robust management systems to ensure standards are kept for all our products. Such principles are enshrined within our internal management system that is built in reference to those outlined within the global ISO standards of ISO 9001:2015 Quality Management Systems; IATF 16949:2016 Automotive Quality Management Systems; as well as ISO 13485:2016 Quality Management for medical devices.

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Customer's Satisfaction (Cont'd)

Strict procedures have been documented within the framework, covering clear roles and responsibilities towards tackling all possible requirements in relation to managing inquiries and handling of orders. The diagram below shows a simple end-to-end flowchart that outlines our processes from pre-purchase to post-purchase.



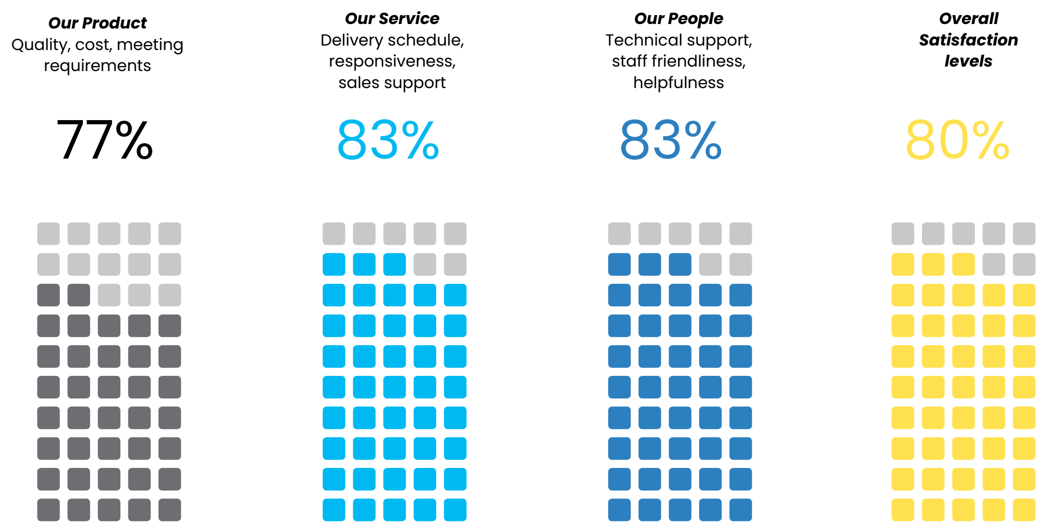
The utilisation of our customer satisfaction survey acts as a two-way communication between the client and Pecca; whereby gaps are regarded as improvement opportunities for the Group, and not faults. After obtaining feedback from customers, all corrective and preventive action plans are sufficiently recorded within our Continual Improvement, Corrective and Preventive Action procedures. This is to ensure our products are continuously benchmarked against both internal capacities and external expectations.

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Customer's Satisfaction (Cont'd)

Within the financial year, our customer satisfaction surveys showcase the following results:

Customer Satisfaction Levels



We conducted our annual Customer Satisfaction Survey as usual in the end of the year. Based on the overall customer satisfaction levels, we were rated at 80% score. Our product received a score of 77% and there has been improvement activities made in term of quality and cost by operation and finance team. However, both our service and our people scored better at 83% despite impacted by ongoing covid-19 pandemic condition.

Nonetheless, based on our engagements with our clients, we noted the following pertinent themes with remedial actions identified by the team:

Theme	Concerns	Remedial Actions
COVID-19 Lockdown (Domestic Market)	- The whole supply chain in the automotive sector has been seriously affected by the complete shutdown in EMCO. - Consumer sentiment would remain weak on the back of economic. uncertainty brought on by the Covid-19 pandemic. - TIV (Total Industry Vehicle) cut from 570,000 to 500,000. - Automotive sector is not listed as an essential economic activity.	- 80% heard immunity by December 2021 -All Pecca employees to complete full vaccination by October 2021. - Strictly follow SOP -Pecca has developed SOP for all employees to adhere.

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Customer's Satisfaction (Cont'd)

Theme	Concerns	Remedial Actions
Global Electronic Chip Shortage	- Shortage of semiconductor chips has led to significant disruptions in global automotive production, with carmakers forced to halt or scale back vehicle assembly as a result of the supply shortfall. - Our key OEM customers, Perodua & Proton has announced that chip shortage has affected the production of certain car models.	- OEM customers has started to resource the chips and developing new suppliers to support the supply of chips for the production. - Major chip producers have increased their production capacity.
Material Price Fluctuations	- In light of Covid-19 pandemic, most of the materials such as leather, PVC, foam etc. has been increased tremendously. - Pecca sales has requested price increases to the key customers.	- To study VAVE internally to reduce operation cost. - Negotiate with supplier and resource alternative materials suppliers.

As part of our commitment towards ever-improving customer satisfaction levels and self-improvement, we have outlined the following pillars of improvement activities in the coming year:

Quality	- more stringent incoming inspection, online production QC and outgoing quality gates before delivery - quick response to customer complaints if any
Cost	- set up team to study VAVE in term of materials process etc - price benchmark current or existing models
Delivery	- build at least 3 days buffer stock - monthly forecast for better materials & production planning.
Service	- weekly visits to customer. - understand customer needs. - quick response to any customer enquiries.

We look forward to an overall improvement in customer satisfaction performance as the economy transitions out of the existing pandemic, and we remain grateful for our clients' support to Pecca.

ENVIRONMENTAL CONSERVATION

The Group recognises that our business activities have direct and indirect consequences on the wider environment. As a leading supplier of leather seats for the automotive industry, we are dedicated to leading by example through environmental stewardship. This is reflected by Pecca's Environmental Policy, which outlines objectives, specific and measurable targets, relevant methods of measurement, action plans and responsible parties.

Key Material Matters

(1) Environmental Compliance, (2) Energy and Emissions Management, (3) Water and Effluent Management, (4) Waste Management, and (5) Materials Management

Environmental Compliance

As a manufacturing company, we are cognisant that our operations must be responsibly managed to preserve our surrounding ecosystem and safeguard the quality of life of our surrounding communities. In this regard, the Group has developed and implemented an Environmental Management System ("EMS") which is in line with the ISO 14001:2015 standards. The EMS facilitates our policy setting, planning, execution, performance evaluation and improvement relating to environmental interactions. This resulted in our stringent adherence to environmental laws and regulations.

Since 2016, Pecca has been certified to be in compliance with the Standard UNI EN ISO 14001:2015 for our products, which now includes the manufacturing of leather and synthetic leather seat covers, face masks, respirator masks and PPE. This is an internationally accepted standard for environmental management, which is in line with the requirements of the Malaysian Department of Environment. Our strong compliance levels have enabled us to retain our ISO 14001:2015 certification for our facility and headquarters in Kepong, Kuala Lumpur, during the reporting period. In this regard, we have recorded 0 incidents of non-compliance with environmental laws and regulations in FY Jun 2021. We strive to continue adhering to these best practices going forward.

Energy and Emissions Management

As a signatory of the Paris Agreement, Malaysia has committed to achieve a 45% reduction in greenhouse gas ("GHG") emission intensity per unit of GDP by 2030, compared to 2005 levels "Pursuant to the 12th Malaysia Plan, Malaysia has also pledged to become a carbon-neutral country by 2050 at the earliest. In line with this national targets, the Group aspires to play our part in addressing climate change by reducing our environmental footprint via improvements in our energy consumption intensity and emission levels.

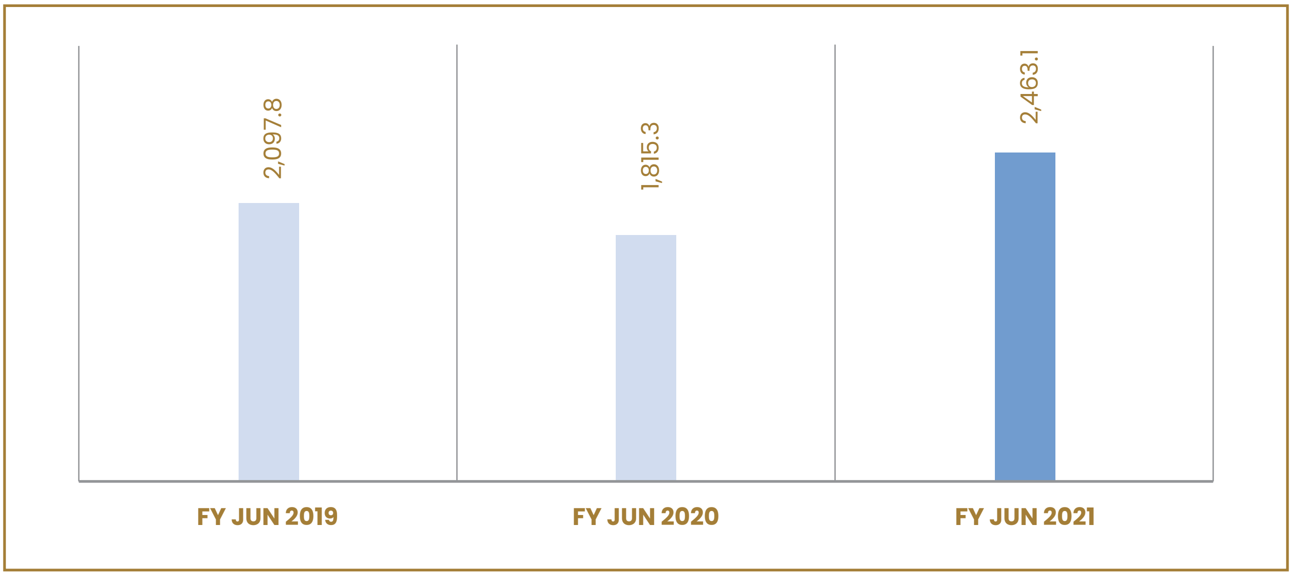
The use of electricity is essential in our manufacturing process and constitutes a material proportion of our operational expenditure. We therefore continue to develop and enhance our EMS to improve cost efficiency and minimise carbon emissions. Under the EMS, we record and monitor our electricity consumption at our manufacturing facility and offices on a monthly basis, and then undertake performance evaluation of these datasets for energy optimisation purposes.

During the financial year, Pecca's electricity consumption increased 36% to 2,463 MWh (FY Jun 2020 1,815 MWh) Pecca's manufacturing facilities were not in operation for a respective 55 days and 43 days in FY Jun 2020 and FY Jun 2021 due to lockdowns caused by the Covid-19 pandemic.

ENVIRONMENTAL CONSERVATION (CONT'D)

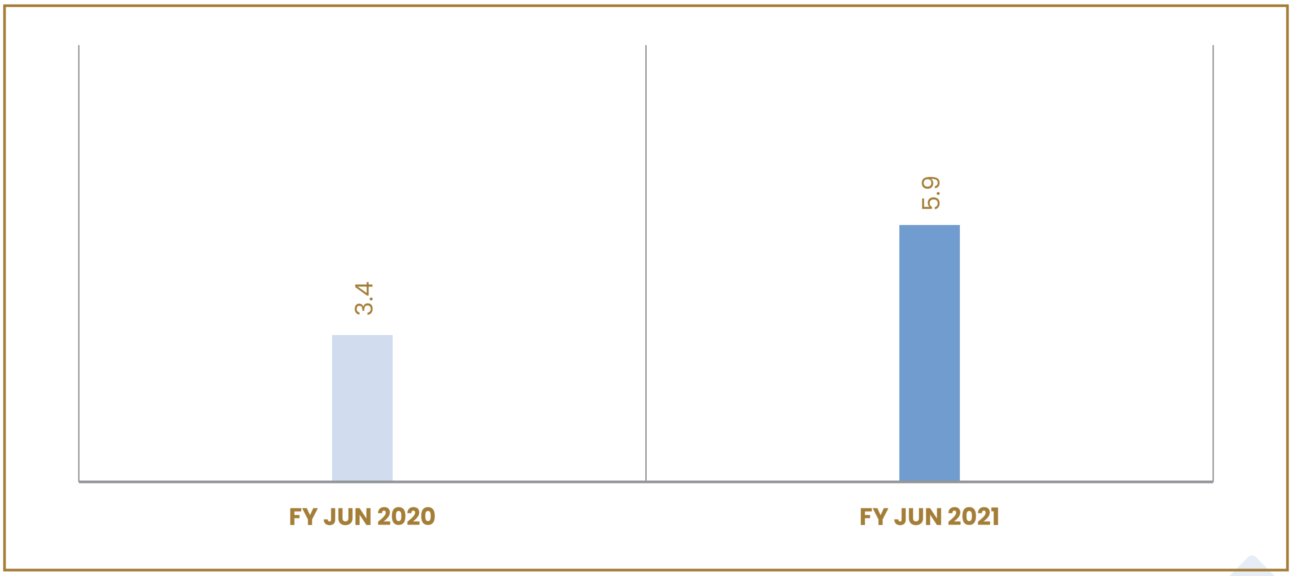
Energy and Emissions Management (Cont'd)

ELECTRICITY CONSUMPTION (MWh)



In FY Jun 2021, the Group's electricity consumption intensity ratio rose to 5.9 kWh/unit (FY Jun 2020: 3.4 kWh/unit).

ELECTRICITY CONSUMPTION INTENSITY PATIO (kWh/unit)



ENVIRONMENTAL CONSERVATION (CONT'D)

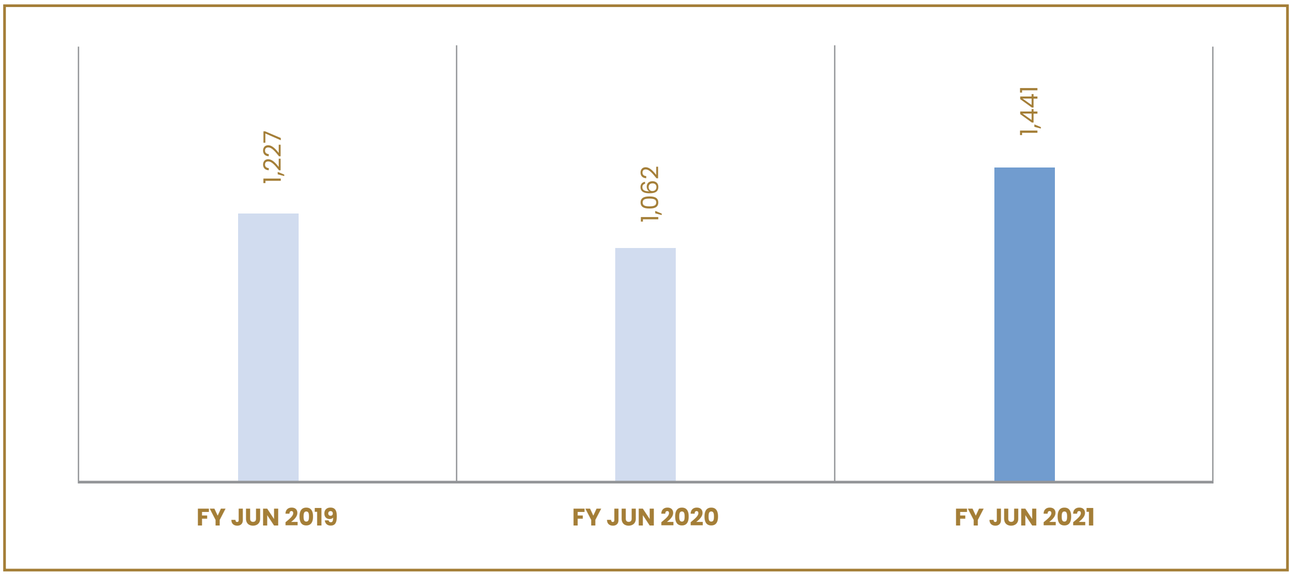
Energy and Emissions Management (Cont'd)

In line with our energy efficiency programme, Pecca is committed to reduce our carbon footprint progressively. We are in the midst of establishing a target for GHG emission intensity reductions by 2030 – further information on this front will be shared when available.

In order to monitor such emission reductions going forward, the Group is in the midst of ascertaining specific baselines for our Scope 1, Scope 2 and Scope 3 emissions data. This will be in accordance with the recommendations by the Task Force on Climate-Related Financial Disclosures ("TCFD"). For Scope 1 and Scope 3 GHG emissions, the Group is working towards collecting such data, yet we note that these emissions are expected to be insignificant in comparison to that of Scope 2.

Similar to our electricity consumption pattern, our Scope 2 carbon emissions experienced an increase in FY Jun 2021.

SCOPE 2 EMISSIONS (tCO_2)



Pecca has embarked on several energy-saving initiatives with the aim of achieving our target of GHG emission reduction. First of all, the Group has started to replace our fluorescent lighting fixtures lamps with light-emitting diode ("LED") ones to improve energy efficiency. Next, we are in the midst of installing a solar photovoltaic ("PV") system on the rooftop of our manufacturing facility and this is expected to be completed by end-2021. We expect the solar PV system to meet part of the electricity requirement of our manufacturing facility and generate cost savings to the Group in the form of electricity bill reduction. Further, the adoption of solar PV acts as a lever for us to reduce carbon footprint of the Group, while playing our part in the transition towards a cleaner business environment moving forward. Lastly, our ongoing energy-saving campaign for the past few years have continued to instil values of reducing energy consumption among our employees. This includes employing the use of "best practice" notices and signages at power outlets and switches.

ENVIRONMENTAL CONSERVATION (CONT'D)

Energy and Emissions Management (Cont'd)

Figure 1: Electricity-saving campaign signage displayed at every floor and safety board

Figure 2: Installation of solar PV system on rooftop of manufacturing facility

Water and Effluent Management

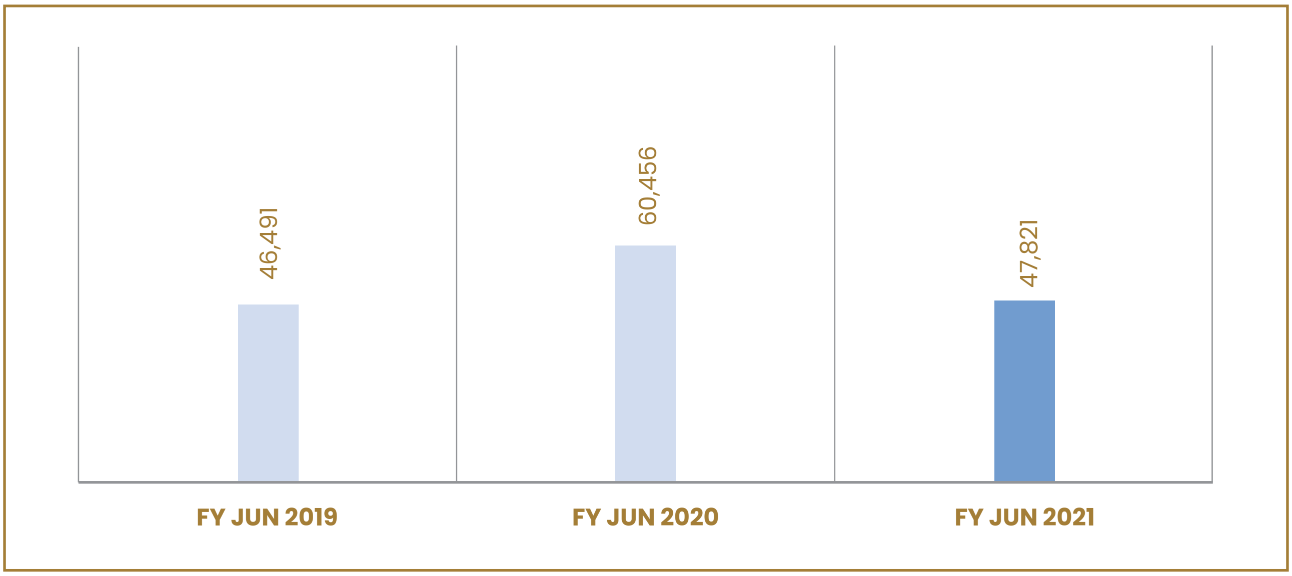
Water is a precious resource, not just to our organisation, but also to all living beings on this planet. Given that Pecca consumes water on a daily basis for our operations, sustainable water and effluent management is critical to protect the water resources of our planet, in addition to minimising the impact on our operating costs. The Group monitors water consumption levels via our EMS, which adheres to the ISO 14001:2015 standards.

