PECCA GROUP BERHAD

REGISTRATION NUMBER: 201001025617 (909531-D)

2022 ANNUAL REPORT

WHAT'S INSIDE

WHO WE ARE

Pecca Group Berhad ("Pecca" or "the Company") was listed on the Main Board 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 in 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.

MISSION

To be the leading upholstery manufacturer globally.

VISION

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

PECCA PERFORMANCE IN A GLANCE

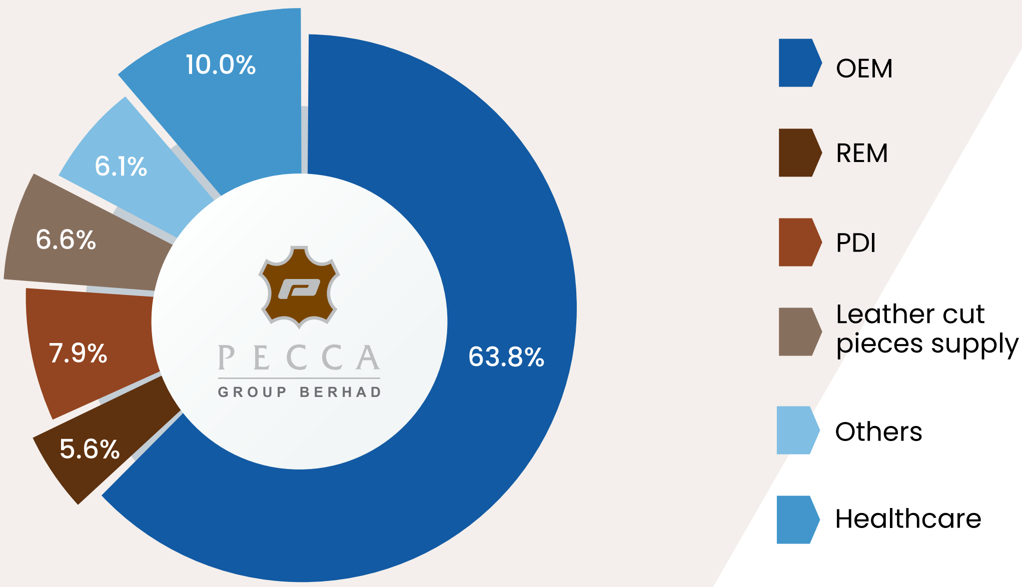
RM 164.39 million
REVENUE

RM 22.84 million
PROFIT AFTER TAX

3.07 sen
EARNINGS PER SHARE

RM 189.87 million
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE C OMPANY

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)

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

NOMINATION COMMITTEE

Dato' Mohamed Suffian Bin Awang (Chairman)
Datuk Leong Kam Weng
Dato' Dr. Norhizan Bin Ismail

REMUNERATION COMMITTEE

Datuk Leong Kam Weng (Chairman)
Datuk Teoh Hwa Cheng
Dato' Dr. Norhizan Bin Ismail

AUDITORS

Crowe Malaysia PLT
LLP0018817-LCA & AF 1018
Level 16, Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
T: (03) 2788 9999 F: (03) 2788 9998

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 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 LEATHER (THAILAND)

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

- Supply of leather upholstery for automotive industry

PECCA AVIATION SERVICES

Pecca Aviation Services Sdn Bhd 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 100%
Registration No. 201101028085 (956220-V)

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

EVolusi Mobiliti Sdn Bhd 30%
Registration No. 202201023651 (1469348-U)

- Importation of motor vehicles, logistics, vehicle pre-delivery inspection (PDI), providing related services to vehicles at its PDI centre and the sale of contractual vehicles

Pecca EV Sdn Bhd 100%
Registration No. 202201023683 (1469380-W)

- Importation,distribution and trading of electric or motor vehicles and related EV charger, EV charging station, spare parts and accessories, as well as the provision of after sales services

BOARD OF DIRECTORS

Left to right:

TEOH ZI YUEN
Executive Director

DATUK TEOH HWA CHENG
Group Managing Director

TEOH ZI YI
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

DATUK LEONG KAM WENG
Independent Non-Executive Director

PROFILE OF DIRECTORS

DATO' MOHAMED SUFFIAN BIN AWANG

Independent Non-Executive Chairman

Malaysian, 51, 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 the Chairman of the Maritime Institute of Malaysia (MIMA) and also sits on the Board of Director in Medical Devices Authority under Ministry of Health Malaysia and Hong Seng Consolidated Berhad.

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 over the past five (5) years.

He has attended all the nine (9) Board Meetings held during the financial year ended 30 June 2022.

PROFILE OF DIRECTORS

DATUK TEOH HWA CHENG

Group Managing Director

Malaysian, 54, 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 our Remuneration Committee of the Company.

He brings with him more than 27 years of invaluable business experience in the leather goods industry. He established Pecca Leather Sdn. Bhd. in 2000 to focus on the automotive leather upholstery industry. He was instrumental in continual expansion of the group business, both locally and internationally. He is responsible for leading the overall strategic planning and charting of the long-term goals of Pecca Group.

Datuk Teoh is the spouse of Datin Sam Yin Thing and the 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 over the past five (5) years.

He has attended all the nine (9) Board Meetings held during the financial year ended 30 June 2022.

PROFILE OF DIRECTORS

DATIN SAM YIN THING

Executive Director

Malaysian, 51, 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 responsible for overseeing the purchasing functions of Pecca Group, especially in relation to vendor development for key raw materials, these include leather and PVC raw materials. She has extensive knowledge and experience from her involvement in the leather industry for more than 23 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 over the past five (5) years.

She attended all the nine (9) Board Meetings held during the financial year ended 30 June 2022.

PROFILE OF DIRECTORS

DATUK LEONG KAM WENG

Independent Non-Executive Director

Malaysian, 58, Male

Datuk Leong Kam Weng ("Datuk Leong") was appointed as the Independent Non-Executive Director of Pecca Group Berhad on 11 September 2014. He is the Chairman of the Audit and Risk Management Committee and Remuneration Committee, and a member of the 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, Only World Group Holdings Berhad and Malayan United Industries Berhad, which are listed on Bursa Malaysia Securities Berhad. He is also a director of several non-listed public companies namely, Tokio Marine Life Insurance Malaysia Bhd, Asian Outreach (Malaysia) Bhd 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 over the past five (5) years.

He has attended all the nine (9) Board Meetings held during the financial year ended 30 June 2022.

PROFILE OF DIRECTORS

DATO' DR. NORHIZAN BIN ISMAIL

Independent Non-Executive Director

Malaysian, 61, 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 who graduated from USM. He also 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 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 to 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 offces and State Health Departments where he took on strategic post as Pahang and Kedah State Health Director and was conferred Datukship from both states. His career 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 offcial retirement on 17 August 2021. He does not hold any directorship in other public companies or listed issuers.

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 over the past five (5) years.

He has attended seven (7) Board Meetings held during the financial year ended 30 June 2022 since his appointment on 17 September 2021.

PROFILE OF DIRECTORS

TEOH ZI YI

Executive Director

Malaysian, 29, 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 responsible for the new business development, diversification strategy and planning, research and development of new car accessories products and new projects of Pecca Group.

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 over the past five (5) years.

He has attended all the nine (9) Board Meetings held during the financial year ended 30 June 2022.

PROFILE OF DIRECTORS

TEOH ZI YUEN

Executive Director

Malaysian, 27, 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 now responsible for Pecca retail marketing and Corporate Affairs and Investor Relations of Pecca Group.

When the COVID-19 pandemic struck on 18 March 2020, she took the opportunity to lead the planning of investment and production ventures in the healthcare segment. This would tap into Pecca Group 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. She 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 Zi Yi. 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 offence over the past five (5) years.

She has attended all the nine (9) Board Meetings held during the financial year ended 30 June 2022.

KEY MANAGEMENT

Left to right:

K. KARUNAKARAN A/L KARUPPANNAN
Chief Operating Officer

JUNAIDY BIN SULAIMAN
General Manager,
Business Development and Export

SAM CHEE SIONG
Operations Manager

FOO KEN NEE
Chief Executive Officer

YEO BEE HWAN
Chief Financial Officer

SAM CHEE KENG
Technical Director

MAT NIZAM BIN MAT DARON
General Manager Sales

PROFILE OF KEY MANAGEMENT

FOO KEN NEE

Chief Executive Officer

Malaysian, 44, Male

Mr. Foo Ken Nee ("Mr. Foo") was appointed as the Chief Executive Officer of Pecca Group Berhad on 1 June 2022 and he is responsible for driving strategic growth and expansion opportunities of the Group. Mr. Foo is a qualified Chartered Accountant and a member of the Malaysian Institute of Accountants and CPA Australia. He obtained his Bachelor of Commerce from Murdoch University, Western Australia, major in Accounting and Finance.

Mr. Foo has a wealth of experience of over 20 years in several key industries namely pharmaceutical and consumer healthcare, audit and corporate advisory, manufacturing and supply chain distribution. He has previously held senior leadership positions as Executive Director; Country Manager; Chief Financial Officer; Marketing Director; Strategic Planning and Business Operations Director; Head of Business Development in his past employments with several Multinational Corporations, which includes Tropicana, Pfizer, Zoetis, Zuellig Pharma, and PricewaterhouseCoopers. He specialises in the areas of corporate strategic planning; business development; financial and operational management; sales and marketing management; corporate restructuring; audit advisory services; and mergers and acquisitions.

Mr. Foo was the Chief Financial Officer of Pecca Group Berhad from January 2019 to May 2021 before joining Tropicana Corporation Berhad's subsidiary company, Tropicana Golf & Country Resort Berhad as the Executive Director which he was responsible for New Business Development, Strategic Operations and Financial Management involving multiple industry sectors.

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 over the past five (5) years.

PROFILE OF KEY MANAGEMENT

YEO BEE HWAN

Chief Financial Officer

Malaysian, 54, Female

Ms. Yeo Bee Hwan ("Ms. Yeo") was appointed as the Head of Finance on 3 January 2022 and was re-designated as Chief Financial Officer on 18 April 2022.

Ms. Yeo is an associate member of the Chartered Institute of Management Accountants (CIMA), United Kingdom; Chartered Global Management Accountant (CGMA), powered by CIMA & American Institute of Chartered Public Accountants (AICPA), and a member of the Malaysian Institute of Accountants.

Ms. Yeo has 28 years of vast experience in corporate, operations, manufacturing, financial management, risk management, treasury and funding management, audit and tax planning through engagement in the conglomerate, multinationals, and public listed groups across diverse industries including external and internal audit, media cum daily press producer, semiconductor and electronic manufacturing, oil & gas engineering and pipe making and coating, and steel pipe-making and coating.

She started her career as an external auditor before joining Hume Industries Division under Hong Leong Group in 1994. She then joined Tuan Sing Holding Limited Group in 2000 and since then, she has held senior positions with various corporations including Wah Seong Corporation Berhad Group; Bumi Armada Berhad Group, and Oriental Sheet Piling Group (JV with Steel Division under Arcelor Mittal Group). She was the Chief Financial Officer in Hiap Teck Venture Berhad Group before joining Pecca Group.

Ms. Yeo does not hold any directorship in public companies or listed issuers. She 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. She has never been convicted for any offence over the past five (5) years.

K. KARUNAKARAN A/L KARUPPANNAN

Chief Operating Officer

Malaysian, 55, Male

Mr. K. Karunakaran A/L Karuppannan ("Mr. Karuna") 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. Karuna has over 28 years of working experience gained from the manufacturing industries making latex thread, power transformers for scientific, and electronics applications and gloves for medical and surgical applications. He also has extensive experience in occupational safety, quality assurance, and good manufacturing practices. With close to 30 years of knowledge and familiar with the implementation of Standard Operating Procedures for operational processes and ISO certifications for manufacturing plants.

He was instrumental in setting up lean management, to support the penetration into the Original Equipment Manufacturer ("OEM") (Original Equipment Fit), Pre-delivery Inspection ("PDI") (Smart Fit), and Replacement Equipment Manufacturer (REM) export businesses. He also led our team to obtain the IS09001:2000, ISO/TS 16949, EMS IS014001:2004, OSHAS 18001:2007, and VDA6.3 certifications. He now oversees the overall plant operations, including the supply chain management of the 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 over the past five (5) years.