ENVIRONMENTAL CONSERVATION (CONT'D)

Water and Effluent Management (Cont'd)

The Group sources our water from municipal supply, of which none of the areas have water stress. During FY Jun 2021, Pecca's water usage stood at 47,821 m^3, which was 21% lower than the previous financial year.

WATER CONSUMPTION (M^3)



We strive to reduce our water footprint by promoting water-saving practices to employees, in which related signages and notices are placed at common water fixtures and faucets, toilets and pantries. To reinforce our commitment in cutting water consumption, we have set an annual target of lowering water usage by 0.6%. Pecca is proud to share that we have managed to reduce our water consumption level by 21% in FY Jun 2021 despite a higher production output. Looking ahead, we endeavour to continue meeting our water usage reduction targets with the ultimate objective of protecting water as a pristine resource.

In relation to effluent discharge management, we also maintain strict compliance with the parameters specified under Standard B of Environmental Quality (Industrial Effluents) Regulations 2009 of the Environmental Quality Act 1974. Based on the latest water sampling and analysis report, the discharge levels at Pecca's manufacturing facility are found to be within the regulatory limits for all the parameters tested during the reporting period. We have also recorded zero incidents of non-compliance with discharge limits during the financial year.

Pecca has proven to surpass the demanding requirements of the Department of Environment ("DOE") of Malaysia in relation to effluent waste discharge. We have engaged a third party to conduct wastewater sampling and analysis at our manufacturing facility. The analysis is performed in accordance with the parameters specified under Standard B [Environmental Quality (Industrial Effluents) Regulations] 2009. Based on the analysis findings, the readings for our chemical oxygen demand ("COD"), biological oxygen demand ("BOD") and total suspended solids ("TSS") have met the Standard B benchmark set by the DOE by a significant level in FY Jun 2021.

ENVIRONMENTAL CONSERVATION (CONT'D)

Water and Effluent Management (Cont'd)

Parameters	Standard B (DOE Standard)	Pecca's Results
COD (mg/l)	200	16
BOD (mg/l)	50	5
TSS (mg/l)	100	8

We aim to continue our strong track record of meeting all regulatory requirements relating to effluent discharge levels in the coming years.

Waste Management

Pecca's operations generate both scheduled (hazardous) and non-scheduled (municipal) wastes. In this regard, responsible waste management can help reduce the environmental impact of our manufacturing processes by ensuring that industrial waste do not pollute the natural environment.

The Group's EMS includes a structured waste management programme which involves systematic monitoring and improved material utilisation. Furthermore, we strive to control waste on-site by segregating wastes by type, as well as encouraging reuse and recycling practices. Pecca has established an annual target of reducing recyclable materials going into landfill by 0.3%.

There are three categories of scheduled waste that are generated by our manufacturing processes. Below is a description on the types of scheduled waste and how we handle them prior to disposal.

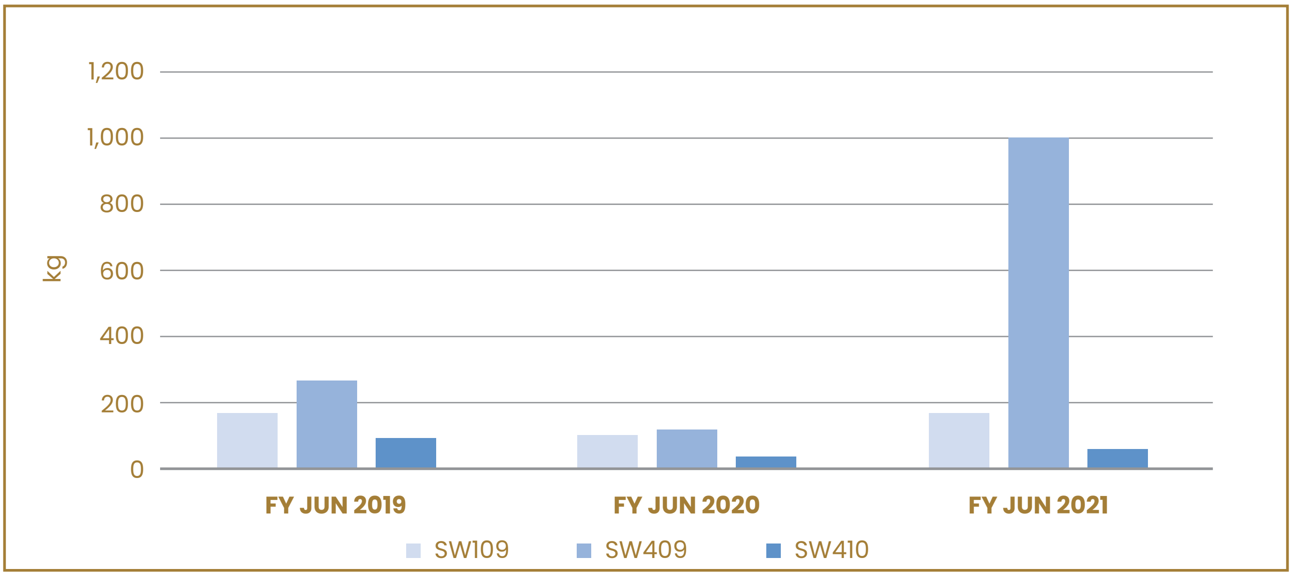
Category	Scheduled waste	Description	Handling process
SW109	Waste containing mercury or its compound	Used fluorescent lamps and bulbs in the production and office premises. We are gradually changing these fixtures to LED ones	We utilise a fluorescent bulb eater which is a device that crushes and stores fluorescent lamps, as well as controls mercury vapour emissions
SW409	Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	Containers that are contaminated as a result of chemical glue, used mainly in the wrapping process of the various components of our leather upholstery products, as well as sanitisation chemical containers	Contaminated containers are cleaned using our triple rinse system, which is fully automated
SW410	Rags, plastics, papers or filters contaminated with scheduled wastes	Contaminated rags and gloves, which are personal protective equipment ("PPE") used in handling the wrapping process, as well as those used in chemical or oil cleaning after machine maintenance is performed	Contaminated gloves, rags and cloth are washed using washing machine. Cleaned ones are recycled while damaged ones will be processed in our Anaerobic Thermal Desorption Units ("ATDU"), an indirectly heated rotary drum. The material is heated to volatilise the contaminants

ENVIRONMENTAL CONSERVATION (CONT'D)

Waste Management (Cont'd)

We employ third-party contractors licensed by the DOE for the collection, recycling and disposal of these scheduled waste on a semi-annual basis. The chart below illustrates the total weight of scheduled waste directed to disposal to the third-party contractors by category for the past three financial years. The significant rise in the weight of SW409 directed to disposal in FY Jun 2021 was due to the usage of sanitisation chemical containers to combat the Covid-19 pandemic.

Weight of Scheduled Waste Directed to Disposal



Meanwhile, non-scheduled wastes such as office waste (I.e. paper waste and plastics) do not exhibit any material toxic characteristics, thus these are collected for recycling or disposed as general waste.

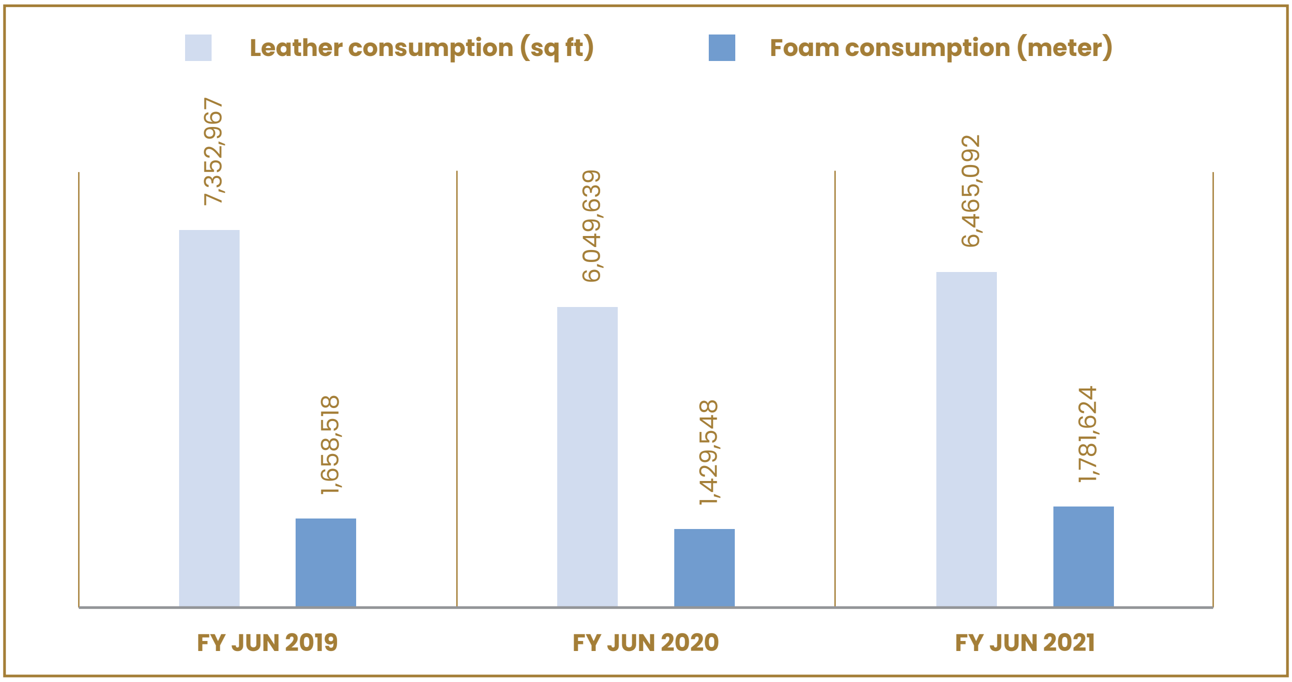
Materials Management

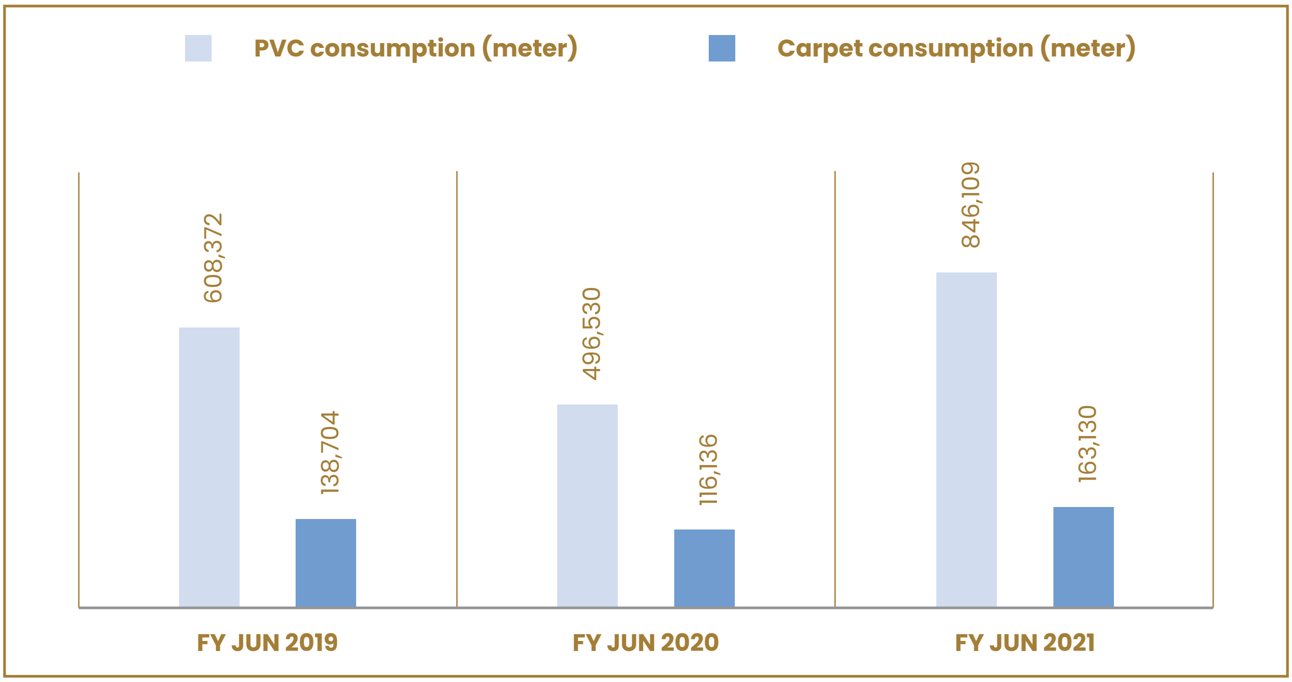
Pecca believes in the proper management of raw materials that are used in our production lines to manufacture our main products. An optimal consumption of raw materials would help minimise wastage of resources and lead to a more sustainable environment for future generations. In this respect, the Group manages the consumption of raw materials by ensuring efficient usage via the SAP accounting software system. A bill of material ("BOM") is used to record usage of resources as well as a measure to achieve zero wastage and that the correct amount of materials is used according to each job specification.

The key non-renewable materials used by Pecca in producing our products are leather, polyvinyl chloride ("PVC"), foam and carpet. In FY Jun 2021, our usage of leather, PVC, foam and carpet increased by a respective 7%, 71%, 25% and 41%.

ENVIRONMENTAL CONSERVATION (CONT'D)

Materials Management (Cont'd)





In line with our pledge to achieve zero wastage of raw materials, the Group uses recycled input materials to manufacture some of our products. As an illustration, unwanted leather cuts from our manufacturing processes are used to make car accessories to avoid wastage and reduce material consumption. Other recycled inputs used include carton boxes, empty thread cones, wooden pallets, scrap foam, scrap metal/ steel and scrap plastic.

ENVIRONMENTAL CONSERVATION (CONT'D)

Materials Management (Cont'd)

Recycled material	Quantity in FY Jun 2021
Recycled carton box (kg)	196,024
Recycled empty thread cone (kg)	801
Wooden pallet (pieces)	1,326
Scrap foam (number of trips of a fully loaded lorry)	78
Scrap metal/steel (kg)	4,860
Scrap plastic (kg)	31,834
Scrap leather (number of trips of a fully loaded lorry)	4

PEOPLE FIRST

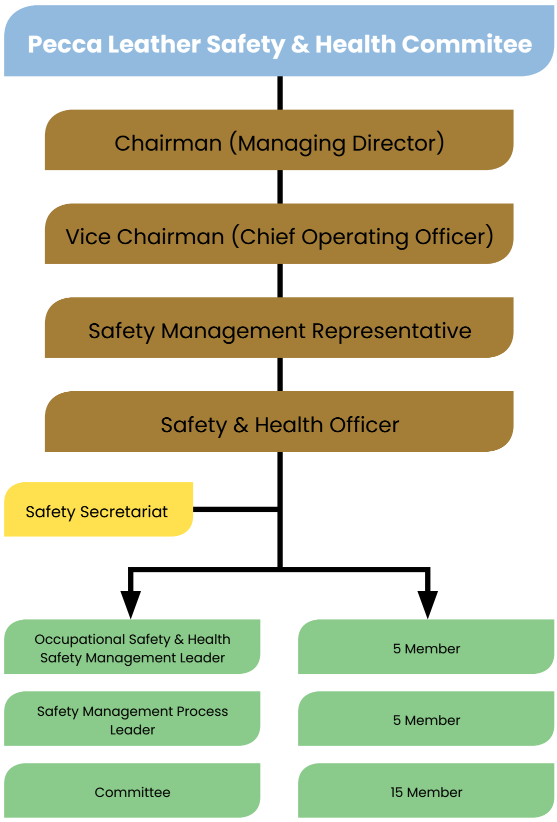
Key Material Matters

(1) Occupational Health & Safety, (2) Our Workforce and Total Working Hours, (3) Workplace Accidents, (4) The Fight Against COVID-19, (5) Training and Education

Occupational Health and Safety

We are committed to protecting the health and safety of all our employees by creating a safe and conducive working environment, and comply to the Factories and Machineries Act, 1967 and the Occupational Safety and Health Act 1994. In this regard, we preserve our standards by establishing our Environmental, Safety and Health ("ESH") Policy; along with an Occupational Health & Safety Policy. We also have our Department of Occupational, Safety and Health and Safety and Health Committee in place to ensure health and safety is maintained by planning, coordinating, and monitoring the ESH Programmes and Environment & Safety Monitoring. Our Safety and Health Committee is tasked to ensure that the Group's health and safety performance complies with regulatory requirements and industry best practices. Meetings are conducted once every three months to discuss ESH-related matters. A monthly internal workplace inspection audit will also be conducted to ensure the safety of our working premises.

In order to provide innovation healthcare benefits to our employees, the Company has invested in Health Metric platform for real-time employee's health data analytics. This is so the Company may obtain a complete picture of our healthcare expenditures, as well as monitor our employees' wellbeing for any immediate treatment needs that may arise.



PEOPLE FIRST (CONT'D)

In order

Through our effort and commitment, we have achieved global best practice levels of ISO45001:2018 certification for our occupational, health and safety management system in Pecca Leather. All related workers, activities and workplaces are covered under the ISO-certified management system. We have conducted various trainings amounting to a total of 132 training hours, with 115 of our employees involved. The following are some highlights of the ESH-related trainings we had conducted in the financial year:

- ISO 14001 & ISO 45001 Internal Audit Training: Internal auditor member are qualified, revised and updated on the ISO 14001 & ISO 45001 clause.
- First Aider Internal Training: All ERT members are trained well for the first aid treatment.
- Fire Drill & Fire Fighting Training: All ERT members are trained well and ready to face any emergency situation.
- Chemical Spillage: All chemical handlers are trained well and are ready to face any emergency situation.
- Road Safety Awareness: Pecca Leather employees are noted and obey with the road safety awareness in Pecca premises.
- Warehouse Safety Awareness: Warehouse personnel are aware and more cautious when entering warehouse and deal with warehouse property.
- Hearing Conservation Training: The training conducted on worker that worked in location with 85db noise levels, as defined by our Noise Risk Assessment (NRA).

Picture 1: Fire drill and fire fighting training.

Picture 2: Warehouse safety awareness training.

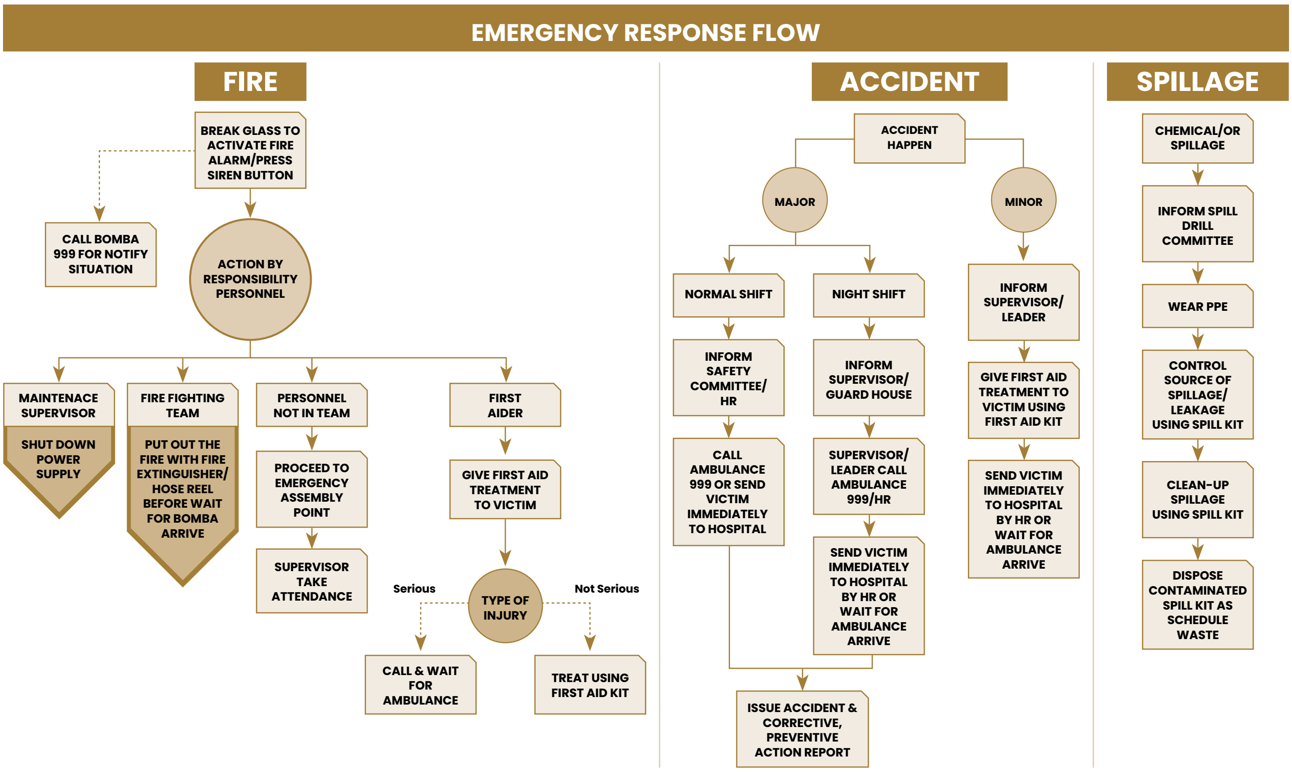
Workplace Accident

In the year under review, The Group registered a total of 7 recordable minor injury cases. The Group had taken subsequent remedial actions to improve the safety of the associated processes to minimize the reoccurrence risk of such incidents. All local employees of the Group are covered under the Group Term Life Insurance and Personal Accident Insurance to assures financial assistance and compensations in the event of unfortunate incidents in the workplace. Whereas our foreign workers are under the Foreign Workers Insurance Guarantee as required by the Malaysian Government. For all of our accidents, we have sufficiently identified root causes and taken mitigative action plans to prevent future issues from occurring.

PEOPLE FIRST (CONT'D)

Workplace Accident

Attached table is Emergency Response Flow Chart if any accident happen in Pecca Leather Sdn Bhd :



The Fight Against COVID-19

To combat with the spreading of the Covid-19 virus across our workplace and to ensure operational continuity, Pecca had set up a Covid-19 Standard Operating Procedure ("SOP") Enforcement Committee to plan, coordinate and enforce the SOPs and prevention procedures. The working committee create a proper SOP to set rules and best practices, in compliance with the SOPs set by the Malaysian Government. The planned SOPs are enforced on the prevention plan around Pecca premises and is monitored and updated if necessary.

Training and Education

We are committed to enhance the skills of our employees, enabling them to understand and utilize their potential. We strive to provide regular training to provide career growth opportunities to our employees, equip them with the latest knowledge on our products, as well as enable the development of specialized skill sets and greater productivity.

In the year under review, our employees were involved in a total of 132 hours of training. The trainings conducted involved all levels of the organization spanning from management level to non-executive employees. The average training hour achieved in FY 2021 was 1.15 training hours per participants as compared to 2.28 training hours per participants in FY2020. This is mainly due to the restrictions we faced from the lockdown implemented in our country. Nonetheless, we had managed to conduct some online training programmes.

As part of our efforts for organization-wide continuous improvement, all of our staff performance reviews are measured by KPIs.

GRI CONTENT INDEX

This report has been prepared in accordance with the GRI Standards: Core option.

GRI-Code	Description	Reference
102 General Disclosures		
Organisational Profile		
102-1	Name of the organization	Pecca Holdings Berhad
102-2	Activities, brands, products, and services	Corporate Structure, Page 5
102-3	Location of headquarters	Corporate Information, Page 4
102-4	Location of operations	Corporate Information, Page 4
102-5	Ownership and legal form	Corporate Structure, Page 5
102-6	Markets served	Chairman & Managing Director's Management Discussion & Analysis, Page 23 – 30
102-7	Scale of the organization	Corporate Structure, Page 5
102-8	Information on employees and other workers	Board of Directors & Profile of Directors, Page 6 – 13 Key Management, Page 14 – 17 People First, Page 53 – 55
102-9	Supply chain	Sustainability Statement, Page 40 – 41
102-10	Significant changes to the organisation and its supply chain	There were no significant changes to our operations and supply chain during the financial year.
102-11	Precautionary Principle or approach	The Group applies the Precautionary Principle in all areas of operations, which is to apply due care in all operations to safeguard both environment and social interests.
102-12	External initiatives	Sustainability Statement, Page 32 – 55
102-13	Membership of associations	We are not part of any associations.
Strategy		
102-14	Statement from senior decision-maker	Chairman & Managing Director's Management Discussion & Analysis, Page 18
102-15	Key impacts, risks, and opportunities	Chairman & Managing Director's Management Discussion & Analysis, Page 23 – 30
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Corporate Governance, Code of Conduct, Page 63
102-17	Mechanisms for advice and concerns about ethics	Corporate Governance, Anti-Bribery and Anti-Corruption Policy, Page 63

GRI CONTENT INDEX

GRI-Code	Description	Reference
102 General Disclosures (cont'd)		
Governance		
102-18	Governance structure	Board of directors, Page 6 – 13 Senior management, Page 14 – 17 Corporate governance overview statement Sustainability Statement, Page 61 – 77
102-19	Delegating authority	Sustainability Statement, Page 34
102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Statement, Page 34
102-21	Consulting stakeholders on economic, environmental, and social topics	Sustainability Statement, Stakeholder Engagement, Page 35 – 36
102-22	Composition of the highest governance body and its committees	Board of directors, Page 6 – 13 Senior management, Page 14 – 17
102-23	Chair of the highest governance body	Corporate governance overview statement, Page 61 – 77
102-24	Nominating and selecting the highest governance body	Corporate governance overview statement, Nomination Committee, Page 68 – 70
102-25	Conflicts of interest	Board of directors, Page 6 – 13 Senior management, Page 14 – 17 Corporate governance overview statement, Page 61 – 77
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate governance overview statement, Board Responsibility, Page 61 – 63
102-27	Collective knowledge of highest governance body	Corporate governance overview statement, Page 34
102-28	Evaluating the highest governance body's performance	Corporate governance overview statement, Board Composition, Page 64 – 73
102-29	Identifying and managing economic, environmental, and social impacts	Sustainability Statement, Page 32 – 55
102-30	Effectiveness of risk management processes	Corporate governance overview statement, Effective Audit & Risk Management, Page 73 – 76
102-31	Review of economic, environmental, and social topics	Sustainability Statement, Page 32 – 55
102-32	Highest governance body's role in sustainability reporting	Sustainability Statement, Page 32 – 55
102-33	Communicating critical concerns	Audit and Risk Management Committee Report, Page 80 – 83 Statement on Risk Management and Internal Control, Page 84 – 88
102-34	Nature and total number of critical concerns	Audit and Risk Management Committee Report, Page 80 – 83 Statement on Risk Management and Internal Control, Page 84 – 88

GRI CONTENT
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GRI-Code	Description	Reference
102 General Disclosures (cont'd)		
Stakeholder engagement		
102-40	List of stakeholder groups	Sustainability Statement, Page 36
102-41	Collective bargaining agreements	Social, page 54
102-42	Identifying and selecting stakeholders	Sustainability Statement, Page 36
102-43	Approach to stakeholder engagement	Sustainability Statement, Page 35 – 44
102-44	Key topics and concerns raised	Sustainability Statement, Page 32 – 55
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Corporate Structure, Page 5
102-46	Defining report content and topic Boundaries	Sustainability Statement, Page 35 – 36
102-47	List of material topics	Sustainability Statement, Page 35 – 36
102-48	Restatements of information	Not applicable.
102-50	Reporting period	1st July 2020 to 30th June 2021.
102-51	Date of most recent annual report	25th October 2021.
102-52	Reporting cycle	1st July 2020 to 30th June 2021.
102-53	Contact point for questions regarding the report	ir@peccaleather.com
102-54	Claims of reporting in accordance with the GRI Standards	At the top of this table.
102-55	GRI content index	GRI content index, Page 56 – 60
102-56	External assurance	Non-financial information has not been externally-verified; we will consider doing so moving forward.
301 Materials		
103-1	Explanation of the material topic and its Boundary	Environmental Conservation – Waste and Materials Management, Page 50 – 53
103-2	The management approach and its components	Environmental Conservation – Waste and Materials Management, Page 50 – 53
103-3	Evaluation of the management approach	Environmental Conservation – Waste and Materials Management, Page 50 – 53
301-1	Materials used by weight or volume	Environmental Conservation – Waste and Materials Management, Page 50 – 53

GRI CONTENT INDEX

GRI-Code	Description	Reference
302 Energy		
103-1	Explanation of the material topic and its Boundary	Environmental Conservation – Energy and Emissions Management, Page 45 – 48
103-2	The management approach and its components	Environmental Conservation – Energy and Emissions Management, Page 45 – 48
103-3	Evaluation of the management approach	Environmental Conservation – Energy and Emissions Management, Page 45 – 48
302-1	Energy consumption within the organization	Environmental Conservation – Energy and Emissions Management, Page 45 – 48
303 Water and Effluents		
103-1	Explanation of the material topic and its Boundary	Environmental Conservation – Water and Effluent Management, Page 48 – 50
103-2	The management approach and its components	Environmental Conservation – Water and Effluent Management, Page 48 – 50
103-3	Evaluation of the management approach	Environmental Conservation – Water and Effluent Management, Page 48 – 50
303-1	Interactions with water as a shared resource	Environmental Conservation – Water and Effluent Management, Page 48 – 50
303-2	Management of water discharge-related impacts	Environmental Conservation – Water and Effluent Management, Page 48 – 50
303-3	Water withdrawal	Environmental Conservation – Water and Effluent Management, Page 48 – 50
303-4	Water discharge	Environmental Conservation – Water and Effluent Management, Page 48 – 50
305 Emissions		
103-1	Explanation of the material topic and its Boundary	Environmental Conservation – Energy and Emissions Management, Page 45 – 48
103-2	The management approach and its components	Environmental Conservation – Energy and Emissions Management, Page 45 – 48
103-3	Evaluation of the management approach	Environmental Conservation – Energy and Emissions Management, Page 45 – 48
305-1	Direct (Scope 1) GHG emissions	Environmental Conservation – Energy and Emissions Management, Page 45 – 48
305-2	Energy indirect (Scope 2) GHG emissions	Environmental Conservation – Energy and Emissions Management, Page 45 – 48
305-4	GHG emissions intensity	Environmental Conservation – Energy and Emissions Management, Page 45 – 48

GRI CONTENT INDEX

GRI-Code	Description	Reference
306 Waste		
103-1	Explanation of the material topic and its Boundary	Environmental Conservation – Waste Management, Page 50 – 51
103-2	The management approach and its components	Environmental Conservation – Waste Management, Page 50 – 51
v103-3	Evaluation of the management approach	Environmental Conservation – Waste Management, Page 50 – 51
306-1	Waste generated	Environmental Conservation – Waste Management, Page 50 – 51
306-2	Waste diverted from disposal	Environmental Conservation – Waste Management, Page 50 – 51
306-5	Waste directed to disposal	Environmental Conservation – Waste Management, Page 50 – 51
307 Environmental Compliance 2016		
103-1	Explanation of the material topic and its Boundary	Environmental Conservation – Environmental Compliance, Page 45
103-2	The management approach and its components	Environmental Conservation – Environmental Compliance, Page 45
103-3	Evaluation of the management approach	Environmental Conservation – Environmental Compliance, Page 45
307-1	Non-compliance with environmental laws and regulations	Environmental Conservation – Environmental Compliance, Page 45
403 Occupational Health and Safety		
103-1	Explanation of the material topic and its Boundary	People First – Occupational Health and Safety, Page 53 – 54
103-2	The management approach and its components	People First – Occupational Health and Safety, Page 53 – 54
103-3	Evaluation of the management approach	People First – Occupational Health and Safety, Page 53 – 54
403-1	Occupational health and safety management system	People First – Occupational Health and Safety, Page 53 – 54
404 Training and Education		
103-1	Explanation of the material topic and its Boundary	People First – Training and Education, Page 55
103-2	The management approach and its components	People First – Training and Education, Page 55
103-3	Evaluation of the management approach	People First – Training and Education, Page 55
404-1	Average hours of training per year per employee	People First – Training and Education, Page 55

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 2021. 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 2021 ("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 ended 30 June 2021 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) ensures implementation of appropriate internal controls and mitigating measures to address the risks identified;
(b) carries out periodic reviews of the Group's financial performance and operating results and major capital commitments;
(c) reviews the adequacy and integrity of the Group's internal control system;
(d) committed to acting professionally, fairly and with integrity in all our business dealings and relationships;
(e) reviews, adopts and monitors the implementation of Management's strategic plans; and
(f) oversees and evaluates the conduct and sustainability of the Group which includes strategies on economic, environmental and social considerations.

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I Board Responsibilities (cont'd)

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I Board Responsibilities (cont'd)

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.

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; and
(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 periodically reviewed by the Board to be in line with regulatory changes and to reflect changes made to the terms of reference of the Board Committees. The Board Charter was last reviewed by the Board on 21 August 2020.

6. Code of Ethics

The Board has formalised a Code of Ethics 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 of Directors are available at the Company's website at www.peccaleather.com.

7. Whistle-blower Policy

The Company has put in place a Whistleblowing Policy to strive to conduct its business relationships and dealings with the highest level of integrity and accountability and adopt zero-tolerance approach towards any misconduct that would jeopardise its good standing and reputation. This policy is intended to encourage and enable the directors, employees and Stakeholders of the Group to raise concerns about suspected and/or known malpractices, misconduct or wrongdoings.

8. Anti-Bribery and Anti-Corruption Policy

The Company has adopted an Anti-Bribery and Anti-Corruption Policy ("ABAC Policy"), which is made available at the Company's website at www.peccaleather.com.

The Board has adopted a zero-tolerance approach against all forms of Bribery and Corruption, as defined in the ABAC Policy, and takes a strong stance against such acts. The ABAC Policy leverages on the core principles of the Company as set out in the Company's Code of Ethics and Conduct. The ABAC Policy serves as a guideline on how to deal with Bribery and Corruption which may arise in the course of business.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

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 Eight (8) members, comprising of three (3) Independent Non-Executive Directors, four (4) Executive Directors and one (1) Group Managing Director. This complies with Paragraph 15.02 of the MMLR which requires at least two (2) or one-third (1/3) of the Board of Company, whichever is higher, are independent Directors.

Currently, the Board has Seven (7) members, comprising of three (3) Independent Non-Executive Directors, three (3) Executive Directors and one (1) Group Managing Director.

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

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.

As to-date, the tenure of all Independent Directors is less than nine (9) years of service. The Board will justify and seek annual shareholders' approval through a two-tier voting process in the event it retains an Independent Director who has served in that capacity for a cumulative period of more than nine (9) years.

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 two (2) female Directors which is less than 30% of the Board. 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 and consider taking in addition suitable female Director with anticipation to be able to meet the 30% women directors.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition (cont'd)

4. Appointment of Directors

The NC 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 NC 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 NC. All nominees and candidates to the Board are first considered by the NC 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 NC 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 Annual General Meeting ("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.

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

(a) Datuk Leong Kam Weng (Clause 97)
(b) Dato' Mohamed Suffian Bin Awang (Clause 97)

Pursuant to Clause 105 of the Company's Constitution, Dato' Dr. Norhizan Bin Ismail was appointed as Independent Non-Executive Director on 17 September 2021 shall retire at the forthcoming Eleventh AGM.

At the forthcoming AGM, the aforesaid Directors have expressed their intention to seek for re-election. The NC had made recommendations to the Board on re-election of Datuk Leong Kam Weng, Dato' Mohamed Suffian Bin Awang and Dato' Dr. Norhizan Bin Ismail. 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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition (cont'd)

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 the 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	–	–	2/2
Datin Sam Yin Thing Executive Director	5/5	–	–	–
Teoh Zi Yi [(a)] Executive Director	4/4	–	–	-
Teoh Zi Yuen [(a)] Executive Director	4/4	–	–	–
Datuk Leong Kam Weng Independent Non-Executive Director	5/5	5/5	2/2	2/2
Dato' Dr. Norhizan Bin Ismail [(c)] Independent Non-Executive Director	–	–	–	–
Chew Kian Seng [(b)] Executive Director	5/5	1/1	1/1	1/1
Leong Chee Tong [(a)(d)] Independent Non-Executive Director	4/4	4/4	1/1	1/1

Remarks:
(a) *Appointed on 16 October 2020*
(b) *Resigned on 20 August 2021*
(c) *Appointed on 17 September 2021*
(d) *Retired on 17 September 2021*

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition (cont'd)

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.