PROFILE OF KEY MANAGEMENT

SAM CHEE KENG

Technical Director

Malaysian, 43, Male

Mr. Sam Chee Keng was appointed as the Factory Manager of Pecca Leather Sdn Bhd on 1 December 2000. He was subsequently promoted to Technical Director on 1 December 2012. He has more than 20 years of extensive working experience specialising in the research and development of car seat covers.

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

MAT NIZAM BIN MAT DARON

General Manager Sales

Malaysian, 52, Male

Mr. Mat Nizam Bin Mat Daron ("Mr. Mat Nizam") was appointed as the General Manager of Sales of Pecca Leather Sdn Bhd on 1 July 2016. He holds an Executive Masters in Entrepreneurship from Asia e-University.

Mr. Mat Nizam has more than 28 years of sales and marketing working experience gained from the manufacturing industries making plastic injection moulds, 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 and Pre-Delivery Inspection contracts. He was previously with Master Approach Sdn Bhd for 14 years on the automotive body kits industry.

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 over the past five (5) years.

PROFILE OF KEY MANAGEMENT

JUNAIDY BIN SULAIMAN

General Manager, Business Development and Export

Malaysian, 50, Male

Mr. Junaidy Bin Sulaiman ("Mr. Junaidy") was appointed as the General Manager, Business Development and Export on 10 January 2022. He holds a Bachelor of Science Degree in Business Administration (major in Finance) from California State University Chico, USA and Masters in Business Administration (Specialized in Strategic Management) from CH-Warsaw Management University, Poland.

Mr. Junaidy has more than 24 years of working experience in various industries including banking, chemical, and automotive with local and multinational corporations specializing in sales, marketing, business development, corporate strategy, distributorship operation and management. Currently, he is leading a business development team of Pecca to identify and develop a new business venture in automotive related business.

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 over the past five (5) years.

SAM CHEE SIONG

Operations Manager

Malaysian, 48, Male

Mr. Sam Chee Siong ("Mr. Sam") was appointed as the Operations Manager of Pecca Leather Sdn Bhd in 2010. He joined Pecca Leather Sdn Bhd on 26 October 2007 as the R&D and Planning Manager.

Mr. Sam 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. With his extensive experience in product quality, production process efficiency, and improvements, he is leading and oversees skill set development programs, preventive maintenance, Pre-Delivery Inspection related projects, and work safety and health programmes.

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

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Annual Report and Audited Financial Statement of Pecca Group Berhad (" the Company") and its subsidiaries ("the Group") for the financial year ended 30 June 2022.

Malaysian economy registered a stronger growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). Domestic demand continued to strengthen, supported by the steady recovery in labour market conditions and ongoing policy support. The higher growth was also reflective of normalising economic activity as the country moved towards endemicity and reopened international borders.

The strong economy is fully reflected in the Automotive sector, it was further boosted by the sales tax exemptions for passenger vehicles introduced by Government. According to the recent data released by the Malaysian Automotive Association ("MAA"), Malaysia's newly registered vehicles in the first half of 2022 rose 33% y-o-y to 331,386 units, an increase from 249,178 units in the same period last year. MAA had recently increased its Total Industry Volume forecast for 2022 by another 5%, from 600,000 units to 630,000 units. Strong car sales orders with a total of 500,000 cars are expected to be delivered before end-March 2023 by all automotive brands.

Given the positive economic outlook and extremely strong car sales orders, it will boost the revenue of the Group in the coming financial year 2023. The automotive industry is also sharing similar global disruption of supply chain issues that leads to rising costs for raw materials, logistics, shortages of components, labour supply and others, however, it is still manageable. Despite the hurdles, Pecca weathered the various challenges by leveraging on our strong foundations in business processes, staff unity and strong entrepreneurial spirit to swiftly react proactively and venture into new business opportunities to ensure sustainable shareholders' returns.

The Group's motto, Passion For Perfection; has always inspired us to turn something imperfect into a perfect work of art. Therefore, the Research & Development Division is the heart of the Group to provide our customers with the best design and quality products. We strongly believe in providing comprehensive customer support and having solid collaborations with customers. We relentlessly try to solve customers' pain points, strengthen customers' relationships, and not forget to develop new clients and markets.

In 2020, with the COVID-19 pandemic and the imposition of nationwide containment measures to ensure the income stream is sustainable, the Group has been focused on three ("3") dominant business mindsets, namely "Business Transformation, Ecosystem Development and Strengthening our Core business". With our determination to transform Pecca into a dual engine growth ecosystem, the Group has ventured into OEM facemasks production to help diversify sources of income that meets the everchanging world of business.

Moving forward, Pecca is determined to be a multiple engine growth ecosystem by focusing on four ("4") key pillars to capture various sources of income, there are (1) Leading upholstery in OEM and focusing on localisation of luxury brands; (2) Leading upholstery in REM locally and globally that targeting to further expand the overseas market into US, Australia, New Zealand, Middle East, Singapore and Europe; (3) Aviation – upholstery and refurbishment for domestic and overseas registered aircraft; and (4) New businesses – potential partnership with existing upholstery and parts OEM manufacturer to penetrate the overseas market for our core business, moving up the supply chain from sub-contractor (tier 2) to the main contractor (tier 1) and venture into EV related business. We are optimistic that these 4 pillars will transform the Group and bring Pecca's net worth to the next height!

FY2022 has been one of the most challenging and exciting years for the Group. We experienced not only the unexpected re-imposition of MCO 3.0 from June till mid of August 2021 but also the severe flash flood that hit in December 2021. Despite the challenges and shortened operating periods, the Group achieved a record high Revenue of RM164.39 million and Profit After Tax of RM22.84 million.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

CORPORATE DEVELOPMENT

On 24 November 2021, the Company signed a Memorandum of Understanding with Malaysia Automotive Robotics and IoT Institute ("MARii") for the Group market expansion of products and collaboration in electric vehicles parts and components technology.

On 6 January 2022, the Company proposes to undertake a Proposed Bonus Issue of 564 million new ordinary shares ("Bonus Shares") in the company on the basis of 3 Bonus Shares for every 1 existing share held by its shareholders. On 17 January 2022, Bursa Malaysia Securities Berhad gave written approval to the listing, and the shareholders gave approval via EGM held on 25 February 2022. On 8 June 2022, the Bonus Issue of 564,000,000 new ordinary shares have been completed and successfully listed.

On 12 January 2022, the Company's wholly-owned subsidiary, Pecca Leather Sdn. Bhd. ("PLSB") has entered into a Sale and Purchase Agreement ("SPA") with UMW Development Sdn. Bhd. for the acquisition of a vacant leasehold industrial land free from encumbrances measuring approximately 4.31 acres of land in Serendah, Daerah Ulu Selangor, Negeri Selangor at a purchase consideration of RM8.45 million. The acquisition of land is proposed to build and construct a second manufacturing facility for the Company's operations. The transaction has been completed and fully paid on 28 June 2022. This second plant will help double the Group's capacity once the factory's construction is completed at the end of 2023.

BOARD COMPOSITION AND CORPORATE GOVERNANCE

The Board members of the Group have diverse knowledge, skills and experience as well as a good mix of gender to be able to contribute effectively. To nurture sustainable growth, we are committed to ensuring the governance structure constantly keeps pace with the fast-changing market environment and manages the risk effectively and transparently across businesses.

REWARDING SHAREHOLDERS

The Board of Directors is proud to inform you that Pecca has once again distributed a total dividend payout of RM15.46 million, representing 67.7% of the total profit attributable to owners of the Company for the financial year ended 30 June 2022. The payout ratio has exceeded the Group's dividend policy of 40.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS OPERATION

Pecca Group Berhad ("Pecca" or "the Company") is principally engaged in investment holding activities, through its subsidiaries (collectively referred to as "the Group"), the Group engages in styling, manufacturing, distribution and installation of leather upholstery for seat covers for automotive and aviation industry and manufacturing healthcare products.

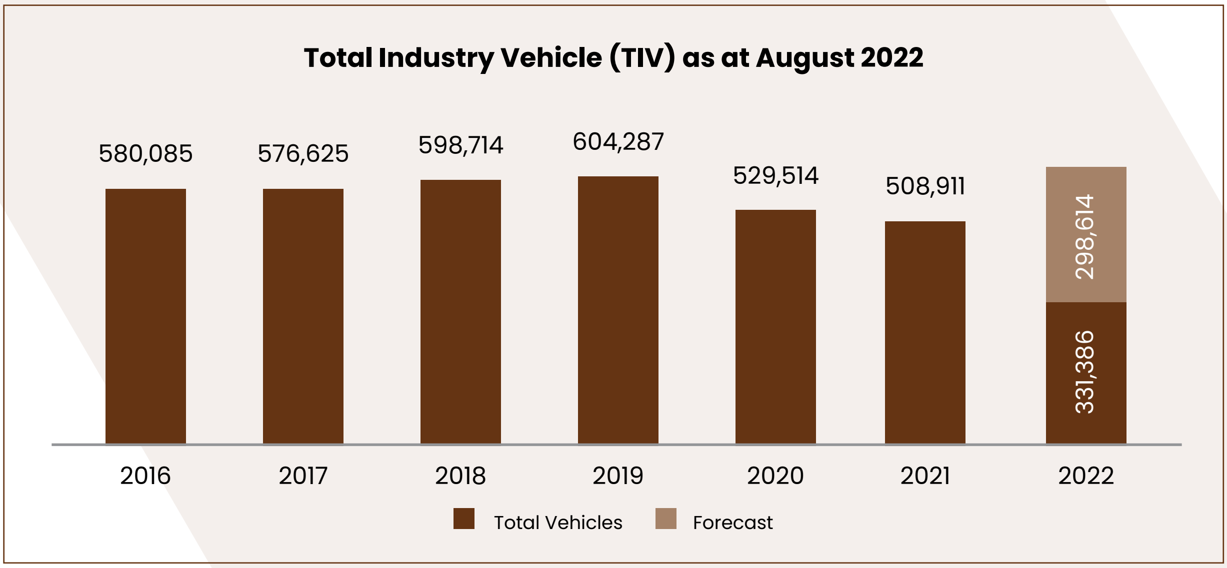
The Group is the leading upholstery seat cover provider for automotives in Malaysia, with more than twenty years of extensive industry experience. The Group also offers its expertise in styling and design to its overseas customers in the US, Europe, Australia, New Zealand, Singapore, Thailand etc.

Pecca is also certified by the Department of Civil Aviation (DCA) Malaysia for the aircraft's servicing and refurbishment works, allowing the Group to provide refurbishment services and supply leather seat covers to locally registered aircraft.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

MARKET OVERVIEW

Automotive market overview:



Source: MAA

The Malaysian Automotive Association ("MAA") has raised its 2022 Malaysian automotive total industry volume ("TIV") forecast by 5.0% to 630,000 cars, from the previously estimated 600,000, following the pent-up demand for new cars in the first half of 2022, taking into account the country's economic recovery from the impact of COVID-19 driven movement restriction, which had impacted car sales following the pandemic outbreak in early 2020.

The sales tax exemption incentive for vehicles ended on 30 June 2022 has boosted the car sales orders. The leading national automaker, Perodua, reported recently that based on the production trajectory, it will exceed its original target for this year, which is 247,800 units, thus setting a new sales record in 2022. Despite the worldwide microchip shortage, production and delivery of vehicles were affected but it is still manageable and the call-in for deliveries of upholstery seat covers continues to increase and is higher than pre-pandemic. Given the Government announcement on the extension of sales tax exempted car registration until 31 March 2023, the group foresees and is confident that the revenue for the coming financial year will be strong.

Aviation market overview:

HLIB Retail Research, in a September 2022 report, opined that air travel is on a recovery track. The research house gathered that the regional air travel demand recovery remains on track as ASEAN countries have relaxed cross-border travel requirements. Tracking the recovering air flight demand, it is in the midst of increasing its operating aircraft with overall capacity expected to reach 60-90% of the pre-pandemic level.

The Malaysian Aviation Commission (Mavcom), has forecasted that the 2022 air passenger traffic and cargo outlook will increase between 200% and 350% y-o-y, which represents an estimated 32.60 million to 49.0 million passengers.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

MARKET OVERVIEW (CONT'D)

Aviation market overview: (Cont'd)

On the regional front, driven by high and strong demand for air flight, this will open up a new business opportunity for the Group to provide refurbishment services to the aircraft. In pursuit of this, the Group has expressed its intention to diversify its production of leather upholstery for commercial flights as well. Currently, Pecca's production of leather seats covers to the aviation segment is only limited to the Royal Malaysian Air Force, military and private jets.