All Directors of the Company have attended the Mandatory Accreditation Programme as prescribed in the Listing Requirements, Dato' Dr. Norhizan Bin Ismail who was appointed to the Board on 17 September 2021 will be attending the Mandatory Accreditation Programme on 1 November 2021 to 3 November 2021. 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 reviews, the Directors have attended the following training programmes:

Directors	Name of Seminar and Training Programmes
Dato' Mohamed Suffian Bin Awang	• Updated Malaysia Code on Corporate Governance (MCCG 2021)
Datuk Teoh Hwa Cheng	• Updated Malaysia Code on Corporate Governance (MCCG 2021)
Datin Sam Yin Thing	• Updated Malaysia Code on Corporate Governance (MCCG 2021)
Teoh Zi Yi	• Updated Malaysia Code on Corporate Governance (MCCG 2021)
Teoh Zi Yuen	• Mandatory Accreditation Program (MAP) • Updated Malaysia Code on Corporate Governance (MCCG 2021)
Datuk Leong Kam Weng	• Equity-based income: A formula that drives business performance (participated as panel speaker) • Technology Risk Management • BNM-FIDE FORUM Annual Dialogue with the Governor of BNM • Manufacturing - Being unstoppable in challenging times • Corporate Securities & Investment - LAWASIA 2020 Conference • Battle against Corruption and MACC Act 2009 • Fraud Risk Management • 2021 Budget Highlights • Budget 2021 Tax Highlights • The rise of market disruption through short-selling attacks and how to respond • Board Effectiveness Evaluation Framework & Approach • Sustainable Finance: Making better financial decisions • MASB Dialogue on MFRS 17 Insurance Contracts • Board and Audit Committee Priorities 2021 • The Role of Independent Director in Embracing Present and Future Challenges • Implementing Amendments in the Malaysian Code on Corporate Governance • JC3 Flagship Virtual Conference 2021: #FinanceForChange • Updated Malaysia Code on Corporate Governance (MCCG 2021)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition (cont'd)

7. Directors' Training (cont'd)

During the financial year under reviews, the Directors have attended the following training programmes: (cont'd)

Directors	Name of Seminar and Training Programmes
Chew Kian Seng	• Updated Malaysia Code on Corporate Governance (MCCG 2021)
Leong Chee Tong	• Updated Malaysia Code on Corporate Governance (MCCG 2021)

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.

(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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition (cont'd)

8. Board Committees (cont'd)

(b) Nomination Committee ("NC") (cont'd)

The NC comprises exclusively of Independent Non-Executive Directors and the composition is as follows:- (cont'd)

Dato' Dr. Norhizan Bin Ismail (Member) (Appointed on 17 September 2021)
Independent Non-Executive Director

Leong Chee Tong (Member) (Retired on 17 September 2021)
Independent Non-Executive Director

Chew Kian Seng (Member) (Resigned on 16 October 2020)
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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition (cont'd)

8. Board Committees (cont'd)

(b) Nomination Committee ("NC") (cont'd)

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 as a whole 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) Reviewed the directors' retirement by rotation at the 10th AGM of the Company held on 18 December 2020.
(vii) Assessed and recommended to the Board the appointment of Teoh Zi Yi and Teoh Zi Yuan as Executive Directors and Leong Chee Tong as Independent Non-Executive Director of the Company.
(viii) Recommended the appointment and changes of Board Committee members for the Board's approval.
(ix) Assessed and recommended to the Board the appointment of Chief Financial Officer of the Company.

(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

Datuk Teoh Hwa Cheng (Member)
Group Managing Director

Dato' Dr. Norhizan Bin Ismail (Member) (Appointed on 17 September 2021)
Independent Non-Executive Director

Leong Chee Tong (Member) (Retired on 17 September 2021)
Independent Non-Executive Director

Chew Kian Seng (Member) (Resigned on 16 October 2020)
Independent Non-Executive Director

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition (cont'd)

8. Board Committees (cont'd)

(c) Remuneration Committee ("RC") (cont'd)

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 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;
(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 the 10th AGM until the conclusion of the next AGM and recommended the same to the Board of Directors for approval;
(b) Reviewed the remuneration package of the Executive Directors and Key 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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition (cont'd)

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.

III Remuneration

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III Remuneration (cont'd)

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 Directors concerned abstain from deliberation and voting on their own remuneration at the Board meetings.

The remuneration of Non-Executive Directors for the financial year under review was determined by the Board as a whole, with the total quantum recommended by the Board for shareholders' approval at the AGM.

Details of Directors' remuneration for the financial year ended 30 June 2021 in respect of the Group and Company, including breakdown of remuneration in terms of fees, salaries, bonus, benefit-in-kinds, allowances and others of individual Directors on a named basis, are provided under Practice 7.1 of the Corporate Governance Report, which is available on the Company's website at www.peccaleather.com.

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.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

I ARMC (cont'd)

1. Composition (cont'd)

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 instituted 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 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 2021 without the presence of the Executive Directors, Group Managing Director 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.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

I ARMC (cont'd)

3. Suitability and Independence of External Auditors (cont'd)

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 2021.

For the financial year ended 30 June 2021, fees incurred 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	 6,000 122,000	 6,000 195,000
Total	**178,000**	**356,000**

The details of the non-audit fees are elaborated in additional compliance information of this Annual Report.

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.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

II Risk Management and Internal Control Framework (cont'd)

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	:	Certified Internal Auditor ("CIA"), Certified Practising Accountant with CPA Australia ("CPA"), a Chartered Member of Institute of Internal Auditors Malaysia ("CMIIA") and Accountant registered with the 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.

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.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

I Communication with Stakeholders (cont'd)

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

With the outbreak of Covid-19 and as part of the safety measures to curb the spread of Covid-19, the 10th AGM of the Company was conducted virtually at the broadcast venue held at Eastin Hotel Ballroom 2, 13 Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia through live streaming and online remote voting by using Remote and Participation and Voting Facilities ("RPV"), which is compliance with Section 327 of the Companies Act, 2016.

Having regard to the well-being and the safety of the shareholders, the Company had issued an Administrative Guide which set out all the details of the RPV facilities to the shareholders. The same was also uploaded to the Company's corporate website.

With the RPV facilities, shareholders are able to exercise their right as members of the Company to participate (including pose questions to the Board and/or Management of the Company before or during the AGM) and vote by registering themselves via Vote2U Online before the closing date set out in the Administrative Guide. If a member is unable to attend the 10th AGM, he/she may appoint a proxy or the Chairman of the meeting as his/her proxy to attend the AGM via RPV facilities.

The notice of AGM which sets out the resolutions together with the Annual Report was sent to shareholders 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. Notice of AGM was circulated in a nationally circulated newspaper together with an announcement on the Bursa Securities' website. This allowed shareholders to have immediate access to the notice of AGM and made necessary preparations for the AGM.

This CG Overview Statement was approved by the Board of Directors of the Company on 25 October 2021.

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. After due deliberation, the Board intends to undertake the variations to vary the utilization of proceed for working capital and extend the frame to another 24 months from 19 April 2020 to 19 April 2022.

The status of the utilization of the gross proceeds as at 30 June 2021 is as follows:

Purposes	Revised Expected Timeframe for Utilization (from 19 April 2018)	Revised Amount (RM'000)	Actual Utilisation (RM'000)	Utilised (%)
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	(4,871)	100
Construction of an additional production floor area on the existing factory building	–	5,000	(5,000)	100
Opening of retail outlets	–	0	0	0
Establishment of market presence in Thailand	Within 24 months	0	0	0
Expansion of aviation business	Within 24 months	834	(834)	100
Estimated listing expenses	–	4,111	(4,111)	100
Purchase of raw material	–	5,350	(5,350)	100
Selling and distribution expenses of:				
- Retail	–	2,000	(40)	2
- Thailand	–	0	0	0
- Aviation	–	745	(64)	9
Total Public Issue Proceeds		**67,870**	**(65,229)**	**96**

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 2021.

ADDITIONAL 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 2021 are as follows:

Related Party	Interested Director/ Substantial Shareholder	Interest in Our Group	Nature of Transaction	Actual Value (RM)
Tint Auto (M) Sdn Bhd	Datuk Teoh Hwa Cheng	Director and substantial shareholder	Rental of partial production area located at 3rd Floor, No. 1, Jalan Perindustrian Desa Aman 1A, Industri Desa Aman, Kepong, 52200 Kuala Lumpur from Pecca Leather Sdn Bhd to Tint Auto (M) Sdn Bhd	216,000
	Datin Sam Yin Thing	Director and substantial shareholder		
	Teoh Zi Yi	Director of Pecca Son of Datuk Teoh Hwa Cheng and Datin Sam Yin Thing	Supply of PPE products	28,000
Rentas Health Sdn Bhd	Teoh Zi Yuen	Director of Pecca Daughter of Datuk Teoh Hwa Cheng and Datin Sam Yin Thing	Rental of partial production area located at Penthouse, No. 1, Jalan Perindustrian Desa Aman 1A, Industri Desa Aman, Kepong, 52200 Kuala Lumpur from Pecca Leather Sdn Bhd to Rentas Health Sdn Bhd	85,000
			Supply of PPE products	17,821,000
			Purchase of PPE products	544,000

4. ALLOCATION OF SHARE SCHEME FOR EMPLOYEES

The Employees' Share Option Scheme ("ESOS") was approved by shareholders during the Extraordinary General Meeting held on 28 June 2019. The ESOS committee was established on 23rd August 2019.

5. AUDIT AND NON-AUDIT FEES

	Company (RM)	Group (RM)
Audit services rendered	50,000	155,000
Non-audit services renders	128,000	201,000

During the financial year, the amount incurred in respect of non-audit fees amounted to RM 201,000 comprised professional fees in relation to due diligent performed on Rentas Health Sdn Bhd, Statement of Risk Management and Internal Control review and assisting in appealing claims by Custom Malaysia on the dispute in Harmonized System (HS) Codes.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of Pecca Group Berhad ("Pecca" or the "Company") is pleased to present the Audit and Risk Management Committee Report for the financial year ended 30 June 2021 ("FY2021").

The ARMC's role is to carry the functions of an audit committee as set out in Paragraph 15.12 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and to oversee the risk management framework and policies of Pecca and its subsidiaries ("Pecca Group" or the "Group"). Details of the composition, authority, responsibilities, and procedures of the ARMC is formalised in the Terms of Reference of the ARMC which is available on Pecca's corporate website at https://www.peccaleather.com.

1. COMPOSITION

The Audit and Risk Management Committee ("ARMC") comprises the following Independent Non-Executive Directors:

- Datuk Leong Kam Weng * - Chairman of ARMC
- Dato' Mohamed Suffian Bin Awang - Member of ARMC
- Dato' Dr. Norhizan Bin Ismail - Member of ARMC (Appointed on 17 September 2021)
- Leong Chee Tong - ceased as a Member of ARMC on 17 September 2021
- Mr Chew Kian Seng - ceased as a Member of ARMC on 16 October 2020

* *Member of the Malaysian Institute of Accountants ("MIA")*

The ARMC Chairman, Datuk Leong Kam Weng, is a Fellow of CPA Australia and also a Chartered Accountant of the MIA. The ARMC members are equipped with the skills, experience, and competency to carry out the functions and responsibilities of the ARMC. For the financial year under review, the Board evaluated the performance and effectiveness of the ARMC via the Nomination Committee's review of the term of office and performance of the ARMC and its members and was satisfied that the ARMC members were able to and had discharged their functions and responsibilities in accordance with the Terms of Reference of the ARMC.

2. MEETINGS OF THE COMMITTEE

During the FY2021, 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. Norhizan Bin Ismail **	–	–
Leong Chee Tong #	4/4	100%
Chew Kian Seng ##	1/1	100%

** *Appointed as a member of ARMC on 17 September 2021*

Ceased as a member of ARMC upon his retirement as Independent Non-Executive Director on 17 September 2021

Ceased as a member of ARMC upon his redesignation from Independent Non-Executive Director to Executive Director on 16 October 2020. He was resigned as Executive Director on 21 August 2021.

During the ARMC meetings, representatives of the external auditor, internal auditor, and other officers of the Group were present, only upon the ARMC's invitation, to brief the ARMC on relevant issues. The ARMC also ensured that the external and internal auditors have direct communication with the ARMC and external auditors are able to meet the ARMC without the presence of other directors or employees at least twice a year.

3. SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The key activities carried out by the ARMC for the financial year ended 30 June 2021 were as follows: -

i. Financial Reporting

a. Reviewed the Company and the Group's unaudited quarterly financial results for the First Quarter (ended 30 September 2020), Second Quarter (ended 31 December 2020), Third Quarter (ended 31 March 2021), and Fourth Quarter (ended 30 June 2021) before recommending for the Board's approval to release the results to Bursa Securities. The reviews focused on, amongst others, ensuring compliance with the relevant financial reporting standards such as the Malaysian Financial Reporting Standards ("MFRS") and other requirements such as the Listing Requirements.

b. Reviewed with the Company and the Group's annual audited financial statements for the financial year ended 30 June 2021 together with the External Auditor, Messrs. KPMG PLT, before recommending for the Board's approval.

c. Reviewed the impact of changes and implementation of accounting policies and adoption of new accounting standards and significant matters highlighted in the financial statements.

d. Through the ARMC Chairman, briefed the Board on key issues and considerations discussed by the ARMC when tabling the unaudited quarterly financial results and annual audited financial statements to the Board.

ii. External Audit

a. Reviewed the External Auditor's audit plan for the financial year ended 30 June 2021, including the scope of work, anticipated key audit matters, reporting timelines, and the External Auditor's fees. The ARMC obtained written confirmation by the External Auditor that the External Auditor and its team members have complied with the relevant requirements regarding professional independence during the presentation of the audit plan.

b. Reviewed the External Auditor's audit results and findings for the annual audited financial statements for the financial year ended 30 June 2021, including any audit or accounting issues raised. The ARMC also obtained a written confirmation by the External Auditor that the External Auditor and its team members have complied with professional independence requirements throughout the conduct of the audit engagement.

c. Conducted two private sessions with the External Auditor without the presence of the other directors and employees of the Group to enable discussions between the ARMC and the External Auditors, amongst others, for the External Auditor to raise any other matters noted during the audit and to discuss the assistance given by the employees of the Group to the External Auditor during the audit.

d. Reviewed and approved the scope, nature, and fees for non-audit services by External Auditor and its affiliates before they are rendered. The review and approval processes were carried out in accordance with the Group's policy on non-audit services established to ensure non-audit services by external auditors do not compromise their objectivity and independence.

e. Assessed the suitability, objectivity, and independence of the External Auditor considering, amongst others, the competence, audit quality, and resource capacity of the External Auditor vide a formalised "Assessment on external Auditors" and upon review and being satisfied with the results of the said assessment, the same was recommended to the Board for approval.

3. SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

The key activities carried out by the ARMC for the financial year ended 30 June 2021 were as follows: - (cont'd)

iii. Internal Audit

a. Reviewed the annual internal audit plan proposed by the outsourced Internal Auditor, GovernAce Advisory & Solutions Sdn Bhd, considering, amongst others, the internal audit scope, approach, and fees;

b. Reviewed the internal audit reports presented by the Internal Auditor, including the Internal Auditor's evaluation of the internal control system, highlights of any weaknesses identified, the Internal Auditor's recommendations, and the outcome on follow-up audits pertaining to audit findings and their respective action plans arising from previous audits. The ARMC also invited the relevant Management personnel to clarify or address issues highlighted, their action plans, and status updates on the action plans, as necessary.

c. Conducted private sessions with the Internal Auditor without the presence of other directors and employees of the Group to enable the Internal Auditor to raise any other issues noted during the conduct of internal audit activities.

d. Reviewed the performance and effectiveness of the Internal Auditor based on, amongst others, its objectivity and independence, resources, competency, qualification, and whether internal audit activities were carried out in accordance with a recognised framework.

iv. Review of Related Party Transactions

a. Reviewed the related party transactions ("RPTs") and recurrent related party transactions ("RRPTs") of the Group and the Company to ensure they are made on terms not more favourable to the related party than those generally available to the public, as well as ensuring compliance with Listing Requirements;

b. Reviewed Circular to Shareholders in relation to the Proposed renewal of shareholders' mandate for recurrent related party transactions of revenue or trading nature and submitted its recommendation to the Board for approval.

v. Risk Management

a. Reviewed the Risk Profile of the Group on a semi-annual basis, ensuring key risks of the Group were properly managed. The Risk Profile of the Group was prepared by the Senior Management team, led by the Group Managing Director, in accordance with the Group's Risk Management Policy and Procedures Manual.

b. Reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group, amongst others, through meetings with and updates by the Management, the internal audit function, and assurance by the Group Managing Director.

c. Reviewed the Statement on Risk Management and Internal Control, which has also been reviewed by the External Auditor, and recommended it for the Board's approval for inclusion in the Company's Annual Report for FY2021.

vi. Others

Reviewed the proposed declaration of single tier interim dividend for the financial year ended 30 June 2021 by way of dividend-in-specie on the basis of 1 share dividend for every 16 ordinary shares.

4. SUMMARY OF THE ACTIVITIES OF INTERNAL AUDIT FUNCTIONS

The Group's internal audit function is outsourced to a GovernAce Advisory & Solutions Sdn Bhd, a professional internal audit service provider which reports directly to the ARMC. The main role of the internal auditor is to provide reasonable assurance on the adequacy and operating effectiveness of the risk management and internal control system to the Board, through the ARMC. The internal audit function is independent of the activities it audits.

The Internal Auditor adopted a risk-based approach in developing the annual internal audit plan, which was reviewed and approved by the ARMC. The Internal Auditor carried out the internal audit activities based on the approved annual internal audit plan and is guided by the International Professional Practices Framework ("IPPF") for internal auditing issued by The Institute of Internal Auditors. The Internal Auditor has the necessary authority to carry out its internal audit work, including access to documents, systems, and personnel. In addition, the Internal Auditor also performed follow-up audits to review if the action plans agreed by Management pertaining to previous internal audit cycles have been implemented.

The summary of activities carried out by the Internal Auditor for FY2021 is as follows:

i. proposed the annual internal audit plan for the ARMC's approval;

ii. performed internal audit, including reviewing and testing the adequacy and operating effectiveness of internal controls, on the following areas:

- Warehouse;
- Production and Quality Control of Personal Protective Equipment ("PPE");
- Related Party Transactions ("RPT") Review; and
- Production and Quality Control

iii. performed follow-up audit on the following areas:

- Research and Development;
- Production and Quality Control;
- Human Resource Management;
- Warehouse;
- Production and Quality Control of Personal Protective Equipment ("PPE"); and
- Related Party Transactions ("RPT") Review

iv. presented the results and findings arising from the internal audit and follow-up audit activities to the ARMC, including recommendations to enhance the system of internal controls addressing the audit findings and weaknesses noted during the audit.

The ARMC discussed with the Internal Auditor its findings and, where necessary, sought Management's clarification on the relevant matters. The ARMC took note of the findings raised by the Internal Auditor and their corresponding remedial action plans as agreed by Management, which shall be monitored for implementation and progress in following internal audit cycles.

The internal audit team which carried out the said internal audit and follow-up audit activities comprised four personnel with relevant qualifications and experience, amongst which includes the Engagement Partner who is also a Certified Internal Auditor ("CIA"), Certified Practising Accountant with CPA Australia ("CPA"), a Chartered Member of Institute of Internal Auditors Malaysia ("CMIIA") and Accountant registered with the Malaysian Institute of Accountants ("MIA"). The total cost incurred by the internal audit function of the Group in respect of the financial year ended 30 June 2021 amounted to RM48,500.

This Report is dated 25 October 2021

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") of Pecca Group Berhad ("Pecca" or the "Company") presents this Statement on Risk Management and Internal Control (this "Statement") in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). This Statement outlines the nature and scope of the Group's system of risk management and internal control, including the risk management framework and processes, which has been in place for the financial year ended 30 June 2021 ("FY2021") and up to the date of approval of this Statement. The preparation of this Statement was made in consideration of the mandatory contents outlined in the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" published by Bursa Securities.

THE BOARD'S RESPONSIBILITY AND GOVERNANCE STRUCTURE

The Board acknowledges its responsibility to establish a sound system of risk management and internal control to safeguard the assets of the Pecca and its subsidiaries ("Pecca Group" or the "Group") and shareholders' investment. This includes the responsibility to regularly review the adequacy and operating effectiveness of the Group's system of risk management and internal control. Whilst acknowledging its responsibilities, the Board is aware of the limitations that are inherent in any system of internal control and risk management which can only manage, rather than eliminate, risks that may impede the achievement of the Group's business objectives. Accordingly, such system can only provide reasonable but not absolute assurance against material misstatement or losses, fraud, or breaches of laws or regulations.

The Board assumes, in its Board Charter, the following duties and responsibilities which are also in line with the Principles and Practices of the Malaysian Code on Corporate Governance:

- Ensuring there is a sound framework for internal control and risk management;
- Understanding the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;
- Setting the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage, and monitor significant financial and non-financial risks.

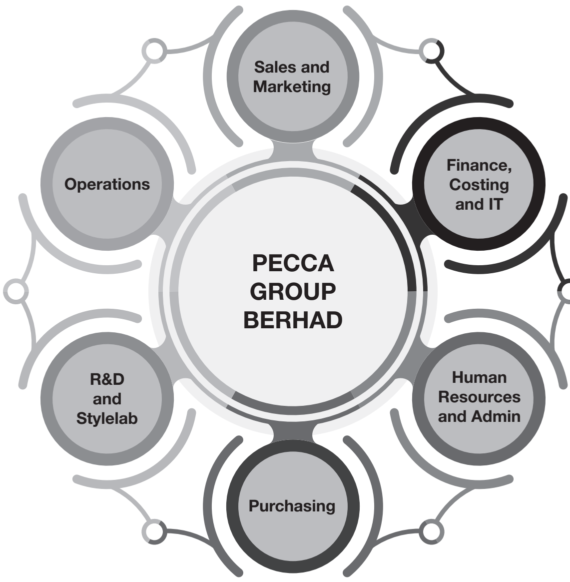
To assist the carrying out of the Board's duties and responsibilities, the Audit and Risk Management Committee ("ARMC") is entrusted by the Board to oversee the risk management framework and policies of the Group, including overseeing the implementation and reviewing the adequacy and operating effectiveness of the Group's system of risk management and internal control and reviewing and monitoring the Group's risk profiles and the management of key risks identified from time to time. The ARMC is comprised of 3 Independent Non-Executive Directors and is supported by the Senior Management team, led by the Group Managing Director.

The Senior Management team includes the Executive Directors and the heads of key business functions and is responsible for implementing the risk management framework and policies including the processes on risk identification, evaluation, management, monitoring, and reporting.

THE BOARD'S RESPONSIBILITY AND GOVERNANCE STRUCTURE (CONT'D)

Risk Management

The Board recognises that an effective risk management framework enables the Group to systematically identify, evaluate, manage, and report risks. As such, the Group has established a risk management framework – formalised in the Group's Risk Management Policy and Procedures Manual – which has incorporated risk management methodology guided by international standards on risk management, i.e. ISO 31000. The risk management framework is applied across the Group, including the following key functions or operating units:



The risk management framework provides guidance for the Group's systematic approach towards identifying, assessing, managing, and reporting risks of the Group and its operations. The Group's risks are identified and assessed taking into consideration the Group's strategic plans approved by the Board. The assessment of risks considers the potential sources of risks, their likelihood of occurrence, and impacts if they materialise. These risks are then prioritised and documented in risk registers, including Management's action plans to address these risks as guided by the risk appetite approved by the Board. The Group's Risk Profile is prepared to present a consolidated overview of the significant risks faced by the Group and is tabled for the review, deliberation, and approval by the Board, through the ARMC. Subsequent to the approval by the Board, the Management is responsible for implementing the action plans to mitigate risks to their desired levels as approved in the Risk Profile. The Group Managing Director provides the leadership for the Group's risk management culture, where all employees are responsible for managing the Group's risks.

The Group's risks as identified are broadly categorised as follows:

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

SUMMARY OF RISK MANAGEMENT ACTIVITIES DURING THE FINANCIAL YEAR

The highlights of the Group's risks management activities conducted during the financial year under review are as follows:

- Senior Management performed semi-annual updates on the Group's Risk Profile, including relevant updates on the management of key risks and emerging risks. The ARMC reviewed the Group's Risk Profile which was subsequently tabled to the Board.
- Management updated ARMC on their strategies and action plans addressing changes in the Risk Profile, including emerging risks. The ARMC reviewed and deliberated on Management's update and updated the Board. Amongst others, the emerging topics focused during the financial year include:
  - o implementing and monitoring internal controls deployed to address the COVID-19 pandemic and compliance with relevant standard operating procedures set by the government.
- ARMC reviewed the adequacy and effectiveness of the risk management and internal control system of the Group through the works of the Management, the External and Internal Auditors, and the assurance by the Group Managing Director.

INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system are as follows:

1. Organisation Structure

The organisation structure sets out clear segregation of roles and responsibilities, lines of accountability and levels of authority to ensure effective and independent stewardship and checks and balances. The Board, which is responsible for the overall direction, strategy, performance and management of the Group, is governed by its Board Charter. The Board Charter sets out, amongst others, the roles and responsibilities of the Board as well as matters on which the Board reserves full decision-making powers. In providing direction and oversight, the Board is supported by the Board committees, namely the Audit and Risk Management Committee, Nomination Committee, and Remuneration Committee. Each committee has clearly defined terms of reference and responsibilities. The Senior Management team, led by the Group Managing Director, is delegated with the necessary authority to manage the day-to-day businesses of the Group.

2. Code of Ethics

The Group is committed to conducting business fairly, impartially and ethically and in compliance with all laws and regulations. In order to set the right tone at the top, a Code of Ethics for Directors is in place to set out the standards of ethical behaviour for Directors and to uphold the spirit of social responsibility and accountability in line with the laws, regulations, and guidelines governing a company. The Code of Ethics for Directors is applicable to all Directors of the Group and addresses topics including corporate governance, relationship with stakeholders, social and environmental responsibilities, human rights, safety, and anti-corruption, conflict of interest situations, as well as the duties, responsibilities, and professionalism of directors. The Code of Ethics for Directors also provides mechanisms to report unethical conduct and suspected violations of the Code. The ethical conduct and behaviours of employees are also governed by the Group's Employees' Code of Ethics and Conduct.

INTERNAL CONTROL SYSTEM (CONT'D)

The key elements of the Group's internal control system are as follows: (cont'd)

3. Policies and Procedures

Standard operating policies and procedures are in place to ensure the Group's employees carry out operations and business activities in a properly guided, effective, and standardised manner. The Group's standard operating policies and procedures cover the Group's key functions including the Sales, Procurement, Production, Human Resources, and Finance. The standard operating policies and procedures were developed considering, amongst others, internal controls to address risks identified and appropriate control activities such as approval, verification, reconciliation, and segregation of key conflicting functions.

4. Annual Surveillance and Process Audit

The Group's key subsidiary, Pecca Leather Sdn. Bhd., is an IATF16949:2016 certified manufacturer and it also holds the ISO9001:2015, ISO14001:2015 and ISO45001:2018 certifications. As such, the Company is subjected to annual surveillance audits performed by certifying bodies, including Kiwa Cermet Italia to ensure that the Company continues to meet the quality standards requirements.

5. Internal Audit

The Group has engaged an independent 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 adequacy and operating effectiveness of the Group's system of risk management and internal control. In carrying out its internal audit work, the Internal Auditor is guided by the International Professional Practices Framework which is a globally recognised framework on internal auditing. The Internal Auditor is independent of the activities it audits and reports directly to the ARMC. Internal audit findings such as internal control weaknesses are highlighted to the ARMC which will monitor Management action plans and progress in addressing such weaknesses. For the financial year ended 30 June 2021, four (4) cycles of internal audit were carried out. Further details on the roles and activities of the internal audit function are set out in the ARMC Report on page 82 and 83 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 wrongdoing 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 pertaining to, amongst others, corruption or bribery, financial reporting, compliance and other malpractices at the earliest opportunity, and in an appropriate manner. The Whistle-blower Policy provides protection to the whistle-blower in the forms of identity confidentiality and against retaliation. Furthermore, the Whistle-blower Policy also provides a reporting channel to an Independent Non-Executive Director.

7. Management Representation

The Board has received assurance from the Group Managing Director 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 2021.

BOARD'S CONCLUSION

Considering the assurance obtained from the Group Managing Director together with the input from relevant parties including the reports, findings, and feedback from the Internal Auditors, the Board is of the view that the system of risk management and internal control is adequate and operating effectively, in all material aspects, to achieve its objectives and there were no significant weaknesses which resulted in material losses, contingencies, or uncertainties that would require separate disclosure in this Annual Report. The Board is committed to ensuring adequate measures are taken to enhance the ongoing adequacy and operating effectiveness of the system of risk management and internal control.

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 Practice 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 2021, 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 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.

This Statement is approved by the Board on 25 October 2021.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

The Directors of the Company are responsible for ensuring that the annual financial statements of the Group and of the Company are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the 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 2021 and of their financial performance and cash flows for the financial year then ended.

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

- Adopted appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are prudent and reasonable;
- Prepared the audited financial statements on a going concern basis.

The Directors are also responsible in ensuring that the Group keeps accounting records which discloses with reasonable accuracy, to ensure that the financial statements comply with the Companies Act, 2016, Bursa Malaysia's Main Market Listing Requirements and applicable approved accounting standard, to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is satisfied that in preparing the financial statements of the Company and the Group for the financial year ended 30 June 2021.

FINANCIAL STATEMENT

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 5 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 5 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	19,234	14,285
Non-controlling interests	(14)	–
	19,220	14,285

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 Company declared:

- a single tier second interim dividend of 1.64 sen per ordinary share totalling RM2,843,430 in respect of the financial year ended 30 June 2020 on 28 August 2020 and paid on 25 September 2020.

- on 11 February 2021, a total of 10,792,039 treasury shares amounting to RM11,910,000 were distributed as share dividend to shareholders on the basis of 1 treasury share for every 16 ordinary shares held on 15 February 2021, in respect of financial year ended 30 June 2021. The share dividend credited into the entitled shareholders' securities account maintained with Bursa Malaysia Depository on 26 February 2021.

- on 18 October 2021, a total of 4,473,844 treasury shares amounting to RM4,937,000 were distributed as share dividend to shareholders on the basis of 1 treasury share for every 41 ordinary shares held on 20 October 2021, in respect of financial year ended 30 June 2022. The share dividend will be credited into the entitled shareholders' securities account maintained with Bursa Malaysia Depository on 8 November 2021.

The Directors do not recommend any dividend to be paid for the financial year ended 30 June 2021.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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
Teoh Zi Yi
Teoh Zi Yuen
Dato' Dr. Norhizan Bin Ismail (appointed on 17 September 2021)
Chew Kian Seng (resigned on 20 August 2021)
Leong Chee Tong (retired on 17 September 2021)

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:

Sam Chee Keng
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 1.7.2020	**Bought**	**Sold**	**At 30.6.2021**
Shareholdings in the Company which Directors have direct interests:				
Datuk Teoh Hwa Cheng	10,302,853	643,928	–	10,946,781
Dato' Mohamed Suffian Bin Awang	100,000	6,250	–	106,250
Datuk Leong Kam Weng	100,000	6,250	–	106,250
Datin Sam Yin Thing	4,080,002	276,250	–	4,356,252
Teoh Zi Yi	297,000	18,562	–	315,562
Leong Chee Tong	–	306,250	–	306,250
Shareholdings in the Company which Directors have indirect interests:				
Datuk Teoh Hwa Cheng				
- own	85,692,420	5,355,776	–	91,048,196
Datin Sam Yin Thing				
- own	85,692,420	5,355,776	–	91,048,196

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 5 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 5.1 to these financial statements.

None of the other Directors holding office at 30 June 2021 had 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 25 to the financial statements.

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

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

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

	Group and Company	
	Amount paid RM'000	**Sum insured RM'000**
Directors and Officers Liability Insurance	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.

OTHER STATUTORY INFORMATION (CONT'D)

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 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors' remuneration is disclosed in Note 17 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: 25 October 2021

STATEMENTS OF
FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Assets					
Property, plant and equipment	3	39,454	37,490	–	–
Right-of-use assets	4	11,723	11,474	–	–
Investments in subsidiaries	5	–	–	76,350	76,461
Other investments	6	418	418	–	–
Total non-current assets		51,595	49,382	76,350	76,461
Inventories	7	28,358	22,945	–	–
Current tax assets		1,165	1,702	29	16
Trade and other receivables	8	30,976	17,504	12	2,250
Prepayments	9	5,129	1,686	10	–
Cash and cash equivalents	10	78,132	78,394	54,332	45,057
Total current assets		143,760	122,231	54,383	47,323
Total assets		195,355	171,613	130,733	123,784
Equity					
Share capital		135,702	135,702	135,702	135,702
Reserves		31,304	19,707	(5,267)	(12,044)
Total equity attributable to owners of the Company	11	167,006	155,409	130,435	123,658
Non-controlling interests		(69)	(59)	–	–
Total equity		166,937	155,350	130,435	123,658
Liabilities					
Deferred tax liabilities	12	5,969	5,261	–	–
Lease liabilities		119	–	–	–
Total non-current liabilities		6,088	5,261	–	–
Trade and other payables	13	22,055	10,724	298	126
Lease liabilities		206	28	–	–
Contract liabilities	14	69	250	–	–
Total current liabilities		22,330	11,002	298	126
Total liabilities		28,418	16,263	298	126
Total equity and liabilities		195,355	171,613	130,733	123,784

The notes on pages 103 to 153 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue	15	144,750	104,640	16,000	2,000
Cost of sales		(102,997)	(76,799)	–	–
Gross profit		41,753	27,841	16,000	2,000
Other income		660	509	–	–
Selling and distribution expenses		(5,900)	(6,203)	–	–
Administrative expenses		(13,615)	(11,406)	(1,108)	(480)
Net reversal/(loss) on impairment of financial instruments		1,814	(1,955)	(1,450)	(187)
Results from operating activities		24,712	8,786	13,442	1,333
Finance income	16	1,104	2,538	848	1,734
Finance costs		(16)	–	–	–
Profit before tax	17	25,800	11,324	14,290	3,067
Tax expense	18	(6,580)	(3,048)	(5)	(5)
Profit for the year		19,220	8,276	14,285	3,062
Other comprehensive expense, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of:					
- Property, plant and equipment		(260)	–	–	–
- Right-of-use assets		84	–	–	–
Less: Deferred tax		42	–	–	–
		(134)	–	–	–
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		9	(3)	–	–
Other comprehensive expense for the year, net of tax		(125)	(3)	–	–
Total comprehensive income for the year		19,095	8,273	14,285	3,062

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit attributable to:					
Owners of the Company		19,234	8,387	14,285	3,062
Non-controlling interests		(14)	(111)	–	–
Profit for the year		19,220	8,276	14,285	3,062
Total comprehensive income attributable to:					
Owners of the Company		19,105	8,386	14,285	3,062
Non-controlling interests		(10)	(113)	–	–
Total comprehensive income for the year		19,095	8,273	14,285	3,062
Basic and diluted earnings per ordinary share (sen)	19				
- basic		10.87	4.62		
- diluted		10.87	4.62		

The notes on pages 103 to 153 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

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 2019		135,702	(5,963)	(60,822)	(3)	10,899	85,760	165,573	(223)	165,350
Foreign currency translation differences for foreign operations		–	–	–	(1)	–	–	(1)	(2)	(3)
Total other comprehensive loss for the year		–	–	–	(1)	–	–	(1)	(2)	(3)
Profit for the year		–	–	–	–	–	8,387	8,387	(111)	8,276
Total comprehensive income for the year		–	–	–	(1)	–	8,387	8,386	(113)	8,273
Contributions by and distributions to owners of the Company										
- Repurchase of treasury shares		–	(6,279)	–	–	–	–	(6,279)	–	(6,279)
- Dividends to owners of the Company	20	–	–	–	–	–	(11,794)	(11,794)	–	(11,794)
		–	(6,279)	–	–	–	(11,794)	(18,073)	–	(18,073)
Change in ownership interest in a subsidiary		–	–	–	–	–	(477)	(477)	277	(200)
Total transactions with owners of the Company		–	(6,279)	–	–	–	(12,271)	(18,550)	277	(18,273)
At 30 June 2020		135,702	(12,242)	(60,822)	(4)	10,899	81,876	155,409	(59)	155,350

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

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 2020		135,702	(12,242)	(60,822)	(4)	10,899	81,876	155,409	(59)	155,350
Revaluation of:										
- Property, plant and equipment		–	–	–	–	(198)	–	(198)	–	(198)
- Right-of-use assets		–	–	–	–	64	–	64	–	64
Foreign currency translation differences for foreign operations		–	–	–	5	–	–	5	4	9
Total other comprehensive expense for the year		–	–	–	5	(134)	–	(129)	4	(125)
Profit for the year		–	–	–	–	–	19,234	19,234	(14)	19,220
Total comprehensive income for the year		–	–	–	5	(134)	19,234	19,105	(10)	19,095
Contributions by and distributions to owners of the Company										
- Repurchase of treasury shares		–	(4,664)	–	–	–	–	(4,664)	–	(4,664)
- Dividends to owners of the Company	20	–	11,910	–	–	–	(14,754)	(2,844)	–	(2,844)
Total transactions with owners of the Company		–	7,246	–	–	–	(14,754)	(7,508)	–	(7,508)
At 30 June 2021		135,702	(4,996)	(60,822)	1	10,765	86,356	167,006	(69)	166,937

STATEMENT OF
CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

Company	Note	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
		Attributable to owners of the Company			
		Non-distributable		Distributable	
At 1 July 2019		135,702	(5,963)	8,930	138,669
Profit and total comprehensive income for the year		–	–	3,062	3,062
Contributions by and distributions to owners of the Company					
- Repurchase of treasury shares		–	(6,279)	–	(6,279)
- Dividends to owners of the Company	20	–	–	(11,794)	(11,794)
Total transactions with owners of the Company		–	(6,279)	(11,794)	(18,073)
At 30 June 2020/1 July 2020		135,702	(12,242)	198	123,658
Profit and total comprehensive income for the year		–	–	14,285	14,285
Contributions by and distributions to owners of the Company					
- Repurchase of treasury shares		–	(4,664)	–	(4,664)
- Dividends to owners of the Company	20	–	11,910	(14,754)	(2,844)
Total transactions with owners of the Company		–	7,246	(14,754)	(7,508)
At 30 June 2021		135,702	(4,996)	(271)	130,435

The notes on pages 103 to 153 are an integral part of these financial statements.