Healthcare market overview:

According to Grandview Research, the global disposable face mask market size was valued at USD 38.9 billion in 2021 and is anticipated to expand at a compound annual growth rate (CAGR) of -27.6% from 2022 to 2030. The growing importance of protection against pollutants and harmful viruses in developing economies including China, India, and Brazil on account of the growing industrial sector is expected to increase the need for disposable face masks to avoid any possible infection. The use of these disposable face masks serves to be a prime infection control measure to contain the virus spread.

Malaysian Pharmacists Society has noted that the demand for face masks is expected to normalise over time, although this largely depends on how the public reacts to the more relaxed mask ruling.

Although the government has relaxed rules for the usage of face masks, it is still strongly encouraged to wear face masks, especially in crowded areas. The Group expects the demand for PPE products to sustain with the usage focus in Hospitals areas for medical grade masks, while other mask varieties will continue play same necessary part of daily life.

FINANCIAL OVERVIEW

RM'000	FY2018	FY2019	FY2020	FY2021	FY2022	CAGR
Extracts from Income Statement:						
Revenue	112,668	131,375	104,640	144,750	**164,394**	9.9%
Gross Profit	26,773	39,380	27,841	41,753	**45,831**	14.4%
Results From Operating Activities	11,494	19,908	8,786	24,712	**28,285**	25.2%
Profit Before Tax	12,937	22,179	11,324	25,800	**29,289**	22.7%
Profit For the Year	10,078	16,672	8,276	19,220	**22,841**	22.7%
Profit attributable to owners of the Company	10,217	16,616	8,387	19,234	**22,852**	22.3%
Extracts from Balance Sheet:						
Total Assets	184,830	190,458	171,613	195,355	**224,426**	5.0%
Cash And Equivalents	47,228	92,847	78,394	78,132	**86,808**	16.4%
Total Liabilities	25,548	25,108	16,263	28,418	**34,633**	7.9%
Borrowings	0	0	0	0	**8,884**	N.A.
Total Equities	159,282	165,350	155,350	166,937	**189,793**	4.5%

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW (CONT'D)

RM'000	FY2018	FY2019	FY2020	FY2021	FY2022	CAGR
Extracts from Cash Flow Statement:						
Net cash from/(used in) operating activities	16,660	11,667	3,573	14,836	**11,154**	-9.5%
Net cash (used in)/from investing activities	(47,467)	44,289	13	(7,289)	**(10,671)**	31.1%
Net cash used in financing activities	(14,353)	(10,425)	(18,184)	(7,624)	**(8,260)**	-12.9%
Financial Ratios:						
Gross Margins	23.8%	30.0%	26.6%	28.8%	**27.9%**	
Operational Margins	10.2%	15.2%	8.4%	17.1%	**17.2%**	
Net Margins	8.9%	12.7%	7.9%	13.3%	**13.9%**	
Return On Equity[1]	6.4%	10.0%	5.4%	11.5%	**12.0%**	
Current Ratio (times)	6.5	7.3	11.1	6.4	**7.2**	
Dividend for the FY	9,202	11,007	8,219	11,910	**15,461**	
Dividend Payout Ratio (%)	90.1%	66.2%	98.0%	61.9%	**67.7%**	
Dividend Per Share (sen)	5.0	6.0	4.6	6.9[2]	**8.2[3,4]**	

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

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

3 Adjusted based on the weighted average cost of share dividend distributed on the basis of 1 treasury share for every 41 existing ordinary shares held

4 Number of shares are assumed before the issuance of bonus shares, at 188,000,000 shares.

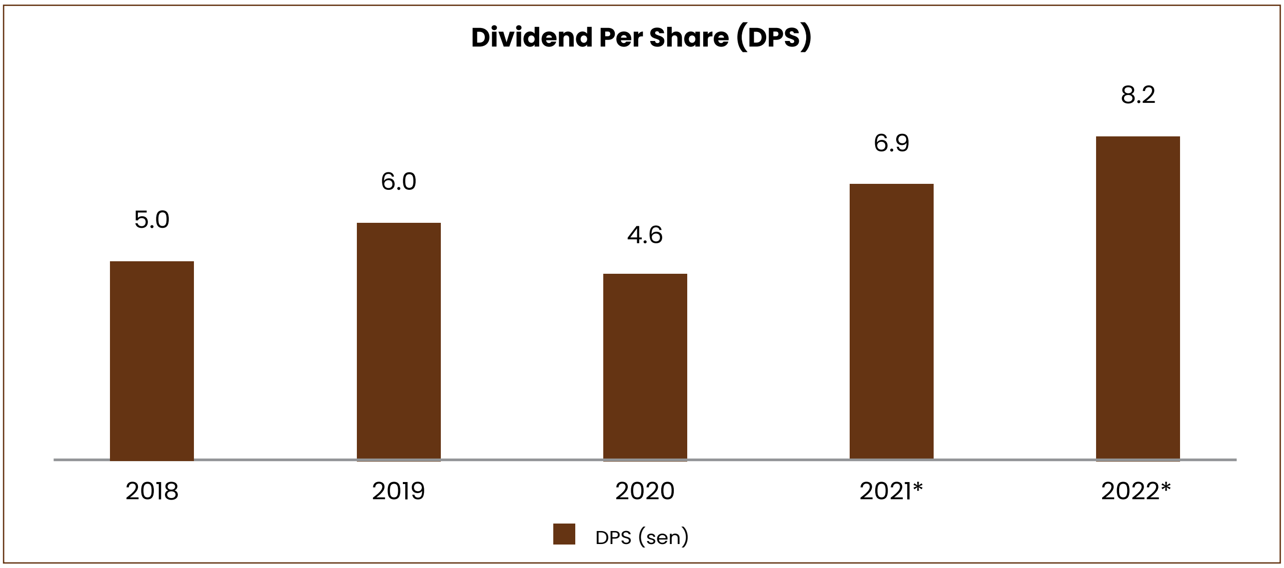
In FY2022, despite the shortened operating period of 10.5 months, the Group achieved a history record-high revenue of RM164.39 million from RM144.75 million in the previous financial year. The 13.6% improvement year-on-year ("YoY") was mainly driven by higher revenue from the automotive division. The automotive division contributed around 89.7% to the company's total revenue in the financial year 2022, followed by the healthcare segment (10.0%), and aviation and others (0.3%). The automotive division increased by 17.1% YoY in FY2022, attributable to the significant sales improvement in the OEM segment for car seat covers which improved by 14.6% YoY.

The Group's profit attributable to the owners of the company improved by 18.8% YoY from RM19.22 million in FY2021 to RM22.84 million in FY2022. The company's net profit margins also improved from 13.3% to 13.9% between FY2021 and FY2022. The company's ROE also improved from 11.5% in FY2021 to 12.0% in FY2022. Moving forward, the Group is positive about its business prospects given the strong car sales orders in the OEM automotive sector, and the expansion of the REM into oversea markets whilst the prospect in the aviation segment is expected to expand further once the EASA certification is obtained.

On liquidity, the Group continues to have healthy cash and equivalents of RM86.81 million, an increase of 11.1% compared to RM78.13 million in FY2021, with merely RM8.9 million of borrowings. The Group's net gearing ratio is at a positive net cash flow, given our net cash position. The current ratio increased from 6.4 times to 7.2 times.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW (CONT'D)



* Adjusted based on the weighted average cost of share dividend distributed, and the total number of shares adjusted to before bonus issue for FY2022.

In appreciation to all of our shareholders, the Board of Directors has declared the following dividend in FY2022:

(i) On 18 October 2021, a total of 4,473,844 treasury shares amounting to RM4,936,774 were distributed as share dividends to shareholders on the basis of 1 treasury share for every 41 ordinary shares held on 20 October 2021, in respect of the financial year ended 30 June 2022 which was paid on 8 November 2021; and

(ii) On 25 July 2022, the Company declared a single-tier interim dividend of 1.40 sen per ordinary share in respect of the financial year ended 30 June 2022 totaling RM10,524,956. The said dividend has been paid on 16 August 2022 based on the total of 752,000,000 issued shares.

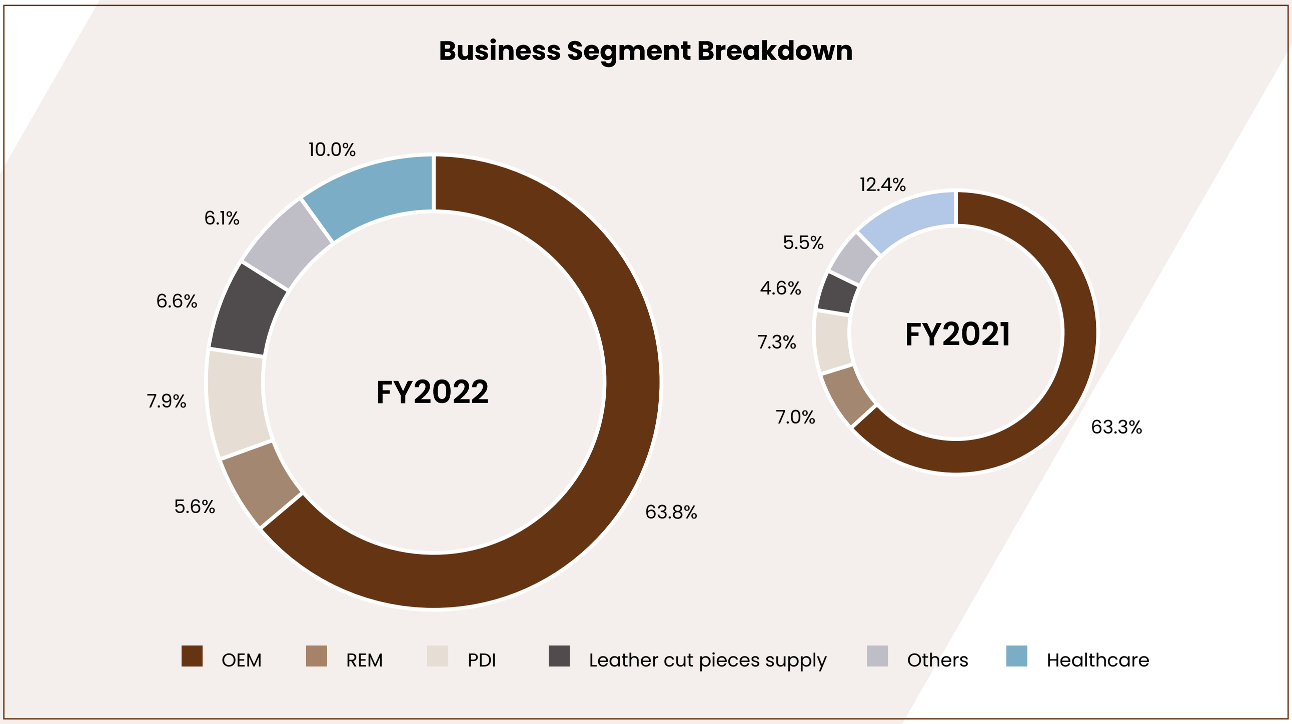
This effectively translates to a dividend payout of RM15.46 million, representing 67.7% of total profit attributable to owners of the Company and exceeds the Group's dividend policy of 40.0%. The Group endeavors to uphold shareholders' value creation as a key long-term goal.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW

The Group's current business activities comprise four segments namely automotive, healthcare, aviation and new business development 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. The aviation segment provides services in repair, refurbishment, distribution and installation of aircraft seat covers and parts refurbishment. Lastly, the new business development segment will develop potential partnership with existing upholstery and parts OEM manufacturer to penetrate into the new and overseas market for our core business and venture into EV related business. The breakdown of the Group's total revenue by business activities and products are as follows:-

Business Segments RM'000	FY2018	FY2019	FY2020	FY2021	FY2022
Automotive					
Car Seat Covers					
OEM	51,182	78,512	69,308	91,560	104,958
REM	20,737	21,010	10,771	10,110	9,279
PDI	11,494	14,741	9,144	10,570	12,932
Leather cut pieces supply	22,556	9,441	9,905	6,691	10,830
Healthcare	-	-	-	17,925	16,388
Others	6,699	7,671	5,512	7,894	10,007
Grand Total	112,668	131,375	104,640	144,750	164,394



CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

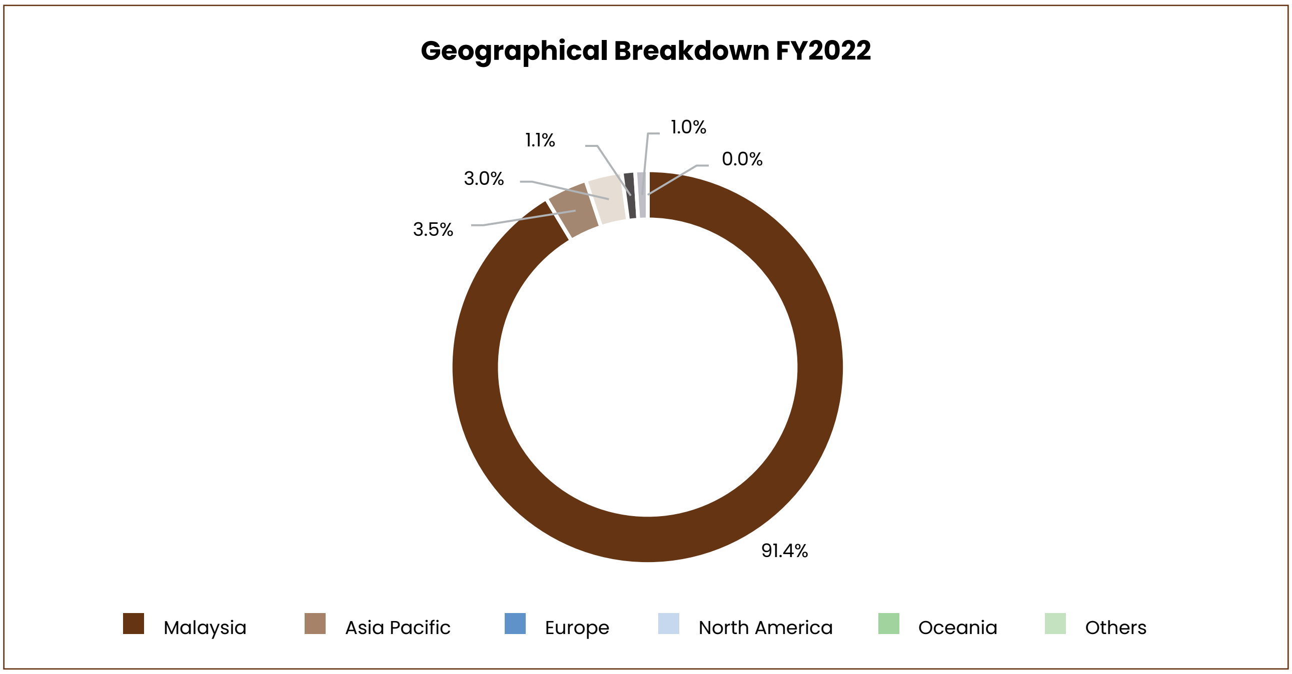
BUSINESS OVERVIEW (CONT'D)

The automotive segment contributed the largest pie in FY2022's revenue, with RM147.49 million or 89.7% of the group revenue. In FY2021, we successfully expanded and diversified our revenue base into the healthcare business which has weathered the Group's revenue and profitability and complement our automotive segment during the COVID-19 pandemic. The healthcare business contributed RM16.39 million or 10.0% of FY2022's revenue as compared to RM17.93 million or 12.4% in FY2021. The healthcare segment focuses on OEM facemask manufacturing and distribution of healthcare products. Other segments (includes Aviation and others) contributed RM0.51 million or 0.3% to the Group.

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

Revenue Breakdown by Geographical Location

Country RM'000	FY2018	FY2019	FY2020	FY2021	FY2022
Malaysia	93,286	108,698	86,465	133,802	150,219
Asia Pacific	10,874	14,919	12,133	3,970	5,794
Europe	3,452	3,856	2,456	3,300	4,900
North America	1,545	1,940	1,727	1,581	1,808
Oceania	3,511	1,962	1,859	2,097	1,673
Total	112,668	131,375	104,640	144,750	164,394



CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW (CONT'D)

Geographically, the local market contributed 91.4% of total sales, registering a 12.3% increase to RM150.22 million revenue in FY2022 from RM133.80 million in the previous year, mainly due to domestic demand continued to strengthen and contribution from the Healthcare segment. Export sales also registered a 29.5% increase to RM14.17 million in FY2022 from RM10.95 million in FY2021. The higher growth was reflective of normalising economic activity as the country moved towards endemicity and reopened international borders.

Automotive Business Overview:

For the automotive business segment, we are the one-stop centre to ensure the best value-add to our customers for the styling, manufacturing, distribution and installation of upholstery for car seat covers and car interior accessories. With more than twenty years of wealth and extensive upholstery specialist experience, we offer various products, designs, and a mix of materials to match different market requirements. We generally offer OE Fit car seat covers for our Original Equipment Manufacturer (OEM) market segment to car manufacturers, Smart Fit seat covers for Pre-Delivery Inspection (PDI) market segments and Quick Fit car seat covers for Replacement Equipment Manufacturer (REM) market segment. In FY2022, we are able to produce up to 20,000 units of car seat covers per month.

We are proud of our product quality and, as we work relentlessly to ensure 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.

Revenue Breakdown of Automotive Segment

RM'000	FY2018	FY2019	FY2020	FY2021	FY2022
Car Seat Covers					
OEM	51,182	78,512	69,308	91,560	104,958
REM	20,737	21,010	10,771	10,110	9,279
PDI	11,494	14,741	9,144	10,570	12,932
Sub-Total for Car Seat Covers	83,413	114,263	89,223	112,240	127,169
Leather cut pieces supply	22,556	9,441	9,905	6,691	10,830
Others	5,429	6,422	5,016	6,992	9,493
Total	111,398	130,126	104,144	125,923	147,492

In FY2022, total revenue derived from car seat covers stood at RM127.17 million, a 13.3% increase from RM112.24 million in the previous year, contributed by the Government further extended the 100% sales tax exemption for locally assembled cars and increased orders from our customers' new car model launches. The automotive segment rebounded significantly from the bottom low of 1QFY22 (July – September 2022) as our production recovered swiftly subsequent to the re-imposition of FMCO 3.0. The Group experienced a total lockdown of its automotive operations from June 2021 till mid of August 2021. The utilisation rate recovered from 40.0% in 1QFY22 to around 80.0% in 2QFY22 and further increased to close to 100% in subsequent quarters for FY2022.

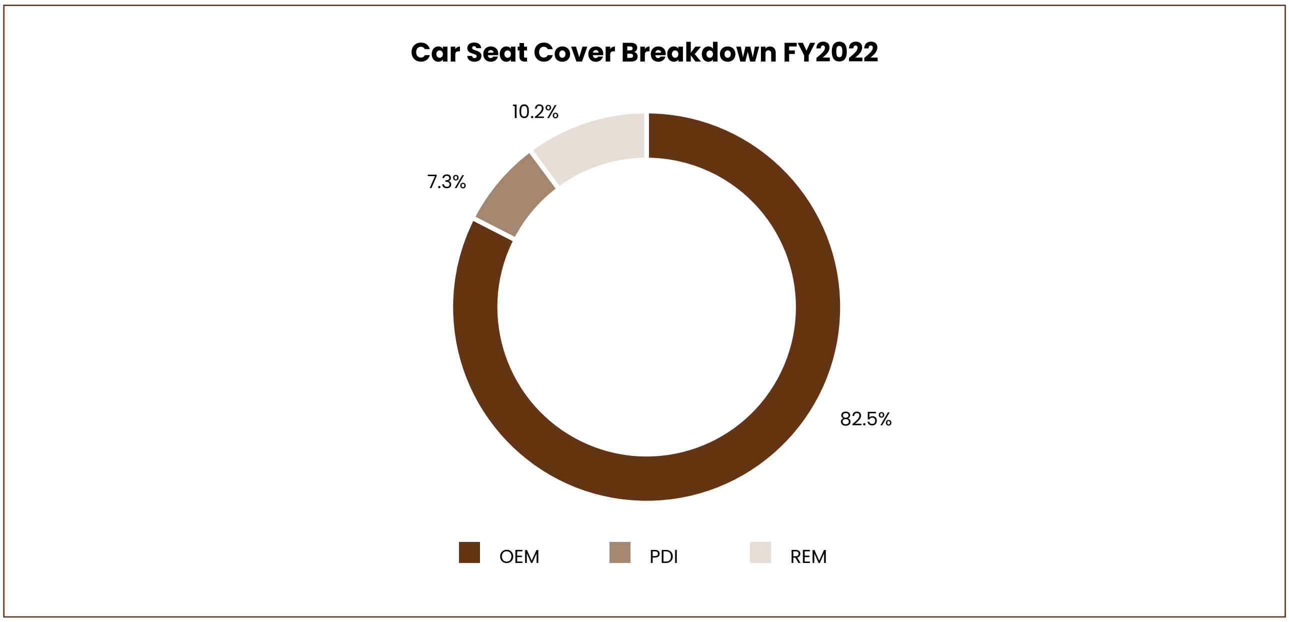
CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW (CONT'D)

Automotive Business Overview: (Cont'd)

Leather cut pieces supply reported a 61.9% increase from RM6.69 million in the previous year to RM10.83 million in FY2022 as a result of stronger demand. Included under others is 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 other segments grew 35.8%, from RM6.99 million to RM9.49 million on the back of increased accessories sales.

With the re-opening of the economy globally, the Group expects to expand its foreign customer base in the REM segment and penetrate new markets into the US, Australia, New Zealand, Middle East, Singapore and Europe.



The Group's OEM segment made up the largest share of the car seat cover segment revenue at RM104.96 million or 82.5%, followed by the PDI segment at RM12.93 million or 10.2%, and REM at RM9.28 million or 7.3%.

With the growth in the first half of 2022 at 6.9%, the Malaysian economy is projected to expand further for the remainder of the year, also with the solid orders for automakers, Pecca is confident the demand will continue to grow for the new financial year, FY2023. The trends in the automotive industry are ever-changing, such as the rapid adoption of electrification in electric vehicles (EVs), higher demand for connectivity with vehicles and the introduction of autonomous 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 capitalise on the growth of the automotive industry.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW (CONT'D)

Automotive Business Overview: (Cont'd)

Pecca's collaboration with Malaysia Automotive Robotics and IoT Institute ("MaRii") will allow the Group to open up new doors to other OEMs locally and overseas to penetrate the luxury brand market under the localisation plan. MaRii has recently concluded with the Group on its Supplier Competitiveness Level Programme report, which indicates the level of competitiveness across OEM Automotive Stakeholders in which Pecca scored above the Malaysian average.

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 the 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 continuously innovating our product offerings. The Group is confident in upholding our market leadership in the leather upholstery for the automotive industry in Malaysia while focusing on profitability growth.

- Reinforcing leadership in the automotive upholstery

  Pecca will continue to enhance and improve in all related aspects to be 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 and forward-looking designs and materials to meet customers' vehicle face lifts or incoming new vehicle models, placing us in a prime position to ride the eventual growth in automotive demand.

- 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 Manufacturing Execution System, Enterprise Resource Planning (ERP) System, Human Resource Management System and Warehouse Management System to improve the effectiveness of management, control and movement of manufacturing processes, goods, services, and human capital.

The sales volume is very much dependent on the number of vehicles our automotive manufacturing customers produce, which is ultimately reliant on consumers' demand for automotive vehicles. The Group faces competition risks, as we operate in a highly competitive industry with our competitors locally and internationally as well as new entrants to the industry, which could adversely affect our financial performance. Pecca along with our competitors is looking to increase market share with new and existing customers and tap into potential high-growth regions. Pecca remains focused on continuous product differentiation and improvement by developing new product innovations and maintaining effective 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 on the Group in case of any unwanted incidents.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW (CONT'D)

Aviation Business Overview:

The revenue contributed by the aviation segment is immaterial in FY2022, however, the Management is positive and confident that revenue contribution for this segment will increase handsomely with the re-opening of international borders, as more aircraft will require refurbishment work and services.

Pecca is also certified by the Department of Civil Aviation (DCA) Malaysia for the aircraft's servicing and refurbishment works, allowing the Group to provide refurbishment services and supply leather seat covers to locally registered aircraft. The next milestone to achieve by the Group in this segment is to obtain certification from the European Aviation Safety Agency (EASA), targeting by 1H 2023 to allow Pecca to service and supply leather seat covers to European registered aircraft as well. This is a more stringent and regulated segment with a fast turnaround time for delivery; we are confident that this segment will further expand the margin of the Group.