STATEMENTS OF
CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from operating activities					
Profit before tax		25,800	11,324	14,290	3,067
Adjustments for:					
Depreciation of:					
- property, plant and equipment	3	4,566	3,588	–	–
- right-of-use assets	4	248	213	–	–
Dividend income	15	–	–	(16,000)	(2,000)
Fair value gain on other investments	17	–	(186)	–	–
Finance income	16	(1,104)	(2,538)	(848)	(1,734)
Finance costs		16	–	–	–
Gain on disposal of property, plant and equipment	17	(207)	(36)	–	–
(Reversal of)/Impairment loss on:	17				
- amount due from a subsidiary		–	–	1,450	187
- trade receivables		(1,814)	1,955	–	–
- investment in subsidiaries		–	–	111	–
Unrealised loss/(gain) on foreign exchange	17	368	(262)	–	–
Operating profit/(loss) before changes in working capital		27,873	14,058	(997)	(480)
Change in inventories		(5,413)	(6,028)	–	–
Change in trade and other receivables		(10,003)	9,658	(12)	–
Change in prepayments		(3,443)	(513)	(10)	–
Change in trade and other payables		11,312	(7,789)	172	(207)
Change in contract liabilities		(181)	250	–	–
Cash generated from/(used in) operations		20,145	9,636	(847)	(687)
Income tax (paid)/refund		(5,293)	(6,063)	(18)	6
Dividend received		–	–	18,000	–
Interest paid		(16)	–	–	–
Net cash from/(used in) operating activities		14,836	3,573	17,135	(681)
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(8,850)	(2,364)	–	–
Increase in investment in a subsidiary		–	(200)	–	(200)
Advances to a subsidiary		–	–	(1,200)	(13)
Proceeds from disposal of property, plant and equipment		457	39	–	–
Interest received		1,104	2,538	848	1,734
Net cash (used in)/from investing activities		(7,289)	13	(352)	1,521

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from financing activities					
Dividends paid	20	(2,844)	(11,794)	(2,844)	(11,794)
Payment of lease liabilities		(116)	(81)	–	–
Repurchase of treasury shares		(4,664)	(6,279)	(4,664)	(6,279)
Repayments to non-controlling interests		–	(30)	–	–
Net cash used in financing activities		(7,624)	(18,184)	(7,508)	(18,073)
Net (decrease)/increase in cash and cash equivalents		(77)	(14,598)	9,275	(17,233)
Effect of exchange rate fluctuations on cash held		(185)	145	–	–
Cash and cash equivalents at 1 July 2020/2019		78,394	92,847	45,057	62,290
Cash and cash equivalents at 30 June	10	78,132	78,394	54,332	45,057

Cash outflows for leases as a lessee

Group	2021 RM'000	2020 RM'000
Included in net cash from operating activities:		
Interest paid in relation to lease liabilities	5	2
Rent concession	–	(2)
Included in net cash from financing activities:		
Payment of lease liabilities	116	81
Total cash outflows for leases	121	81

Reconciliation of movement of liabilities to cash flows arising from financing activities:

Group	At 1 July 2019 RM'000	Net changes from financing cash flows RM'000	At 30 June 2020/ 1 July 2020 RM'000	Acquisition of new lease RM'000	Net changes from financing cash flows RM'000	At 30 June 2021 RM'000
Lease liabilities	109	(81)	28	413	(116)	325

The notes on pages 103 to 153 are an integral part of these financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

Pecca Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company 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 2021 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 2021 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 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 25 October 2021.

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 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts** and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

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

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)**
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)**

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts**
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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, except for those marked as ("*") which are not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations or amendments is not expected to have any material financial impact to the current year and prior period financial statements of the Group and of the Company.

(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.

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements

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

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

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

Note 3 & 4 – Revaluation of properties and leasehold land

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 7 – 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 22 – 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.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iv) Acquisitions from entities under common controls

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

(v) Loss of control

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

Foreign currency differences arising on retranslation are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currencies (cont'd)

(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, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

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

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

(c) Financial instruments

(i) 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.

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.

(ii) Financial instrument categories and subsequent measurement

Financial assets

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(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(i)(i)).

Financial liabilities

All financial liabilities are categorised at amortised cost and 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.

(iii) Regular way purchase or sales 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 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 or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(iv) 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 expired 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 expired. 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.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Buildings are measured at 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

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

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

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

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, 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. 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:

• 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments less any incentives receivable.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

(ii) Recognition and initial measurement (cont'd)

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

(iii) Subsequent measurement (cont'd)

As a lessee (cont'd)

COVID-19-related rent concessions

The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications.

The changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions are recognised in profit or loss.

As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

(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) Contract liability

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(h) 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 its short-term commitments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment

(i) Financial assets

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (cont'd)

(ii) Other assets

The carrying amounts of other assets (except for inventories) 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 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.

(j) 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.

(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.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(k) **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.

(l) **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.

(iii) **Rental income**

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(iv) **Interest income**

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences 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.

(n) Earnings per ordinary share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Operating segments

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

(p) Fair value 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.

3. PROPERTY, PLANT AND EQUIPMENT

Group	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 2019	23,669	18,540	3,442	1,405	3,477	3,646	4,480	6,671	65,330
Additions	–	464	338	135	160	78	236	953	2,364
Disposals	–	(394)	(122)	(8)	–	(62)	–	–	(586)
At 30 June 2020/ 1 July 2020	23,669	18,610	3,658	1,532	3,637	3,662	4,716	7,624	67,108
Additions	–	5,572	423	226	326	645	1,364	294	8,850
Disposals	–	(1,200)	(364)	(90)	–	–	–	–	(1,654)
Reversal	–	–	–	–	–	–	–	(1,058)	(1,058)
Reclassification	594	827	–	–	17	–	5,422	(6,860)	–
Revaluation	(5,142)	–	–	–	–	–	–	–	(5,142)
At 30 June 2021	19,121	23,809	3,717	1,668	3,980	4,307	11,502	–	68,104

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

Group	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
Depreciation									
At 1 July 2019	3,345	11,032	2,299	1,253	2,267	3,114	3,303	–	26,613
Depreciation for the year	473	1,551	486	110	327	239	402	–	3,588
Disposals	–	(392)	(122)	(7)	–	(62)	–	–	(583)
At 30 June 2020/ 1 July 2020	3,818	12,191	2,663	1,356	2,594	3,291	3,705	–	29,618
Depreciation for the year	475	1,954	440	84	312	377	924	–	4,566
Disposals	–	(207)	(364)	(81)	–	–	–	–	(652)
Reclassification	589	(589)	–	–	–	–	–	–	–
Adjustment on revaluation	(4,882)	–	–	–	–	–	–	–	(4,882)
At 30 June 2021	–	13,349	2,739	1,359	2,906	3,668	4,629	–	28,650
Carrying amounts									
At 1 July 2019	20,324	7,508	1,143	152	1,210	532	1,177	6,671	38,717
At 30 June 2020/ 1 July 2020	19,851	6,419	995	176	1,043	371	1,011	7,624	37,490
At 30 June 2021	19,121	10,460	978	309	1,074	639	6,873	–	39,454

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

The buildings have been revalued by an independent professional valuer in June 2021. The market values of these properties were determined by the valuer using the comparison and cost method based on the nature of the properties and the availability of suitable evidence. The deficit of RM198,000 arising from the revaluation, net of deferred tax, has been debited to other comprehensive income and accumulated in equity under the revaluation reserve.

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

Group	2021 RM'000	2020 RM'000
Buildings		
At cost	17,346	16,752
Accumulated depreciation	(4,189)	(3,265)
	13,157	13,487

Fair value information

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

	Level 3	
Group	2021 RM'000	2020 RM'000
Buildings	25,950	24,350

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 buildings. Fair values of buildings have been generally derived using the comparison and cost method.

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

Under the cost method, the building value is determined by the building layout, design and specification, cost of construction and depreciation.

4. RIGHT-OF-USE ASSETS

Group	Leasehold land RM'000	Office building RM'000	Storage RM'000	Total RM'000
At 1 July 2019	11,578	109	–	11,687
Depreciation for the year	(131)	(82)	–	(213)
At 30 June 2020/1 July 2020	11,447	27	–	11,474
Addition	–	–	413	413
Depreciation for the year	(131)	(27)	(90)	(248)
Adjustment for revaluation	84	–	–	84
At 30 June 2021	11,400	–	323	11,723

The leasehold land has a lease term of 99 years. The Group leases office building and storage that runs for a period of two years, with an option to renew the lease after that date.

The Group negotiated rent concessions with its landlord for the office building leases as a result of the COVID-19 pandemic. The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19 related rent concessions amounting to nil (2020: RM2,100).

The leasehold land has been revalued by an independent professional valuer in June 2021. The market value of the land was determined by the valuer using the comparison method based on the nature of the properties and the availability of suitable evidence. The surplus of RM64,000 arising from the revaluation, net of deferred tax, has been credited to other comprehensive income and accumulated in equity under the revaluation reserve.

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

Group	2021 RM'000	2020 RM'000
Leasehold land		
At cost	4,903	4,903
Accumulated depreciation	(603)	(553)
	4,300	4,350

4. RIGHT-OF-USE ASSETS (CONT'D)

Fair value information

Fair value of the leasehold land is categorised as follows:

	Level 3	
	2021	**2020**
Group	**RM'000**	**RM'000**
Leasehold land	11,400	12,000

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 leasehold land. Fair value of leasehold land has been generally derived using the comparison method.

Under the comparison method, 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.

5. INVESTMENTS IN SUBSIDIARIES

	2021	**2020**
Company	**RM'000**	**RM'000**
Cost of investment	76,461	76,461
Less: Impairment losses	(111)	–
	76,350	76,461

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest and voting interest 2021 %	2020 %
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 and manufacturing and distribution of healthcare products.	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	100	100
Pecca Plus Sdn. Bhd.	Malaysia	Dormant	100	100
Pecca Leather (Thailand) Limited ("PThailand")*#	Thailand	Dormant	49/ 83	49/ 83

* 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 on the basis that the Group:

i) possesses 2,450 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 PThailand has not been presented as the related information is not individually material to the Group.

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

	Number of ordinary shares			
	At 1.7.2020	Bought	Sold	At 30.6.2021
Interest in non-wholly owned subsidiaries:				
PThailand	2,450	–	–	2,450

6. OTHER INVESTMENTS

	Note	Group 2021 RM'000	2020 RM'000
Non-current			
Financial assets at fair value through profit or loss:			
- club memberships	6.1	418	418

6.1 Included in club memberships is a club membership amounting to RM367,500 (2020: RM367,500) register in the name of a Director of the Company.

7. INVENTORIES

	Note	Group 2021 RM'000	2020 RM'000
At cost:			
- Raw materials		23,849	19,560
- Finished goods		2,763	1,292
- Work-in-progress		1,208	871
At net realisable value:			
- Raw materials		538	1,222
		28,358	22,945
Recognised in profit or loss:			
Inventories recognised as cost of sales		82,614	63,785
(Reversal of)/Inventories written down to net realisable value	7.1	(285)	991

7.1 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.

8. TRADE AND OTHER RECEIVABLES

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Trade					
Trade receivables	8.1	28,635	17,408	–	–
Non-trade					
Amounts due from subsidiaries	8.2	–	–	12	250
Dividend receivable		–	–	–	2,000
Other receivables and deposits	8.3	2,341	96	–	–
		2,341	96	12	2,250
		30,976	17,504	12	2,250

8.1 Included in trade receivables of the Group are amounts due from companies substantially owned by certain Directors amounting to RM14,158,000 (2020: RM42,000). The amount due from related parties is subject to normal trade terms except for RM14,130,000 which is subject to interest of 1.5% per month on overdue balances. Subsequent to financial year end, the overdue balances at financial year end have been received by the Group.

8.2 The non-trade amount due from a subsidiary is unsecured, interest-free and repayable on demand. In the previous financial year, the non-trade amount due from a subsidiary was unsecured, subject to interest at 4.0% per annum and repayable on demand.

8.3 Included in other receivables and deposits is a non-trade amount due from a company substantially owned by certain Directors amounting to RM639,000. The amount has been received by the Group subsequent to financial year end.

9. PREPAYMENTS

The prepayments of the Group mainly consist of advance payments to suppliers for purchase of raw materials.

10. CASH AND CASH EQUIVALENTS

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash and bank balances		28,649	23,849	6,769	297
Liquid investments	10.1	49,483	54,545	47,563	44,760
		78,132	78,394	54,332	45,057

10.1 The liquid investments represent investments in unit trust funds which primarily invest in money market instruments. The liquid investments are deemed as cash and cash equivalents in view of its high liquidity and insignificant risks of changes in the value of the investments.

11. CAPITAL AND RESERVES

Share capital

	Group and Company			
	2021		2020	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
At 1 July/30 June	135,702	188,000	135,702	188,000

Ordinary shares

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. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 18 December 2020, 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 4,081,900 (2020: 6,606,100) of its issued share capital from the open market. The average price paid for the shares repurchased was RM1.14 (2020: RM0.95) per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

On 11 February 2021, a total of 10,792,039 treasury shares amounting to RM11,910,000 were distributed as share dividend to shareholders on the basis of 1 treasury share for every 16 ordinary shares held on 15 February 2021, in respect of financial year ended 30 June 2021.

At 30 June 2021, the Group held 4,528,061 (2020: 11,238,200) of the Company's shares.

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.

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.

Revaluation reserve

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

12. DEFERRED TAX LIABILITIES

Recognised deferred tax assets/(liabilities)

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

Group	Assets 2021 RM'000	Assets 2020 RM'000	Liabilities 2021 RM'000	Liabilities 2020 RM'000	Net 2021 RM'000	Net 2020 RM'000
Revaluation surplus of leasehold land and buildings	–	–	(3,136)	(3,231)	(3,136)	(3,231)
Property, plant and equipment	–	–	(3,482)	(3,349)	(3,482)	(3,349)
Provisions	564	1,382	–	–	564	1,382
Other temporary differences	85	–	–	(63)	85	(63)
Tax assets/(liabilities)	649	1,382	(6,618)	(6,643)	(5,969)	(5,261)
Set off of tax	(649)	(1,382)	649	1,382	–	–
Net tax liabilities	–	–	(5,969)	(5,261)	(5,969)	(5,261)

Movement in temporary differences during the financial year

	At 1.7.2019 RM'000	Recognised in profit or loss (Note 18) RM'000	At 30.6.2020/ 1.7.2020 RM'000	Recognised in profit or loss (Note 18) RM'000	Recognised in other compre-hensive income RM'000	At 30.6.2021 RM'000
Revaluation surplus of leasehold land and buildings	(3,283)	52	(3,231)	53	42	(3,136)
Property, plant and equipment	(3,313)	(36)	(3,349)	(133)	–	(3,482)
Provisions	801	581	1,382	(818)	–	564
Others	(73)	10	(63)	148	–	85
	(5,868)	607	(5,261)	(750)	42	(5,969)

Unrecognised deferred tax assets

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

	2021 RM'000	2020 RM'000
Group		
Unabsorbed capital allowances	28	15
Unutilised tax losses	1,647	1,193
Taxable temporary differences	(12)	(25)
	1,663	1,183

12. DEFERRED TAX LIABILITIES (CONT'D)

Unrecognised deferred tax assets (cont'd)

The unutilised tax losses from a Year of Assessment ("YA") can only be carried forward up to 7 YA's whilst, the unabsorbed capital allowances and other temporary differences do not expire under the current tax legislation. The unutilised tax losses of RM1,647,000 (2020: RM1,193,000) expire between 2026 to 2028 (2020: expire between 2026 to 2027). The deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the subsidiary can utilise the benefits therefrom.

13. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade					
Trade payables	13.1	9,206	5,557	–	–
Non-trade					
Amount due to a Director	13.2	270	270	–	–
Other payables and accruals	13.3	12,579	4,897	298	126
		12,849	5,167	298	126
		22,055	10,724	298	126

13.1 In prior year, included in trade payables of the Group was an amount due to a company substantially owned by certain Directors amounting to RM340,000. The amount due to a related party is subject to normal trade terms.

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

13.3 Included in other payables and accruals of the Group is an amount due to a company substantially owned by a Director amounting to RM6,000,000. The amount has been repaid subsequent to financial year end.

14. CONTRACT LIABILITY

The contract liability relates to the advance consideration received from a customer for refurbishment contract. The contract liability is expected to be recognised as revenue in next twelve months.

15. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers	144,750	104,640	–	–
Other revenue				
Dividend income	–	–	16,000	2,000
	144,750	104,640	16,000	2,000

15. REVENUE (CONT'D)

15.1 Disaggregation of revenue

	Reportable segment				Other non-reportable segment		Total	
	Automotive		Healthcare					
Group	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Primary geographical markets								
Malaysia	114,975	85,969	17,925	–	902	496	133,802	86,465
Asia Pacific	3,970	12,133	–	–	–	–	3,970	12,133
Europe	3,300	2,456	–	–	–	–	3,300	2,456
North America	1,581	1,727	–	–	–	–	1,581	1,727
Oceania	2,097	1,859	–	–	–	–	2,097	1,859
	125,923	104,144	17,925	–	902	496	144,750	104,640
Revenue from car seat covers:								
Original Equipment Manufacturer	91,560	69,308	–	–	–	–	91,560	69,308
Replacement Equipment Manufacturer	10,110	10,771	–	–	–	–	10,110	10,771
Pre-Delivery Inspection	10,570	9,144	–	–	–	–	10,570	9,144
Revenue from healthcare products	–	–	17,925	–	–	–	17,925	–
Other sales	4,444	2,567	–	–	–	–	4,444	2,567
Leather cut pieces supply	6,691	9,905	–	–	–	–	6,691	9,905
Other services	2,548	2,449	–	–	902	496	3,450	2,945
	125,923	104,144	17,925	–	902	496	144,750	104,640
Timing and recognition								
At a point in time	125,923	104,144	17,925	–	902	496	144,750	104,640

15. REVENUE (CONT'D)

15.2 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 recognise 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 (2020: 30 to 90 days) from invoice date.	Not applicable.	Assurance warranties of 3 to 5 years are given to customers.
Healthcare products	Revenue is recognised at a point in time when the goods are delivered and accepted by the customer.	Credit period ranges from 60 days (2020: nil) from invoice date.	Not applicable.	Not applicable.
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 (2020: 30 to 90 days) from invoice 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 goods are delivered and accepted by the customer.	Credit period ranges from 30 to 90 days (2020: 30 to 90 days) from invoice 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 (2020: 30 to 90 days) from invoice date.	Not applicable.	Not applicable.

16. FINANCE INCOME

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income of financial assets calculated using the effective interest method that are at amortised costs	166	512	45	9
Other finance income	938	2,026	803	1,725
	1,104	2,538	848	1,734

17. PROFIT BEFORE TAX

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration				
- Audit fees:				
KPMG PLT	155	155	50	50
Other auditors	6	6	–	–
- Non-audit fees:				
KPMG PLT	6	6	6	6
Local affiliates of KPMG PLT	195	26	122	5
Material expenses/(income)				
Depreciation of:				
- Property, plant and equipment	4,566	3,588	–	–
- Right-of-use assets	248	213	–	–
Gain on disposal of property, plant and equipment	(207)	(36)	–	–
Gross dividend from a subsidiary (unquoted)	–	–	(16,000)	(2,000)
Fair value gain on other investments	–	(186)	–	–
Impairment loss on investment in subsidiaries	–	–	111	–
(Gain)/Loss on foreign exchange:				
- Realised	(34)	13	–	–
- Unrealised	368	(262)	–	–
Rental income	(302)	(220)	–	–
(Reversal of)/Inventories written down to net realisable value	(285)	991	–	–
Staff costs:				
- Contributions to state plans	2,062	1,883	–	–
- Wages, salaries and others	25,463	22,079	10	10
Expenses arising from leases				
Expenses relating to short-term leases	56	–	–	–
Net (reversal)/loss on impairment of financial instruments				
Financial assets at amortised costs	(1,814)	1,955	1,450	187

18. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Current tax expense				
Current year	5,880	3,430	5	3
(Over)/Under provision in prior year	(50)	225	–	2
	5,830	3,655	5	5
Deferred tax expense				
Origination and reversal of temporary differences	1,011	(526)	–	–
Over provision in prior year	(261)	(81)	–	–
	750	(607)	–	–
	6,580	3,048	5	5

Reconciliation of tax expense

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit before tax	25,800	11,324	14,290	3,067
Income tax calculated using Malaysian tax rate of 24% (2020: 24%)	6,192	2,718	3,430	736
Non-deductible expenses	937	584	607	159
Utilisation of reinvestment allowances	(160)	(66)	–	–
Non-taxable income	(193)	(485)	(4,032)	(892)
Effect of deferred tax assets not recognised	115	153	–	–
(Over)/Under provision of tax expense in prior year				
- Current tax expense	(50)	225	–	2
- Deferred tax expense	(261)	(81)	–	–
	6,580	3,048	5	5

19. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 June 2021 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Profit attributable to ordinary shareholders		
Continuing operations	19,234	8,387

Weighted average number of ordinary shares outstanding

	Group	
	2021	**2020**
	'000	**'000**
Issued ordinary shares at the beginning of the year	188,000	188,000
Effect of treasury shares held	(11,054)	(6,518)
Weighted average number of shares (basic)	176,946	181,482

	Group	
	2021	**2020**
	Sen	**Sen**
Basic earnings per ordinary share		
From continuing operations	10.87	4.62

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary shares at 30 June 2021 and 30 June 2020.

20. DIVIDENDS

Dividends recognised by the Company are:

	RM per share	Total amount RM'000	Date of payment
2021			
Interim 2020 ordinary (single tier)	0.016	2,844	25 September 2020
Interim 2021 ordinary (single tier)	0.069	11,910	Note (a)
		14,754	
2020			
Final 2019 ordinary (single tier)	0.035	6,418	29 November 2019
Interim 2020 ordinary (single tier)	0.030	5,376	10 April 2020
		11,794	

(a) On 11 February 2021, a total of 10,792,039 treasury shares amounting to RM11,910,000 were distributed as share dividend to shareholders on the basis of 1 treasury share for every 16 ordinary shares held on 15 February 2021, in respect of financial year ended 30 June 2021. The share dividend credited into the entitled shareholders' securities account maintained with Bursa Malaysia Depository on 26 February 2021.

The Directors do not recommend any final dividend to be paid for the financial year ended 30 June 2021.

On 18 October 2021, a total of 4,473,844 treasury shares amounting to RM4,937,000 were distributed as share dividend to shareholders on the basis of 1 treasury share for every 41 ordinary shares held on 20 October 2021, in respect of financial year ended 30 June 2022. The share dividend will be credited into the entitled shareholders' securities account maintained with Bursa Malaysia Depository on 8 November 2021.

21. OPERATING SEGMENT

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

Other non-reportable segment comprises operations related to the aviation and furniture industry and the Company's operation. This segment does not meet the quantitative thresholds for reporting segments in 2021 and 2020.

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.

21. OPERATING SEGMENT (CONT'D)

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.
Healthcare industry	Manufacturing and distribution of healthcare products.

	Automotive 2021 RM'000	Automotive 2020 RM'000
Revenue from car seat covers:		
Original Equipment Manufacturer	91,560	69,308
Replacement Equipment Manufacturer	10,110	10,771
Pre-Delivery Inspection	10,570	9,144
	112,240	89,223
Leather cut pieces supply	6,691	9,905
Others	6,992	5,016
	125,923	104,144
Segment profit before tax	21,641	10,604
Included in the measurement of segment profit before tax are:		
Finance income	276	811
Depreciation and amortisation	3,690	3,699
Not included in the measurement of segment profit before tax but provided to Managing Director:		
Tax expense	(5,504)	(3,043)

	Healthcare 2021 RM'000	Healthcare 2020 RM'000
Revenue from external customers	17,925	–
Segment profit before tax	4,314	–
Included in the measurement of segment profit before tax are:		
Depreciation and amortisation	1,077	–
Not included in the measurement of segment profit before tax but provided to Managing Director:		
Tax expense	(1,071)	–

21. OPERATING SEGMENT (CONT'D)

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		Healthcare		Total	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysia	114,975	85,969	17,925	–	132,900	85,969
Asia Pacific	3,970	12,133	–	–	3,970	12,133
Europe	3,300	2,456	–	–	3,300	2,456
North America	1,581	1,727	–	–	1,581	1,727
Oceania	2,097	1,859	–	–	2,097	1,859
	125,923	104,144	17,925	–	143,848	104,144

Major customers

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

	Revenue		Segment
	2021 RM'000	2020 RM'000	
Customer A	77,887	59,934	Automotive
Customer B	17,821	–	Healthcare
	95,708	59,934	

Reconciliations of reportable segment revenues and profit or loss

	Group	
	2021 RM'000	2020 RM'000
Revenue		
Total revenue for reportable segment	143,848	104,144
Other non-reportable segment	902	496
Consolidated revenue	144,750	104,640
Profit or loss		
Total profit or loss for reportable segment	25,955	10,604
Other non-reportable segment	(155)	720
Consolidated profit before tax	25,800	11,324

22. FINANCIAL INSTRUMENTS

22.1 Categories of financial instruments

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

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

(b) Amortised cost ("AC")

	Carrying amount RM'000	FVTPL RM'000	AC RM'000
2021			
Financial assets			
Group			
Other investments	418	418	–
Trade and other receivables	30,976	–	30,976
Liquid investments	49,483	49,483	–
Cash and bank balances	28,649	–	28,649
	109,526	49,901	59,625
Company			
Trade and other receivables	12	–	12
Liquid investments	47,563	47,563	–
Cash and bank balances	6,769	–	6,769
	54,344	47,563	6,781
Financial liabilities			
Group			
Trade and other payables	(22,055)	–	(22,055)
Company			
Trade and other payables	(298)	–	(298)

22. FINANCIAL INSTRUMENTS (CONT'D)

22.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	FVTPL RM'000	AC RM'000
2020			
Financial assets			
Group			
Other investments	418	418	–
Trade and other receivables	17,504	–	17,504
Liquid investments	54,545	54,545	–
Cash and bank balances	23,849	–	23,849
	96,316	54,963	41,353
Company			
Trade and other receivables	2,250	–	2,250
Liquid investments	44,760	44,760	–
Cash and bank balances	297	–	297
	47,307	44,760	2,547
Financial liabilities			
Group			
Trade and other payables	(10,724)	–	(10,724)
Company			
Trade and other payables	(126)	–	(126)

22.2 Net gains and losses arising from financial instruments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	938	2,212	803	1,725
Financial assets at amortised cost	1,803	(1,061)	(1,405)	(178)
Financial liabilities at amortised cost	(127)	(133)	–	–
	2,614	1,018	(602)	1,547

22. FINANCIAL INSTRUMENTS (CONT'D)

22.3 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

22.4 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 licenced financial institutions. The Company's exposure to credit risk arises principally from advances to subsidiaries, liquid investments and deposits placed with licenced financial institutions. There are no significant changes as compared to prior years.

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.

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.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (cont'd)

Trade receivables (cont'd)

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	
	2021	**2020**
	RM'000	**RM'000**
Malaysia	26,711	13,709
Asia Pacific	599	4,109
Europe	1,378	1,507
North America	820	842
Oceania	288	216
	29,796	20,383

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 debtors 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.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment loss (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2021 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
2021			
Current (not past due)	17,829	(7)	17,822
1 - 30 days past due	4,377	(17)	4,360
31 - 60 days past due	2,256	(18)	2,238
61 - 90 days past due	1,715	(12)	1,703
More than 90 days past due	2,626	(114)	2,512
	28,803	(168)	28,635
Credit impaired			
Individually impaired	993	(993)	–
	29,796	(1,161)	28,635
2020			
Current (not past due)	14,036	(2)	14,034
1 - 30 days past due	712	(2)	710
31 - 60 days past due	193	(7)	186
61 - 90 days past due	729	(6)	723
More than 90 days past due	2,207	(452)	1,755
	17,877	(469)	17,408
Credit impaired			
Individually impaired	2,506	(2,506)	–
	20,383	(2,975)	17,408

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment loss (cont'd)

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	Credit impaired RM'000	Total RM'000
Balance at 1 July 2019	73	947	1,020
Net remeasurement of loss allowance	396	1,559	1,955
Balance at 30 June 2020/1 July 2020	469	2,506	2,975
Net remeasurement of loss allowance	(301)	(1,513)	(1,814)
Balance at 30 June 2021	168	993	1,161

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. In addition, some of the bank balances are insured by government agencies. 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 licenced 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 licenced 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 and other receivables. 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.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (cont'd)

Inter-company 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 3.0% (2020: 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.

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 subsidiaries 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 2021.

	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
2021			
Company			
Low credit risk	12	–	12
Credit impaired	1,637	(1,637)	–
	1,649	(1,637)	12
2020			
Company			
Low credit risk	250	–	250
Credit impaired	187	(187)	–
	437	(187)	250

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (cont'd)

Inter-company advances (cont'd)

Recognition and measurement of impairment loss (cont'd)

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

Company	Credit impaired RM'000
Balance at 1 July 2019	–
Net remeasurement of loss allowance	187
Balance at 30 June 2020/1 July 2020	187
Net remeasurement of loss allowance	1,450
Balance at 30 June 2021	1,637

22.5 Liquidity risk

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

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

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

22. FINANCIAL INSTRUMENTS (CONT'D)

22.5 Liquidity risk (cont'd)

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	Carrying amount RM'000	Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000
2021					
Non-derivative financial liabilities					
Lease liabilities	325	3.34	334	214	120
Trade and other payables	22,055	–	22,055	22,055	–
	22,380		22,389	22,269	120
2020					
Non-derivative financial liabilities					
Lease liability	28	3.34	28	28	–
Trade and other payables	10,724	–	10,724	10,724	–
	10,752		10,752	10,752	–
Company					
2021					
Non-derivative financial liabilities					
Trade and other payables	298	–	298	298	–
2020					
Non-derivative financial liabilities					
Trade and other payables	126	–	126	126	–

22. FINANCIAL INSTRUMENTS (CONT'D)

22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest 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.

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:

		Denominated in		
	USD	**SGD**	**EURO**	**Total**
2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group				
Balances recognised in the statement of financial position				
Trade receivables	1,145	274	1,371	2,790
Cash and cash equivalents	261	403	714	1,378
Trade payables	(2,153)	–	(4)	(2,157)
Net exposure	(747)	677	2,081	2,011
2020				
Balances recognised in the statement of financial position				
Trade receivables	4,650	301	1,501	6,452
Cash and cash equivalents	4,138	134	512	4,784
Trade payables	(3,212)	–	(5)	(3,217)
Net exposure	5,576	435	2,008	8,019

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.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.6 Market risk (cont'd)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises from its trade receivables.

Risk management objectives, policies and processes for managing the risk

In managing interest rate risk, all interest rate exposures are monitored and managed by the Group on a regular basis.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Fixed rate instruments		
Financial assets	7,247	–

Interest rate risk sensitivity analysis

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

(iii) 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.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.7 Fair value 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.

	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				
2021				
Financial assets				
Liquid investments	49,483	–	49,483	49,483
Club memberships	–	418	418	418
	49,483	418	49,901	49,901
2020				
Financial assets				
Liquid investments	54,545	–	54,545	54,545
Club memberships	–	418	418	418
	54,545	418	54,963	54,963
Company				
2021				
Financial asset				
Liquid investments	47,563	–	47,563	47,563
2020				
Financial asset				
Liquid investments	44,760	–	44,760	44,760

22. FINANCIAL INSTRUMENTS (CONT'D)

22.7 Fair value information (cont'd)

Level 1 fair value

The fair value of liquid investments 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 and publicly available information.

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 (2020: no transfer in either direction).

23. 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.

24. CAPITAL AND OTHER COMMITMENTS

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

	2021 RM'000	2020 RM'000
Group		
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	1,074	533

25. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

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

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

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the transactions below as shown in Notes 8 and 13.

		Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
A.	**Subsidiaries**				
	Dividend income from a subsidiary	–	–	16,000	2,000
	Dividend income received from a subsidiary	–	–	18,000	–
	Advances to a subsidiary	–	–	1,200	–
	Interest income charged to a subsidiary	–	–	20	8
B.	**With companies substantially owned by certain Directors**				
	Sales to related parties	17,849	38	–	–
	Purchases from a related party	(544)	(340)	–	–
	Rental received from related parties	301	216	–	–
	Purchase of motor vehicle	–	(125)	–	–

25. RELATED PARTIES (CONT'D)

Significant related party transactions (cont'd)

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
C. Key management personnel				
Directors				
- Fees	326	318	220	208
- Remuneration	1,713	1,570	24	34
	2,039	1,888	244	242
Other key management personnel				
- salaries, allowances and bonus	1,955	2,114	–	–
- defined contribution plan	233	259	–	–
	2,188	2,373	–	–
	4,227	4,261	244	242

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

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 95 to 153 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the 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 2021 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: 25 October 2021

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Datuk Teoh Hwa Cheng**, the Director primarily responsible for the financial management of Pecca Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 95 to 153 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 Datuk Teoh Hwa Cheng, NRIC: 681002-09-5119, at Kuala Lumpur in the Federal Territory on 25 October 2021.

....
Datuk Teoh Hwa Cheng

Before me:

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PECCA GROUP BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Pecca Group Berhad, which comprise the statements of financial position as at 30 June 2021 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 95 to 153.

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 2021, 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 auditors' 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 7 to the financial statements.

The key audit matter
The Group has significant raw materials balance as at 30 June 2021 of RM24,387,000 which represents 86% 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 obtained an understanding of the Group's process for measuring the amount of write down required and evaluated the design and effectiveness of controls over identifying slow moving raw materials.
• 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.

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 other information and, in doing so, consider whether the other information 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 this other information, 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 the 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 ability of the Group and of the Company 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' Responsibilities 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 control 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 internal control of the Group and of the Company.

- 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 ability of the Group or of the Company 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 of the Group and of the Company 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.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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, actions taken to eliminate threats or safeguards applied.

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 auditors' 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, we report that the subsidiaries of which we have not acted as auditors are disclosed in note 5 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: 03240/02/2022 J
Chartered Accountant

Petaling Jaya

Date: 25 October 2021

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 30.06.2021 (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) 22,169 SqFt (Built-up area for 5-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 5-storey flatted factory building and a 6-storey hostel building together with a guardhouse/ Head office and production factory of our Group	10 years / 5 January 2011 (for 4-storey office and 4-storey factory) 21 June 2011 (for 6-storey hostel)	37,000,000	37,000,000 / 30.06.2021
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	20 years/ 2 December 2010	350,000	350,000 30.06.2021

ANALYSIS OF
SHAREHOLDINGS

ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2021

Issued Shares	:	188,000,000 (including shares held as treasury shares)
Treasury Shares	:	4,528,061
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	294	14.141	10,493	0.006
100 – 1,000	470	22.607	264,993	0.144
1,001 – 10,000	831	39.971	3,290,653	1.794
10,001 – 100,000	377	18.134	13,444,387	7.328
100,001 to less than 5% of issued shares	104	5.002	65,101,315	35.483
5% and above of issued shares	3	0.144	101,360,098	55.246
Total	**2,079**	**100**	**183,471,939**	**100**

* *Excluding a total of 4,528,061 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 30 September 2021.*

SUBSTANTIAL SHAREHOLDERS
(as per Register of Substantial Shareholders as at 30 September 2021)

	No. of shares held			
Name of Substantial Shareholder	Direct	% [(2)]	Indirect	% [(2)]
MRZ Leather Holdings Sdn Bhd	91,048,196	49.63	–	–
Datuk Teoh Hwa Cheng	5,946,781	3.24	[(1)] 91,048,196	49.63
Datin Sam Yin Thing	10,513,152	5.73	[(1)] 91,048,196	49.63

Notes:

[(1)] *Deemed interested in shares held by MRZ Leather Holdings Sdn Bhd pursuant to Sections 8 of the Companies Act 2016.*

[(2)] *Excluding a total of 4,528,061 shares bought back by the Company and retained as treasury shares.*

ANALYSIS OF SHAREHOLDINGS

DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings as at 30 September 2021)

	No. of shares held			
Name of Directors	**Direct**	**%** [(2)]	**Indirect**	**%** [(2)]
Dato' Mohamed Suffian Bin Awang	106,250	0.06	–	–
Datuk Teoh Hwa Cheng	5,946,781	3.24	[(1)] 91,048,196	49.63
Datin Sam Yin Thing	10,513,152	5.73	[(1)] 91,048,196	49.63
Teoh Zi Yi	315,562	0.17	–	–
Teoh Zi Yuen	–	–	–	–
Datuk Leong Kam Weng	106,250	0.06	–	–
Dato' Dr. Norhizan Bin Ismail	–	–	–	–

Notes:

(1) *Deemed interested in shares held by MRZ Leather Holdings Sdn Bhd pursuant to Sections 8 of the Companies Act 2016.*

(2) *Excluding a total of 4,528,061 shares bought back by the Company and retained as treasury shares.*

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2021

No.	Name	No. of shares	Percentage holding (%)
1.	MRZ LEATHER HOLDINGS SDN. BHD.	48,548,196	26.461
2.	MRZ LEATHER HOLDINGS SDN. BHD.	42,500,000	23.164
3.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SAM YIN THING (MY4178)*	10,311,902	5.620
4.	TEOH HWA CHENG	5,946,781	3.241
5.	LEE YEE SUM	5,455,725	2.974
6.	HUAREN HOLDINGS SDN BHD	5,132,225	2.797
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING*	4,530,000	2.469
8.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHIN TEONG*	3,250,000	1.771
9.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR USAHA IMPRESIF SDN BHD (E-KKU/LDO)*	1,702,700	0.928
10.	AMANAHRAYA TRUSTEES BERHAD *PMB SHARIAH AGGRESSIVE FUND*	1,675,000	0.913
11.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING (7002620)*	1,525,000	0.831
12.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING*	1,381,250	0.753
13.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHONG NYOK YOONG*	1,337,287	0.729
14.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KIM PIAU (MY2525)*	1,284,000	0.700
15.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ONN KIM SUAN*	1,221,075	0.666

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2021 (CONT'D)

No.	Name	No. of shares	Percentage holding (%)
16.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHIN TEONG (MY3766)*	1,203,150	0.656
17.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHIN TEONG*	1,154,500	0.629
18.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING (MY3731)*	1,106,250	0.603
19.	SAM CHEE SIONG	1,026,500	0.559
20.	UOBM NOMINEES (TEMPATAN) SDN BHD *UOBM FOR KUAN AH HOCK (PBM)*	1,000,000	0.545
21.	WEE KA KENG	1,000,000	0.545
22.	TAN SOON KAR	862,118	0.470
23.	TAN LEE HONG	856,456	0.467
24.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KUAN KOK HUI (7009215)*	760,700	0.415
25.	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KIM PIAU*	673,905	0.367
26.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM KIAN HOE (MY4306)*	628,600	0.343
27.	LEE NGA JING	561,343	0.306
28.	N SUVENDRA A/L S NAKENDRA	529,000	0.288
29.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HO CHIN SER (6000194)*	500,000	0.273
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DAUD BIN AHMAD*	500,000	0.273
Total		**148,163,663**	**80.755**

* *Excluding a total of 4,528,061 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 30 September 2021.*

NOTICE OF

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting ("11th AGM") of the **PECCA GROUP BERHAD** ("PECCA" or the "Company") will be conducted on a fully virtual basis for the purpose of considering and, if thought fit, passing, with or without modifications the resolutions setting out in this notice.