By venturing into this segment, the Group believes that it is still largely an untapped market as there are fewer players in the segment. Therefore, it is a lucrative business opportunity where the Group will be able to price their leather seat covers strategically.

Healthcare Business Overview:

The revenue for the Healthcare business of RM16.39 million recorded a slight decrease of 8.6% compared to RM17.92 million in FY2021, as a result of the gradually relaxing of COVID-19 control measures in line with the re-opening of the economy in the country and globally.

However, with our continuous innovation efforts to further solidify its presence in the market, Rentas Health has engaged with leading grocery and pharmacy chains across East and West Malaysia to penetrate the local market further. This will boost more orders and ensure sustainability for the Group's healthcare segment. The Group has continuously enhanced the quality and design of its facemasks for better value for money and stylish as the fashion for customers to be the preferred brand.

The Group expects the demand for PPE products to sustain as medical-grade masks and other mask varieties will continue to be a necessary part of daily life for much of the foreseeable future in view of people being more health and safety conscious post-pandemic. Although the government has relaxed rules for using face masks, it is still strongly encouraged to wear face masks, especially in crowded areas.

The group adheres to strict healthcare guidelines by obtaining and maintaining certifications to ensure high-quality control. Our key certifications include ISO 13485:2016, GDPMD, MDA, FDA, CE, Filtration Efficiency Testing, SIRIM, and Made in Malaysia. The Group adheres to the rules and regulations for our healthcare division.

BUSINESS OUTLOOK

In 2022, with the growth in the first half at 6.9%, the Malaysian economy is projected to expand further for the remainder of the year, also with the solid orders for automakers, Pecca is confident the demand will continue to grow for the new financial year, FY2023. The Group's margin would also benefit from improving labour market conditions that ease the labour shortages and the continued implementation of multi-year investment projects by the Government.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OUTLOOK (CONT'D)

Despite strong domestic demand, there are still challenges ahead, such as disruption of the supply chain that leads to shortages of microchips, components, parts and materials, etc., that may affect the demand or call-in deliveries of the upholstery seat cover. Our operation team is working very closely with our customers to manage and mitigate the impact.

Overall, with the remarkable achievement in FY2022, the Group is committed to continuing this trajectory and striving for further leaps in the coming years. The Group will continue to be mindful and remain focused on its key drivers and strategies to enhance cost efficiency through continuous process improvement, automation, and prudent procurement strategies to sustain earnings growth, a healthy balance sheet, and a strong cash position to capture new opportunities and accelerate the identified expansion business plans.

IN APPRECIATION

We would like to express our greatest gratitude to the directors for their guidance and support during the challenging year. We would also like to thank our valued shareholders, customers, suppliers, business associates, financiers, and relevant regulatory authorities for their continuous support and belief in the Group. It was the spirit of unity and strong support from all stakeholders, our Management, and employees that have helped us steer through the toughest business challenges since our business inception. We would like to extend our appreciation to them for their unwavering support, commitment, sacrifices, hard work, and diligence during these challenging times.

We believe in rewarding our shareholders through tangible dividend distributions that reflect our profit performance. We have sustained strong dividend payments since listing and are optimistic about improving our dividend payments with the growth plans we have in place.

This year, we have also significantly enhanced our efforts to continually drive business sustainability via various energy conservation and ESG initiatives. The Sustainability Statement in this year's annual report has further elaborated on measures and actions taken during the year.

We will continue to do our best, and Management is also positive and confident about the Group's performance in the coming years. To all our stakeholders, we hope you stay healthy and safe, and all the best!

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' expectations in design, quality and innovation.

The scope of the FY2022 sustainability statement covers all entities and 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, healthcare segment involving the manufacturing and distribution of healthcare products, as well as the aviation segments. Sustainability in all of our group's business activities becomes more crucial as Pecca is in the progress of upgrading itself to become a full-fledged main contractor, expands into overseas markets, and explores potential collaboration with sustainable partners to expand our business segments.

We have streamlined our disclosures after taking into consideration 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 an upgrade in the skillsets of our workforce, automation, technological enhancements, innovation, and greater focus on higher value-added manufacturing products.
Indicators	**Key Initiatives/Datasets**
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	• Our overall customer satisfaction level was 80% • 0 deaths relating to COVID-19 • 0 whistle-blowing cases received **Material Topic Linkage:** **MT 2, MT 3, MT 4**
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	

SUSTAINABILITY STATEMENT

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 We intend to continuously report on sustainability performance moving forward in alignment with the global push towards ever-increasing sustainability standards. Further, we intend to monitor and improve environment-based performance wherever possible. **Material Topic Linkage:** **MT 5, MT 6, MT 7**
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 of 1,217 training hours in FY22, of which 34.3% was attended by female employees. We treat our foreign labour contractors equally with all other employees. Training is adequately given indiscriminately to all, leading to an overall improvement in livelihood even if they seek employment opportunities elsewhere. **Material Topic Linkage:** **MT 8, MT 9**
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	

SUSTAINABILITY STATEMENT

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	We have recently ventured into the manufacturing of medical PPE as part of our drive towards improving global health and welfare. Further, we ensure all members of staff are taken care of through adequate trainings provided to safeguard operational health and safety performances and access to essential healthcare services to ensure a well-covered health workforce. **Material Topic Linkage:** **MT 8, MT 9**

SUSTAINABILITY GOVERNANCE STRUCTURE

Sustainability governance at Pecca is anchored upon the structure of our Sustainable Working Committee ("SWC") to ensure accountability across all identified initiatives. This SWC includes our key senior management team and all of our Head of Departments ("HODs"). Discussions from SWC have led to the various strategic thrusts to further improve overall sustainability within the Group, covering all aspects within the Economics, Environmental, Social and Governance topics.

STAKEHOLDER ENGAGEMENT

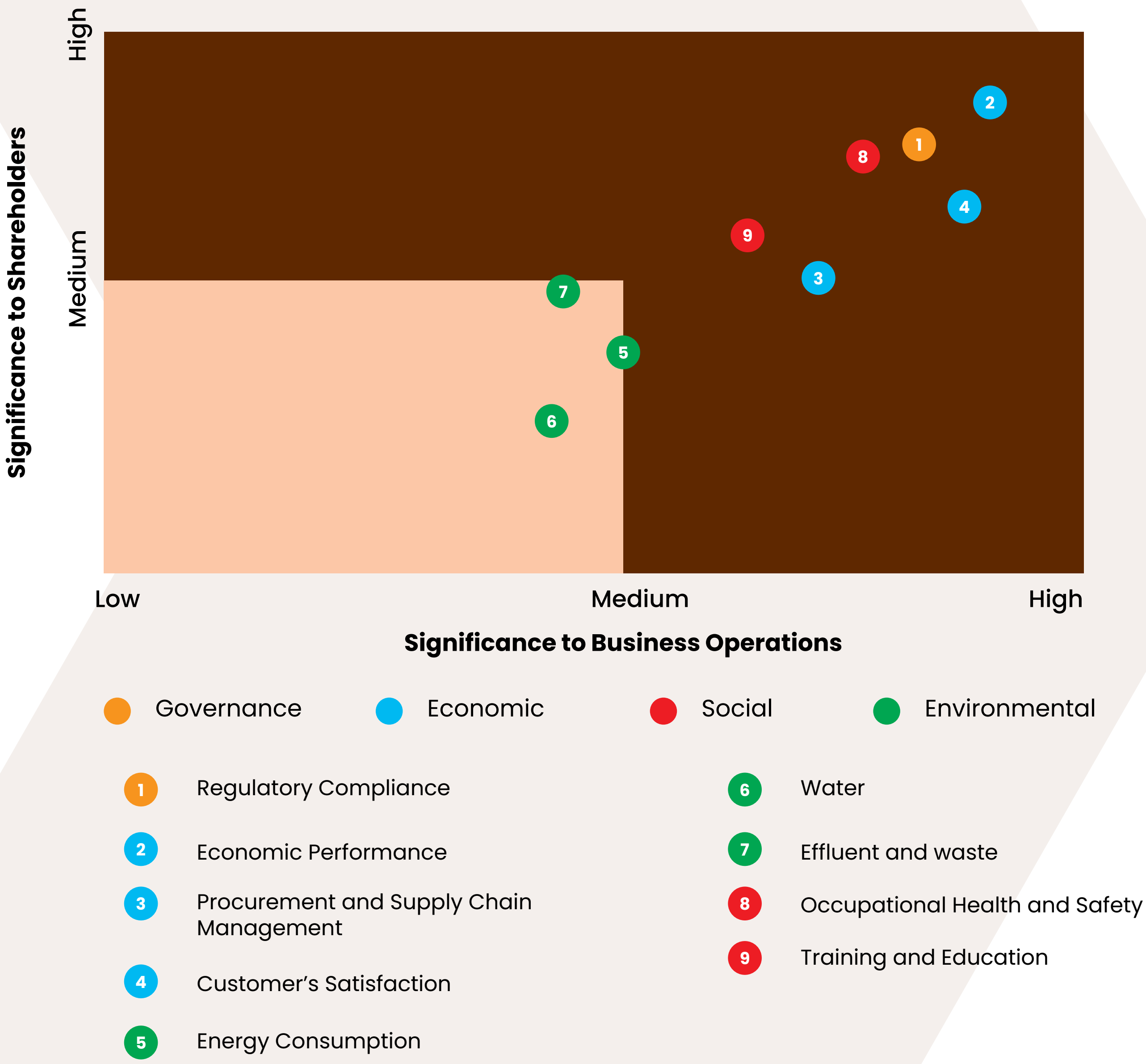
We have identified the following internal and external stakeholders for the Group:

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

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT (CONT'D)

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, impact to business operations, significance to shareholders etc.



SUSTAINABILITY STATEMENT

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) Company Policies, (3) Board Committee

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 environmental and social aspects.

On corporate governance-related matters, we have established adequate Company Policies and Processes within our systems such as Board Charter, Code of Conduct, Anti-Bribery and Anti-Corruption Policy, Whistle-Blower Policy, Remuneration Policy, Nomination Policy, Directors' Fit and Proper Policy, Directors' Assessment Policy, Board Diversity Policy, Audit & Risk Management Policy and External Auditor Assessment Policy. These ultimately tie back to recommendations from Malaysia Code of Corporate Governance, related requirements

SUSTAINABILITY STATEMENT

CORPORATE GOVERNANCE (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 the 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 the 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.

Board Charter

The Board is the focal point of the Group's corporate governance system. It is ultimately accountable and responsible for the performance and affairs of the Group. All members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

Code of Conduct

We have established a code of conduct that makes references to all related Group policies. The code of conduct 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.

Additionally, the Group has established the Code of Ethics of Directors to enhance the standard of corporate governance and corporate behaviour with the intention of achieving an establishment of a standard of ethical behaviour for Directors based on acceptable beliefs and values and to uphold the spirit of social responsibility and accountability in line with the legislation, regulations, and guidelines governing a company.

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 to be reported to us via our whistle-blower channel.

Whistleblowing Policy

The Whistleblowing 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. We aim to achieve transparency in our workplace and at all levels. 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 upkeep in everything that we do.

SUSTAINABILITY STATEMENT

CORPORATE GOVERNANCE (CONT'D)

Remuneration of Directors

The Remuneration Policy is designed to determine the level of remuneration package of the Executive Directors and senior management whereas, the remuneration of Non-Executive Directors also operates on the same basis, except it requires shareholders' approval and to attract, develop and retain the high performing and motivated Executive Directors and senior management with competitive remuneration packages while maintaining fair and equal opportunities.

The Remuneration Committee is established in line with the Malaysian Code of Corporate Governance to recommend to the Board the remuneration package of Executive Directors and Non-Executive Directors of the Group to attract, retain and motivate Directors.

Nomination of Directors

The Nomination Committee is established to review and propose new nominees for the Board, and to appraise and examine the ability of each individual Director as well as to assess the effectiveness, size, and composition of the Board.

The Directors' Fit and Proper Policy is designed to guide the Board, the Nomination Committee, the Remuneration Committee, and the Group Managing Director in establishing a set of formal and transparent fit and proper criteria for the selection, review and appointment, and re-election of directors to the Board and the key senior management for the Group.

Directors' Assessment Policy

The Directors' Assessment Policy aims to review the pre-determined roles of the Board and individual Directors as set out in the Board Charter and to assess the Board's effectiveness.