Day and Date	:	Friday, 26 November 2021
Time	:	10.00 a.m.
Meeting platform	:	https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657)
Mode of Communication	:	i. Pose questions to the Board via real time submission of typed texts at meeting platform during live streaming of the Annual General Meeting ("AGM") ii. Submit questions by logging into the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com prior to Meeting iii. Email questions to corporate@peccaleather.com no later than 10.00 a.m. on Wednesday, 24 November 2021

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 30 June 2021 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 and benefits payable to the Directors of the Company and its subsidiary of up to RM360,000.00 from 27 November 2021 until the conclusion of the next AGM of the Company. **Ordinary Resolution 1**

3. To re-elect Datuk Leong Kam Weng who is to retire pursuant to Clause 97 of the Company's Constitution and being eligible, has offered himself for re-election. **Ordinary Resolution 2**

4. To re-elect Dato' Mohamed Suffian Bin Awang who is to retire pursuant to Clause 97 of the Company's Constitution and being eligible, has offered himself for re-election. **Ordinary Resolution 3**

5. To re-elect Dato' Dr. Norhizan Bin Ismail who is to retire pursuant to Clause 105 of the Company's Constitution and being eligible, has offered himself for re-election. **Ordinary Resolution 4**

6. To appoint Messrs. Crowe Malaysia PLT as auditors of the Company in place of the retiring auditors, Messrs. KPMG PLT, and to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business

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

7. **Authority under Section 75 and 76 of the Companies Act 2016 ("the Act") for the Directors to allot and issue shares**

   "**THAT** pursuant to Section 75 and 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next AGM of the Company 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 (excluding treasury shares, if any) at the time of issue, subject to the Constitution of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue." **Ordinary Resolution 6**

8. **Proposed Renewal of Authority to the Company to Purchase its own Ordinary Shares**

"**THAT** subject to the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits as at 30 June 2021 to purchase such amount of ordinary shares in the Company ("Proposed Renewal of Share Buy-Back Authority") 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 and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company.

THAT an amount not exceeding the Company's retained profits be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 127 of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them.

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:-

i. the conclusion of the next AGM of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, 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 an ordinary resolution passed by the shareholders in a 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).

AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Share Buy-Back Authority as may be agreed or allowed by any relevant governmental and/or regulatory authority." **Ordinary Resolution 7**

9. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")**

"**THAT** approval be and is hereby given to the Company, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with the related party as stated in Section 2.3 of the Circular to Shareholders dated 28 October 2021 which are necessary for the Company's day-to-day operations subject further to the following:

i. the Recurrent Transactions contemplated are in the ordinary course of business and on terms which are not more favourable to related party than those generally available to the public, and are not to the detriment of the minority shareholders;

ii. the approval is subject to annual renewal and shall only continue to be in force until:

a. the conclusion of the next AGM of the Company following the forthcoming AGM of the Company at which the Proposed Renewal of Shareholders' Mandate is approved, at which time it will lapse unless by a resolution passed at the AGM the mandate is again renewed;

b. the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act; or

c. revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier; and

iii. the disclosure of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate in the Annual Report of the Company based on the following information:

a. the type of Recurrent Transactions entered into; and

b. the name of the related party involved in each type of the Recurrent Transactions entered into and its relationship with the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this resolution, as the Directors of the Company, in their absolute discretion, deem fit." **Ordinary Resolution 8**

10. 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)
(SSM PC No.: 202008001023)

TAI YUEN LING (LS 0008513)
(SSM PC No.: 202008001075)

Company Secretaries

Kuala Lumpur

Date: 28 October 2021

NOTES:-

1) A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy or attorney or other duly authorised representative to attend and vote in his stead. A proxy may, but need not be a member of the Company. A member may appoint any person to be his proxy. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.

2) A member of the Company who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA") may appoint at least one (1) proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

3) For a member of the Company who 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. An exempt authorised nominee refers to an authorised nominee as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

5) The Securities Commission Malaysia had on 16 July 2021 revised the Guidance Note and Frequently Asked Questions ("FAQ") on the conduct of General Meetings for Listed Issuers which was originally issued on 18 April 2020 ("the Revised Guidance Note and FAQ") to require all meeting participants of a fully virtual general meeting including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online. According to the Revised Guidance Note and FAQ, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Act provided that the online platform is located in Malaysia. Please follow the procedures as stipulated in the Administrative Guide of the AGM in order to register, participate and vote virtually.

NOTES:- (CONT'D)

6) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited with **Boardroom Share Registrars Sdn Bhd** at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com. (Please follow the procedures as stipulated in the Administrative Guide of the AGM) not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting and in default the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the AGM or Adjourned AGM.

7) Shareholders and proxies would need to register as a user on the Boardroom Smart Investor Portal first before they can request for the Remote Participant User ID and password to virtually attend, participate, speak and vote at the AGM, in accordance with Administrative Guide of the AGM.

8) For the purpose of determining a member who shall be entitled to attend and vote at the 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 2021** and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

EXPLANATORY NOTES:-

1. **To receive the Audited Financial Statements**

   Agenda item 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 6 on the Authority under Section 75 and 76 of the Act for the Directors to allot and issue shares**

   The Ordinary Resolution 6 proposed under item 7 of the Agenda seeks the shareholders' approval of a general mandate for issuance of shares by the Company under Section 75 and 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for purpose of funding the working capital or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

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

   The Company did not allot and issue any shares pursuant to the general mandate granted by the shareholders at the previous AGM.

EXPLANATORY NOTES:- (CONT'D)

3. **Ordinary Resolution 7 on Proposed Renewal of Share Buy-Back Authority**

   The proposed Ordinary Resolution 7, 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 AGM.

   For further information on Ordinary Resolution 7, please refer to the Statement to Shareholders dated 28 October 2021 accompanying the Annual Report of the Company for the financial year ended 30 June 2021.

4. **Ordinary Resolution 8 on Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature**

   The proposed Ordinary Resolution 8 , if passed, will empower the Directors from the date of the 11th AGM, to deal with the related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations. These recurrent related party transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public and not to the detriment of the minority shareholders.

   This authority unless revoked or varied at a general meeting, will expire at the next AGM of the Company and subject always to provision (ii) of the resolution.

   For further information on Ordinary Resolution 8, please refer to the Circular to Shareholders dated 28 October 2021 accompanying the Annual Report of the Company for the financial year ended 30 June 2021.

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.*

ADMINISTRATIVE GUIDE

OF THE 11TH ANNUAL GENERAL MEETING ("AGM") FOR THE SHAREHOLDERS OF PECCA GROUP BERHAD

Day and Date	:	Friday, 26 November 2021
Time	:	10.00 a.m.
Online Meeting platform	:	https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657)
Mode of Communication	:	1) Pose questions to the Board via real time submission of typed texts at online meeting platform during live streaming of the AGM 2) Submit questions by logging into the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com prior to the Meeting 3) Email questions to corporate@peccaleather.com no later than 10.00 a.m. on Wednesday, 24 November 2021

Dear Shareholders,

As a precautionary measure amid the COVID-19 outbreak, the Company's forthcoming AGM will be conducted on a fully virtual basis via Online Meeting Platform, as the safety of our members, Directors, staff and other stakeholders who will attend the AGM is of paramount importance to us.

The conduct of a fully virtual AGM is in line with the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 16 July 2021 ("**Revised Guidance Note and FAQs**"). The Revised Guidance Note and FAQs state that in a fully virtual general meeting, all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders are required to participate in the meeting online.

According to the Revised Guidance Note and FAQ, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 provided that the online platform is located in Malaysia.

We strongly encourage you to participate in the fully virtual AGM via the Virtual Meeting Facilities provided to exercise your right as a member of the Company to participate (including to pose questions to the Board of Directors and/or Management of the Company) and vote at the AGM. Alternatively, you may also appoint the Chairman of the Meeting as your proxy to attend and vote on your behalf at the AGM.

Kindly ensure that you are connected to the internet at all times in order to participate and vote when our virtual AGM has commenced. It is your responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

A. Entitlement to Participate in the AGM

In respect of deposited securities, only members whose names appear on the Record of Depositors on 19 November 2021 (General Meeting Record of Depositors) shall be eligible to participate in the meeting or appoint proxy(ies) to participate on his/her behalf.

ADMINISTRATIVE GUIDE

OF THE 11TH ANNUAL GENERAL MEETING (“AGM”) FOR THE SHAREHOLDERS OF PECCA GROUP BERHAD

B. Form(s) of Proxy

If you are unable to attend the AGM, you are encouraged to appoint a proxy or the Chairman of the Meeting as your proxy and indicate the voting instructions in the Proxy Form in accordance with the notes and instructions printed therein.

Please ensure that the original form is deposited with Boardroom Share Registrars Sdn Bhd not less than forty-eight (48) hours before the time appointed for holding the meeting. Details of Boardroom Share Registrars Sdn Bhd can be found in the enquiry section of this document.

Alternatively, you may deposit your proxy form(s) by electronic means through the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com (kindly refer to section E below).

C. Revocation of Proxy

If you have submitted your Form(s) of Proxy and subsequently decide to appoint another person or wish to participate in our electronic AGM yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy forty-eight (48) hours before the meeting.

D. Voting Procedure

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the AGM will be conducted by poll. Poll administrators and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

E. Virtual Meeting Facilities

Procedure		Action
Before the day of the AGM		
1.	Register Online with Boardroom Smart Investor Portal *(For first time registration only)*	*[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register. You may proceed to Step 2.]* a. Access website https://investor.boardroomlimited.com b. Click <<**Register**>> to sign up as a user. c. Complete registration and upload softcopy of MyKad (front and back) or Passport in JPEG, PNG or PDF format. d. Please enter a valid email address. e. Your registration will be verified and approved within one (1) business day and an email notification will be provided.
2.	Submit request for remote participation	Registration for remote access will be opened on 28 October 2021. Please note that the closing time to submit your request is at 10.00 a.m. on 24 November 2021 (48 hours before the commencement of the AGM). **Individual Members** a. Log in to https://investor.boardroomlimited.com using your user ID and password from Step 1 above. b. Select **PECCA GROUP BERHAD (11th) ANNUAL GENERAL MEETING** from the list of Corporate Meetings and click “**Enter**”. c. Click on “**Register for RPEV**”. d. Read and accept the General Terms & Conditions and click “**Next**”. e. Enter your CDS Account Number and thereafter submit your request.

E. Virtual Meeting Facilities (cont'd)

Procedure		Action
Before the day of the AGM (cont'd)		
		Appointment of Proxy a. Log in to https://investor.boardroomlimited.com using your user ID and password from Step 1 above. b. Select **PECCA GROUP BERHAD (11th) ANNUAL GENERAL MEETING** from the list of Corporate Meetings and click "**Enter**". c. Click on "**Submit eProxy Form**". d. Read and accept the General Terms and Conditions by clicking "**Next**" e. Enter your CDS Account Number and number of securities held. Select your proxy – either the Chairman of the meeting or individual named proxy(ies) and enter the required particulars of your proxy(ies). f. Indicate your voting instructions – **FOR** or **AGAINST** or **ABSTAIN**. If you wish to have your proxy(ies) to act upon his/her discretion, please indicate **DISCRETIONARY**. g. Review and confirm your proxy appointment. h. Click "**Apply**". i. Download or print the eProxy form as acknowledgement. **Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee** a. Write in to bsr.helpdesk@boardroomlimited.com by providing the name of the Member and CDS Account Number, accompanied by the Certificate of Appointment of Corporate Representative or Form of Proxy (as the case may be) to submit the request. b. Please provide a copy of the Corporate Representative's or Proxy's MyKad (front and back) or Passport in JPEG, PNG or PDF format as well as his/her email address.
3.	Email notification	a. You will receive notification(s) from Boardroom that your request(s) has/have been received and is/are being verified. b. Upon system verification against the General Meeting Record of Depositories as at 19 November 2021, you will receive an email from Boardroom approving your registration for remote participation together with the Meeting ID and your remote access user ID and password. You will also be notified in the event your registration is rejected.
On the day of the AGM		
4.	Login to Meeting Platform	a. The Meeting Platform will be open for login one (1) hour before the commencement of the AGM. b. The Meeting Platform can be accessed via one of the following: ➢ Scan the QR Code provided in the email notification; or ➢ Navigate to the website at https://meeting.boardroomlimited.my c. Insert the Meeting ID and sign in with the user ID and password provided to you via the email notification in Step 3.
5.	Participate	*[Note: Please follow the User Guides provided in the confirmation email above to view the live webcast, submit questions and vote.]* a. If you would like to view the live webcast, select the broadcast icon. b. If you would like to ask a question during the AGM, select the messaging icon. c. Type your message within the chat box and once completed, click the send button.

E. Virtual Meeting Facilities (cont'd)

Procedure		Action
On the day of the AGM (cont'd)		
6.	Voting	a. Once polling has been opened, the polling icon will appear with the resolutions and your voting choices until the Chairman declares the end of the voting session. b. To vote, select your voting direction from the options provided. A confirmation message will appear to indicate that your vote has been received. c. To change your vote, re-select your voting preference. d. If you wish to cancel your vote, please press "**Cancel**".
7.	End of Participation	Upon the announcement by the Chairman on the closure of the AGM, the live webcast will end.

F. No Distribution of Door Gifts

There will be no distribution of door gifts for shareholders/proxies who join or participate in the virtual AGM.

G. No Recording or Photography

No recording or photography of the AGM proceedings is allowed without the prior written permission of the Company.

H. Enquiry

If you have any enquiries prior to the AGM, please contact the following during office hours from Monday to Friday (8.30 a.m. to 5.30. p.m.):

Boardroom Share Registrars Sdn. Bhd.
Address : 11th Floor, Menara Symphony
No. 5 Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
General Line : 603-7890 4700
Fax Number : 603-7890 4670
Email : bsr.helpdesk@boardroomlimited.com

Personal Data Policy

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

PECCA GROUP BERHAD
Registration No. 201001025617 (909531-D)
Incorporated in Malaysia

No. of ordinary shares held	CDS account no. of holder

PROXY FORM

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

NRIC No./Passport No./Registration No. ________________________ of ________________________

____
(full address)

being a *member/members of **PECCA GROUP BERHAD** hereby appoint(s):-

Full Name	NRIC No./Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Email Address	Contact No.		

*and/or (delete as appropriate)

Full Name	NRIC No./Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Email Address	Contact No.		

or failing *him/her, the Chairman of the meeting as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Eleventh Annual General Meeting ("AGM") of the Company to be to be conducted on a fully virtual basis via online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657) provided by Boardroom Share Registrars Sdn. Bhd. on **Friday, 26 November 2021, at 10.00 a.m.** or any adjournment thereof.

My/our proxy/proxies is/are to vote as indicated below:

Item No.	Agenda			
1.	To receive the Audited Financial Statements for the financial year ended 30 June 2021 together with the Reports of the Directors and Auditors thereon.			
		Resolutions	**For**	**Against**
2.	To approve the payment of Directors' fees and benefit payable to the Directors of the Company and its subsidiary of up to RM360,000.00 from 27 November 2021 until the conclusion of the next AGM of the Company.	Ordinary Resolution 1		
3.	To re-elect Datuk Leong Kam Weng who is to retire pursuant to Clause 97 of the Company's Constitution and being eligible, has offered himself for re-election.	Ordinary Resolution 2		
4.	To re-elect Dato' Mohamed Suffian Bin Awang who is to retire pursuant to Clause 97 of the Company's Constitution and being eligible, has offered himself for re-election.	Ordinary Resolution 3		
5.	To re-elect Dato' Dr. Norhizan Bin Ismail who is to retire pursuant to Clause 105 of the Company's Constitution and being eligible, has offered himself for re-election.	Ordinary Resolution 4		
6.	To appoint Messrs. Crowe Malaysia PLT as Auditors of the Company in place of the retiring auditors, Messrs. KPMG PLT, and to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.	Ordinary Resolution 5		
Special Business				
7.	Authority under Section 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares.	Ordinary Resolution 6		
8.	Proposed Renewal of Authority to the Company to Purchase its own Ordinary Shares.	Ordinary Resolution 7		
9.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 8		

(Please indicate with an "X" in the appropriate box against the resolutions on how you wish your proxy to vote. The proxy is to vote on the resolutions set out in the Notice of Meeting as you have indicated. If no specific instruction as to voting is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

* Strike out whichever is not applicable.
* if you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "the Chairman of the Meeting or failing him/her" and insert the name(s) of the person(s) desired.

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

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

....
Signature/Common Seal of Shareholder

Number of shares held: ....
Date:

NOTES:-

1) A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy or attorney or other duly authorised representative to attend and vote in his stead. A proxy may, but need not be a member of the Company. A member may appoint any person to be his proxy. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.

2) A member of the Company who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA") may appoint at least one (1) proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

3) For a member of the Company who 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. An exempt authorised nominee refers to an authorised nominee as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

5) The Securities Commission Malaysia had on 16 July 2021 revised the Guidance Note and Frequently Asked Questions ("FAQ") on the conduct of General Meetings for Listed Issuers which was originally issued on 18 April 2020 ("the Revised Guidance Note and FAQ") to require all meeting participants of a fully virtual general meeting including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online. According to the Revised Guidance Note and FAQ, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Act provided that the online platform is located in Malaysia. Please follow the procedures as stipulated in the Administrative Guide of the AGM in order to register, participate and vote virtually.

6) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited with **Boardroom Share Registrars Sdn Bhd** at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com. (Please follow the procedures as stipulated in the Administrative Guide of the AGM) not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting and in default the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the AGM or Adjourned AGM.

7) Shareholders and proxies would need to register as a user on the Boardroom Smart Investor Portal first before they can request for the Remote Participant User ID and password to virtually attend, participate, speak and vote at the AGM, in accordance with Administrative Guide of the AGM.

8) For the purpose of determining a member who shall be entitled to attend and vote at the 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 2021** and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

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 AGM dated 28 October 2021.

Please fold here

Affix
Stamp

PECCA GROUP BERHAD
Registration No. 201001025617 (909531-D)
c/o Boardroom Share Registrars Sdn Bhd
Registration No. 199601006647 (378993-D)

Ground Floor/11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan

Please fold here

PECCA GROUP BERHAD

No. 1, Jalan Perindustrian Desa Aman 1A, Industry Desa Aman, Kepong, 52200 Kuala Lumpur, Malaysia.

T +603 6275 3800 F +603 6277 9809 E enquiry@peccaleather.com www.peccaleather.com