Board Diversity

The Diversity Policy is established to set out the Board's approach to promoting diversity, which includes age, gender, ethnicity, nationality, sexual orientation, cultural background, or other personnel within the Pecca Group.

As at 30th June 2022, the Board comprises two female directors representing 28.6% of the board.

Audit and Risk Management

The Audit and Risk Management Committee ("ARMC") is established to oversee the financial reporting process and evaluate the internal and external audit processes, including issues pertaining to the system of internal control and risk management within the Group.

External Auditors Assessment policy

The External Auditors Assessment policy is designed to outline the guidelines and procedures for the ARMC to review, assess and monitor the performance, suitability, and independence of the Company's External Auditors.

SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH

Key Material Matters

(1) Economic Performance, (2) Procurement and Supply Chain Management, (3) Customer's Satisfaction, (4) Climate Change, (5) Market Presence

ECONOMIC PERFORMANCE

Market Presence

Pecca's economic performance is an essential component of the Group as it ensures long-term growth in our business in line with the interests of our shareholders. As part of Pecca's sustainable initiatives to drive strong economic performance for all our group's stakeholders, we have identified 4 key pillars:

- To be a leading upholstery in OEM and focus on localization of luxury brands.
- To be a leading upholstery in REM locally and globally that targeting to further expand the overseas market into US, Australia, New Zealand, Middle East, Singapore and Europe.
- To further expand the Aviation business which provides upholstery and refurbishment for domestic and overseas registered aircraft.
- To explore potential new businesses – potential partnership with existing upholstery and parts OEM manufacturer to penetrate into the overseas market for our core business, moving up the supply chain from sub-contractor (tier 2) to the main contractor (tier 1) and venture into EV related business.

Economic Value Generation and Distribution

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 General Manager- Sales 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

SUSTAINABILITY STATEMENT

ECONOMIC PERFORMANCE (CONT'D)

Economic Value Generation and Distribution (Cont'd)

Key Components in our Sales Processing & Planning Framework	Description
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 a complaint

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 economic 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 payout 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.

The economic value retained by Pecca can be approximated by the profits generated by the Group. In FY2022, the Group delivered RM 164.4 million in revenue and RM 22.9 million in net profit attributable to shareholders. As always, Pecca rewards the shareholders with a total dividend payout of RM15.5 million representing 67.7% of total profit attributable to owners of the Company for the financial year ended 30 June 2022, which is exceeding the Group's dividend policy of 40.0%. As a sustainable business entity, we are committed to deliver strong economic performance to all our stakeholders in the following years to come.

SUSTAINABILITY STATEMENT

ECONOMIC PERFORMANCE (CONT'D)

Climate Change

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

We have identified several risks and opportunities posed by climate change that has 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 crude oil production in which Pecca is not directly involved in but could be tied to climate-related changes within the world. In addition, the leather that we use is a by-product derived from the production of cow meat/food which would have been considered waste, if not usefully used to manufacture our car leather seats. The climate-related risk identified above have the potential to bring financial implications to our Group, as the procurement of more sustainable and environmental-friendly substitutes of raw materials can pose an 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.

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 well-being of our employees.

We regularly enhance our workforce through the hiring of experienced local talents, as seen in our all-Malaysian key management team comprising the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Head of Marketing ("HOM"), Chief Operating Officer ("COO"), General Manager-Sales ("GM-Sales") and General Manager-Business Development ("GM-BD") that are 100.0% Malaysians. Many of these local senior managers have shown strong dedication and commitment to keep abreast with the latest market changes and trends and continue to expand our market presence in both domestic and overseas markets. Pecca has also adhered to the Minimum Wage Order to ensure the economic well-being of our employees is maintained. All of our workers are paid in accordance with the Minimum Wage definition of RM 1,500 per month. We are also 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"), and outpatient benefits, while our foreign workers are covered by FWIG policy & outpatient benefits. We are committed to rewarding all our employees on a meritocracy basis without any gender discrimination. We are also continuously taking action to enhance our employees' remuneration by rewarding them good performance bonuses and incentives as they achieved their respective Key Performance Indicators ("KPIs").

SUSTAINABILITY STATEMENT

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 minority group business owners, income equality, educational background, quality of services and other socioeconomic factors to ensure we have an effective procurement supply chain.

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.

Overview of our Purchasing Control Framework:

Key Components in our Purchasing Control Framework	Description
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 materials) and obtain quotations before making the purchase. • Compare the suppliers' quotations, such as the quality, delivery, price, statutory and regulations requirements and ensure they meet the requirements stated in the PR
Purchase Order (PO)	• Purchase Order shall include raw materials' description, delivery schedule, compliance details with production requirements, purchasing amount and relevant approvals)

SUSTAINABILITY STATEMENT

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT (CONT'D)

Key Components in our Purchasing Control Framework	Description
Supplier Selection	• Carried out by the Purchasing Department based on the following criteria or customer recommendation: • Customer appointed sources • Background and experience Quality • Price competitiveness • Delivery commitment • ISO 9001 Certified Suppliers
Supplier Quality Management System Development	• Requirement for direct raw material suppliers to develop, implement and improve a quality management system certified to ISO 9001
Supplier Performance Assessment	• Monitoring the performance of suppliers and assess their performance rating
Supplier Audit	• Include supplier's audit process if necessary
Supplier Development	• Determination of any development actions for active suppliers when there is any changes
Statutory and Regulatory Conformity Evaluation	• Ensuring all direct purchased raw materials used in our production is conformed to applicable regulatory requirements
Approved Supplier List	• Capable and qualified suppliers will be registered to this list (included appointed vendor by customers)
Risk and Opportunity Assessment	• When there are any changes in our defined policies and processes

SUSTAINABILITY STATEMENT

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT (CONT'D)

All our main raw material suppliers are subjected to a stringent selection procedure which includes 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.

The Group monitors and updates the suppliers' scores and ratings via its Suppliers Performance Assessment Form to ensure our suppliers' performances are monitored and maintained. The assessment criteria in this form includes delivery, quality, cost, service and also incorporate elements of Environmental Health & Safety.

Suppliers Performance Assessment Criteria:

Criteria	Scope
Delivery	Timely Delivery
	Delivers correct item & quantity
	Meets due date without constant follow-up/services
	Response on urgent needs
	Shorter lead time request
Quality	Conformity to meet product and service specification
	Commitment to improve quality
	Accurate documentation provided
	Conformance to statutory & regulatory
Cost	Competitive pricing/value
	Price stability/accuracy
	Commitment to cost reduction
Service	Speed of quotation
	Response to urgency/complaints
	Accessibility of sales or customer service personnel
	Technical assistance/ability
Environmental Health & Safety	Certified EMS ISO 14001, OHS ISO 45001, Others
	Incur accident during supply product/services
	Compliance to the Pecca EHS guideline
	Environmental, Health & Safety Awareness/Permit to Work
	Housekeeping after job complete

SUSTAINABILITY STATEMENT

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT (CONT'D)

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 FY2022, approximately 30.0% of the Group's total spending was from Malaysian suppliers and we are committed to sustainably increase our local procurement efforts.

	FY2021	FY2022
Total Purchase	100.0%	100.0%
Local Purchase	34.0%	30.0%
Oversea Purchase	66.0%	70.0%

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 by ensuring all clients' feedback and issues are being addressed promptly with the goal to deliver good product quality to all clients. 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.

Strict procedures have been documented within the framework, covering clear roles and responsibilities for 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.

SUSTAINABILITY STATEMENT

CUSTOMER'S SATISFACTION (CONT'D)

The utilisation of our customer satisfaction survey acts as 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 Continuous Improvement, Corrective and Preventive Action procedures. This is to ensure our products are continuously benchmarked against both internal quality requirements and external expectations.

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

We conducted our Annual Customer Satisfaction Survey as usual at the end of the year. Based on the overall customer satisfaction levels, we were rated at 84% score (FY2021: 80%). Our product received a score of 87% (FY2021:77%) and there have been improvement activities made in terms of quality and cost by the operation and finance team. Both our service and our people scored better at 92% (FY2021: 83%) and 91% (FY2021: 83%) respectively despite being impacted by the ongoing covid-19 pandemic condition. The improvement in customers' satisfaction levels demonstrates Pecca's attention to quality improvement. Moving forward, the Group will continue to serve our customers with the highest standards of quality at all times.

SUSTAINABILITY STATEMENT

CUSTOMER'S SATISFACTION (CONT'D)

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 during EMCO. • Consumer sentiment would remain weak on the back of the economy. 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.	• All Pecca employees have completed full vaccination in FY2022. • Strictly follow SOP – Pecca has developed SOP for all employees to adhere.
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 have announced that chip shortage has affected the production of certain car models.	• OEM customers have started to resource the chips and develop new suppliers to support the supply of chips for production. • Major chip producers have increased their production capacity.
Material Price Fluctuations	• In light of the Covid-19 pandemic, most of the materials such as leather, PVC, foam, etc. have increased tremendously. • Pecca sales has requested price increases for the key customers.	• To study Value Analysis and Value Engineering (VAVE) internally to reduce operation cost. • Negotiate with supplier and resource alternative materials suppliers.

SUSTAINABILITY STATEMENT

CUSTOMER'S SATISFACTION (CONT'D)

As part of our commitment toward 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 special team to study VAVE in terms of materials process etc • price benchmark current or existing models
Delivery	• build at least 3 days of buffer stock • monthly forecast for better materials & production planning.
Service	• weekly visits to customers. • 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.

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 includes the manufacturing of leather and synthetic leather seat covers and face masks. 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, with validity up to 19 May 2025. In this regard, we have recorded 0 incidents of non-compliance with environmental laws and regulations in FY Jun 2022. We strive to continue adhering to these best practices going forward.

SUSTAINABILITY STATEMENT

ENVIRONMENTAL CONSERVATION (CONT'D)

Key Material Matters

(1) Energy Consumption, (2) Water, (3) Effluent and Waste.

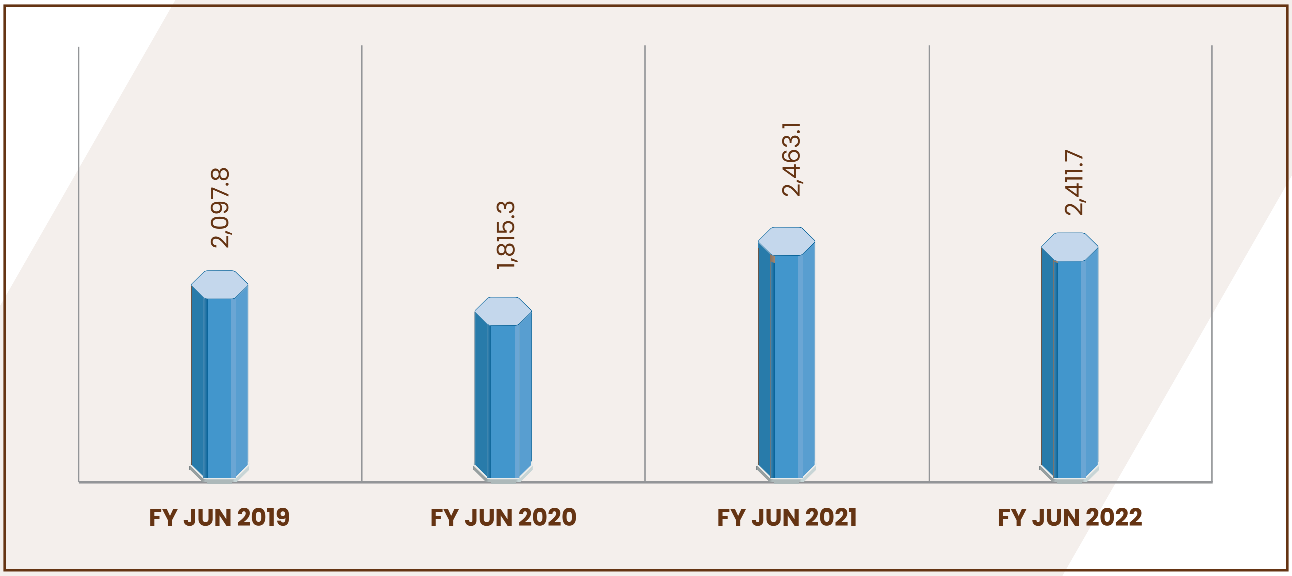
ENERGY CONSUMPTION

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. In line with this global target, 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 reduced by 2.1% to 2,411.7 MWh due to energy savings from our solar project which completed installation in January 2022. The reduced energy consumption was also attributable to the tighter checking criteria on our preventive maintenance.

ELECTRICITY CONSUMPTION (MWh)

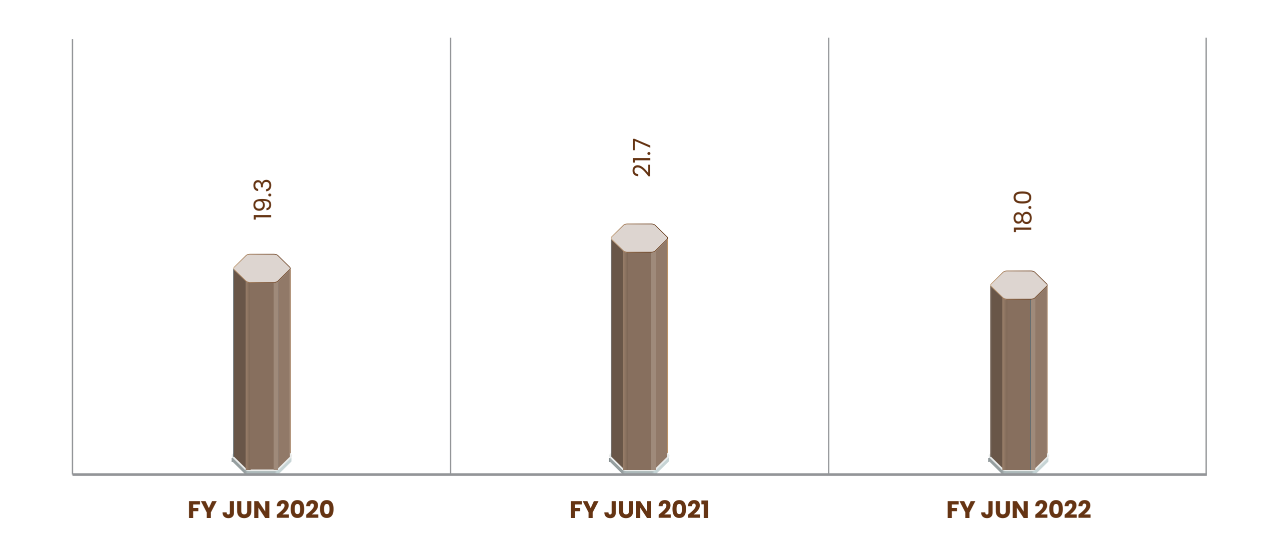


SUSTAINABILITY STATEMENT

ENERGY CONSUMPTION (CONT'D)

In FY Jun 2022, the Group's electricity consumption intensity ratio stood at 18.0 kWh/seat cover delivered, equivalent to 144.14 kWh/m2 of seat cover delivered. Thanks to the energy savings from our completed solar project, the consumption intensity ratio improved by 17.1% y-o-y from 21.7 kWh/seat cover delivered in FY Jun 2021.

ELECTRICITY CONSUMPTION INTENSITY RATIO (kWh/unit of seat cover)



Consistent 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 a 2.1% reduction in FY Jun 2022 due to energy savings from our solar project, as well as tighter checking criteria on our preventive maintenance.

SUSTAINABILITY STATEMENT

ENERGY CONSUMPTION (CONT'D)

SCOPE 2 EMISSIONS (tCO_2)

Pecca has also undertaken an air emissions inspection as per the DOE's requirements on 29 March 2022, under which the results have shown that the Group is in full compliance with the Environmental Quality (Clear Air) Regulation 2014.

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 been replacing our fluorescent lighting fixtures lamps with light-emitting diode ("LED") ones to improve energy efficiency since FY Jun 2021. Current progress of the replacement stood at 60% and Pecca endeavours to continue such replacement going forward.

The Group has completed the installation of a solar photovoltaic ("PV") system on the rooftop of our manufacturing facility. The solar PV system started to generate electricity in January 2022, which helps to meet part of the electricity requirement of our manufacturing facility and generate cost savings for 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. The solar PV system had a total yield of 154.2 MWh and helped to reduce 153.8 tonnes of carbon dioxide in FY Jun 2022.

Lastly, our ongoing energy-saving campaign for the past few years has 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.

SUSTAINABILITY STATEMENT

ENERGY CONSUMPTION (CONT'D)

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

Figure 2: Completed solar PV system on the rooftop of our manufacturing facility

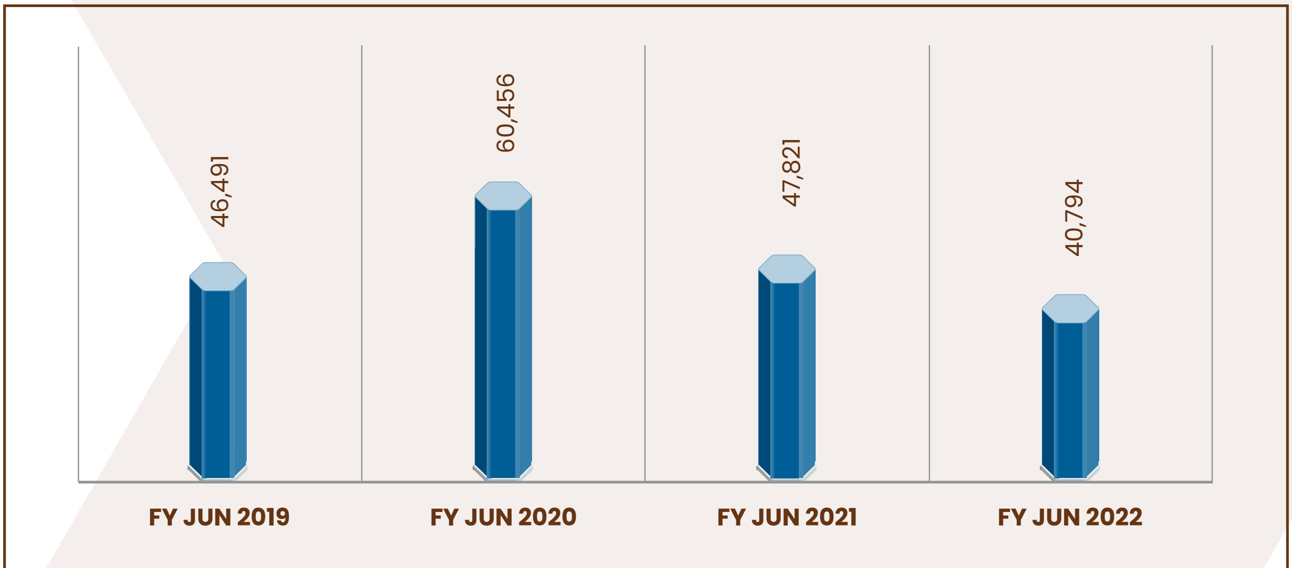
SUSTAINABILITY STATEMENT

WATER

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.

Pecca sources our water from municipal supply, of which none of the areas have water stress. During FY Jun 2022, Pecca's water usage stood at 40,794 m^3, which was 14.7% lower than the previous financial year, thanks to our water-saving initiatives described below.

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 approximately 15% in FY Jun 2022 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 undertaken on 21 October 2021, the discharge levels at Pecca's manufacturing facility are found to be within the regulatory limits for all 31 parameters tested. We have also recorded zero incidents of non-compliance with discharge limits during the financial year.

SUSTAINABILITY STATEMENT

WATER (CONT'D)

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") continued to meet the Standard B benchmark set by the DOE by a significant level in FY Jun 2022.

Parameters	Standard B (DOE Standard)	Pecca's Results
COD (mg/l)	200	48
BOD (mg/l)	50	13
TSS (mg/l)	100	39

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

EFFLUENT AND WASTE

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%.

SUSTAINABILITY STATEMENT

EFFLUENT AND WASTE (CONT'D)

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

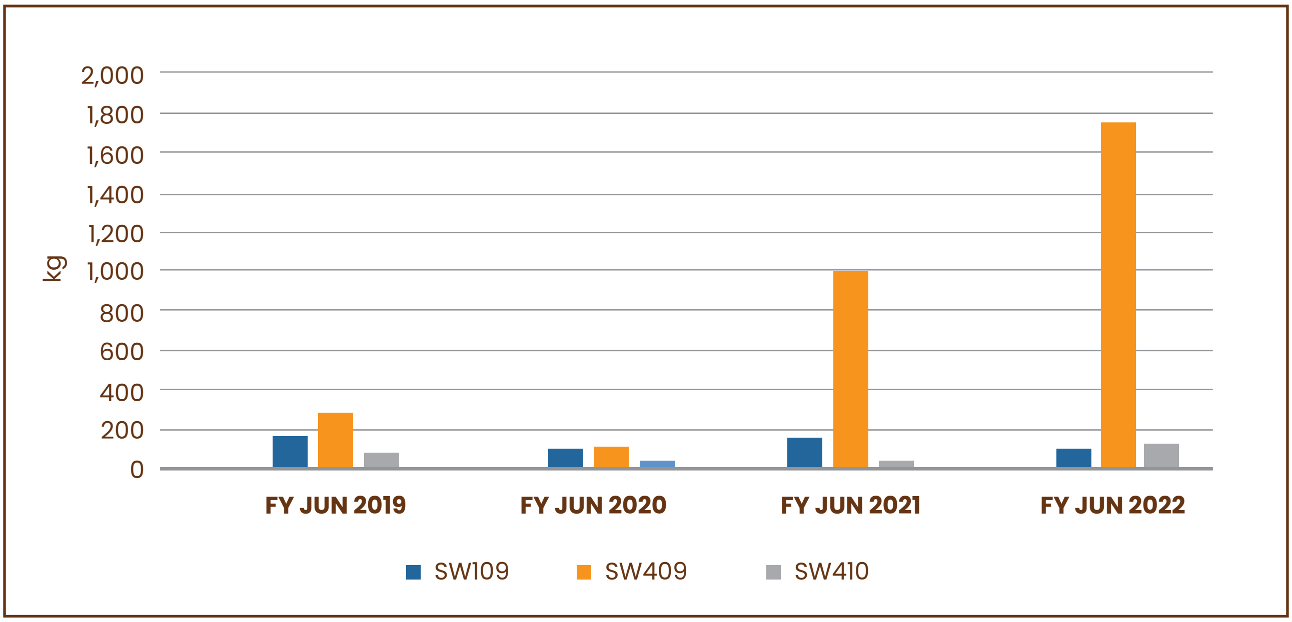
Category	Scheduled waste	Description	Handling process
SW109	Waste containing mercury or its compound	Used fluorescent lamps and bulbs in the production and office premises. We are gradually changing these fixtures to LED ones	We utilise a fluorescent bulb eater which is a device that crushes and stores fluorescent lamps, as well as controls mercury vapour emissions
SW409	Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	Metal drums and 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; sanitisation chemical containers and paint	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

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 weight of SW409 and SW410 directed to disposal continued to be on an uptrend for two consecutive years in FY Jun 2022. The increased production output during the fiscal year resulted in a higher usage of glue (SW409), as well as changing of gloves, rags and cloth (SW410) more frequently.

SUSTAINABILITY STATEMENT

EFFLUENT AND WASTE (CONT'D)

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

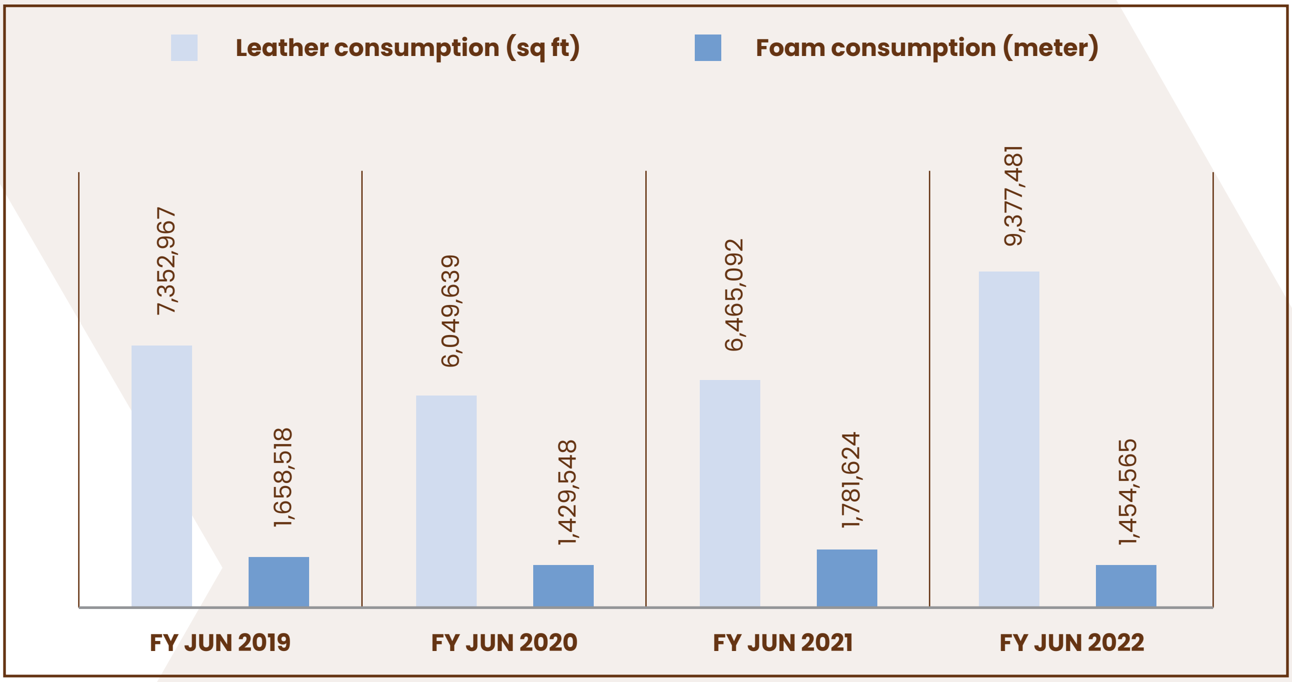
Pecca believes in the proper management of raw materials that are used in our production lines to manufacture our main products. Optimal consumption of raw materials would help minimise wastage of resources and lead to a more sustainable environment for future generations. In this respect, the Group 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.

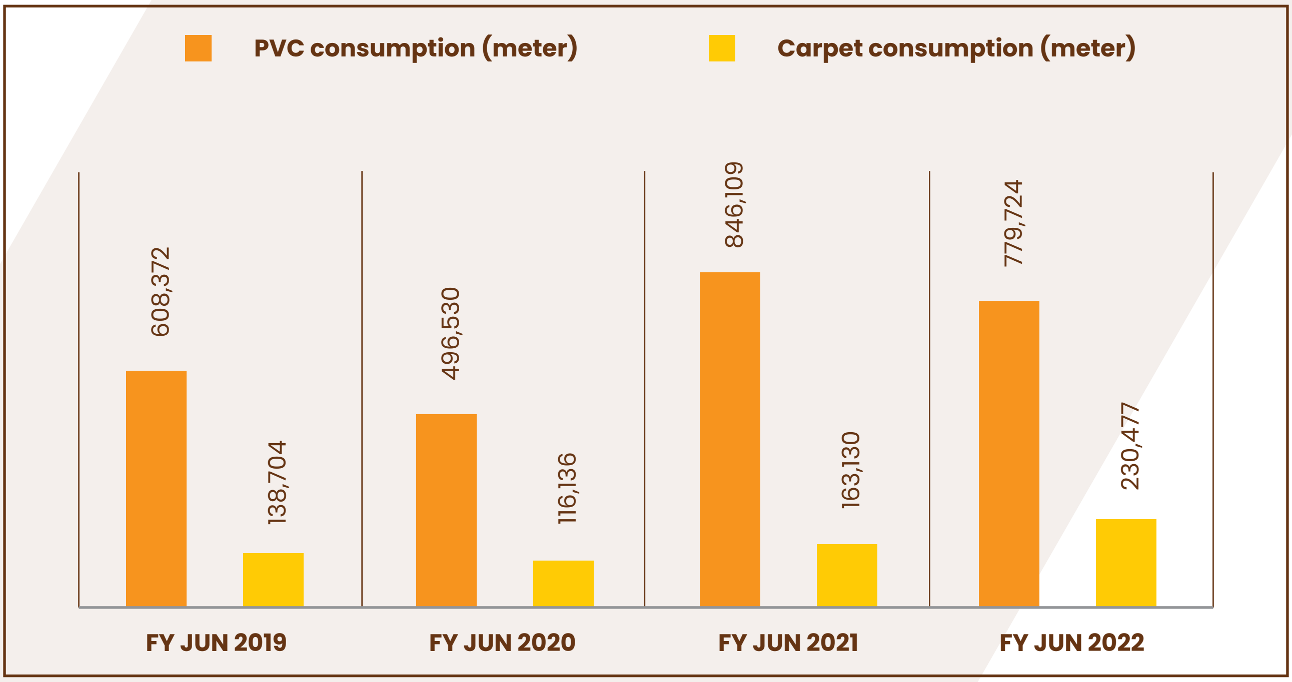
The key non-renewable materials used by Pecca in producing our products are leather, polyvinyl chloride ("PVC"), foam and carpet. In FY Jun 2022, our usage of leather and carpet increased by 45.0% and 41.3%, respectively. Meanwhile, Pecca's usage of PVC and foam reduced by a respective 7.8% and 18.4% during the fiscal year.

SUSTAINABILITY STATEMENT

EFFLUENT AND WASTE (CONT'D)

Materials Management (cont'd)





SUSTAINABILITY STATEMENT

EFFLUENT AND WASTE (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. In FY Jun 2022, Pecca's utilisation of recycled inputs have increased for most categories, save for recycled carton boxes.

Recycled material	FY Jun 2021	FY Jun 2022	Change (%)
Recycled carton box (kg)	196,024	169,780	-13.4
Recycled empty thread cone (kg)	801	833	+4.0
Wooden pallet (pieces)	1,326	1,729	+30.4
Scrap foam (number of trips of a fully loaded lorry)	78	80	+2.6
Scrap metal/steel (kg)	4,860	7,097	+46.0
Scrap plastic (kg)	31,834	49,184	+54.5
Scrap leather (number of trips of a fully loaded lorry)	4	13	+225.0

PEOPLE FIRST

Key Material Matters

(1) Occupational Health and Safety, (2) Training and Education

OCCUPATIONAL HEALTH AND SAFETY

We believe that occupational health and safety is key to establishing a fit environment for all employees, regardless of age, gender and race. Hence, our duty as a group is to ensure that our conducive work environment will be a safe haven for all.

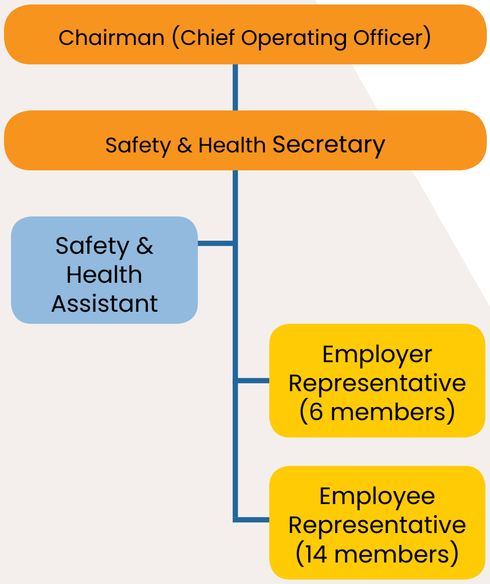
We ensure our working practices are in compliance with the Occupational Safety and Health Act 1994 and the Factories and Machineries Act, 1967. We preserve our standards by establishing our Environmental, Safety and Health (ESH) Policy; along with an Occupational Health & Safety (OHS) Policy and our in-house Department of Environmental, Safety and Health Committee.

SUSTAINABILITY STATEMENT

OCCUPATIONAL HEALTH AND SAFETY (CONT'D)

Environmental, Safety and Health (ESH) Committee

The ESH committee ensures health and safety within our safe haven is maintained by planning, coordinating, and monitoring the ESH Programmes and Environment & Safety Monitoring. Meetings are conducted every quarter to discuss ESH-related matters. Internal workplace inspection audit is also conducted monthly to ensure the safety of our working premises. Furthermore, to increase participation of our workers into our ESH exercises, we have workers' representative in our ESH committees to participate in the development of the ESH Programmes, and we provide two-way communication in our ESH exercises to ensure the policies and guidance are fully understood and complied with by all employees.



Occupational Health & Safety (OHS) Policy

The OHS policy strives to promote untiring efforts for health and safety improvement through the practice of "Safety is Our Priority". The OHS policy covers all Pecca's stakeholders including employees, suppliers, contractors and customers. Under the OHS policy, Pecca aims to:

- Commitment to comply with OHS requirements of all applicable legislation and regulation
- Commitment to prevention of injury and ill health and continual improvement through OHS management and performance
- Promote "zero accident" in either industrial or traffic to mitigate and minimize OHS risks
- Provide sufficient education, training and promotion to all employees on OHS risks through continual improvement on awareness and management skills

OHS Health Services and Initiatives

Employees' health is important to create a productive and positive working environment. Pecca recognises the importance of protecting our people's health and well-being in order to reach their maximum potential. To ensure our effective occupational health functions are widely available to all our staffs, Pecca has provided and implemented the following initiatives/measures in FY22:

- Periodical audiometric surveillance
- Trained & certified first aiders
- Adequate first aid boxes
- Ergonomic assessment by certified assessors
- Noise assessment and monitoring
- Medical surveillance
- Chemical Exposure Monitoring

To promote workers' health, Pecca provides an internal clinic and external panel clinics available to all workers. Workers' personal health-related info are confidential and recorded in workers' personal files. Pecca does not discriminate workers based on their health condition.

SUSTAINABILITY STATEMENT

OCCUPATIONAL HEALTH AND SAFETY (CONT'D)

OHS Awareness and Training

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, which is internally and externally audited. All related workers, activities and workplaces are covered under the ISO-certified management system. We have conducted various trainings amounting to a total of 1,217 training hours, with 99 of our employees involved to increase the health and safety compliance among our workers. The followings are a part of the ESH-related trainings we had conducted in FY2022:

- Safety, Health and Environment Training – For all production departments
- Basic Occupation First Aid, CPR & AED - All ERT members are trained well for the first aid treatment
- ISO 13485:2016 Safety Awareness Training – Maintenance and technician team are trained on identifying hazard and safe handling

Schedule Waste & Disposal Process Training.

First Aid Training.

SUSTAINABILITY STATEMENT

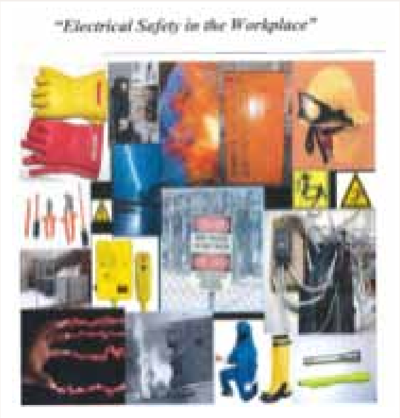
OCCUPATIONAL HEALTH AND SAFETY (CONT'D)

OHS Awareness and Training (cont'd)

Safety Awareness Training

Machine Handling Training for Grant Rollex Department.

Machine Handling Training for Faremask Department



Electrical Safety Awareness

Pecca also oversees OHS impacts arising from our external business relationships. The Group has requested suppliers and contractors that do not have their own OHS management system to abide to Pecca's OHS procedure and guideline stated in the respective purchase requisition and purchase order forms.

Workplace Accident

In FY2022, The Group registered a total of 3 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. The Group has invested an amount of RM 200,000 in order to insure our employees. All local employees of the Group are covered under the Group Term Life Insurance and Personal Accident Insurance to assure 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.

SUSTAINABILITY STATEMENT

OCCUPATIONAL HEALTH AND SAFETY (CONT'D)

Workplace Accident (cont'd)

Work-Related Incident	FY2021	FY2022
Work-related injuries:		
Number of fatalities as a result of work-related injuries	0	0
Number of high-consequence work-related injuries	0	0
Number of recordable (minor) work-related injuries	13	3
Number of close calls	2	2
Incident rate per million hours worked*:		
Rate of fatalities as a result of work-related injuries	0	0
Rate of high-consequence work-related injuries	0	0
Rate of recordable (minor) work-related injuries	10.5	2.2
Work-related ill health:		
Number of fatalities as a result of work-related ill health	0	0
Number of recordable work-related ill health	0	0

* Rates are calculated based on total hours worked of 1,243,008 hours in FY2021 and 1,347,840 hours in FY2022

Below is the summary of incident and action taken in FY2022:

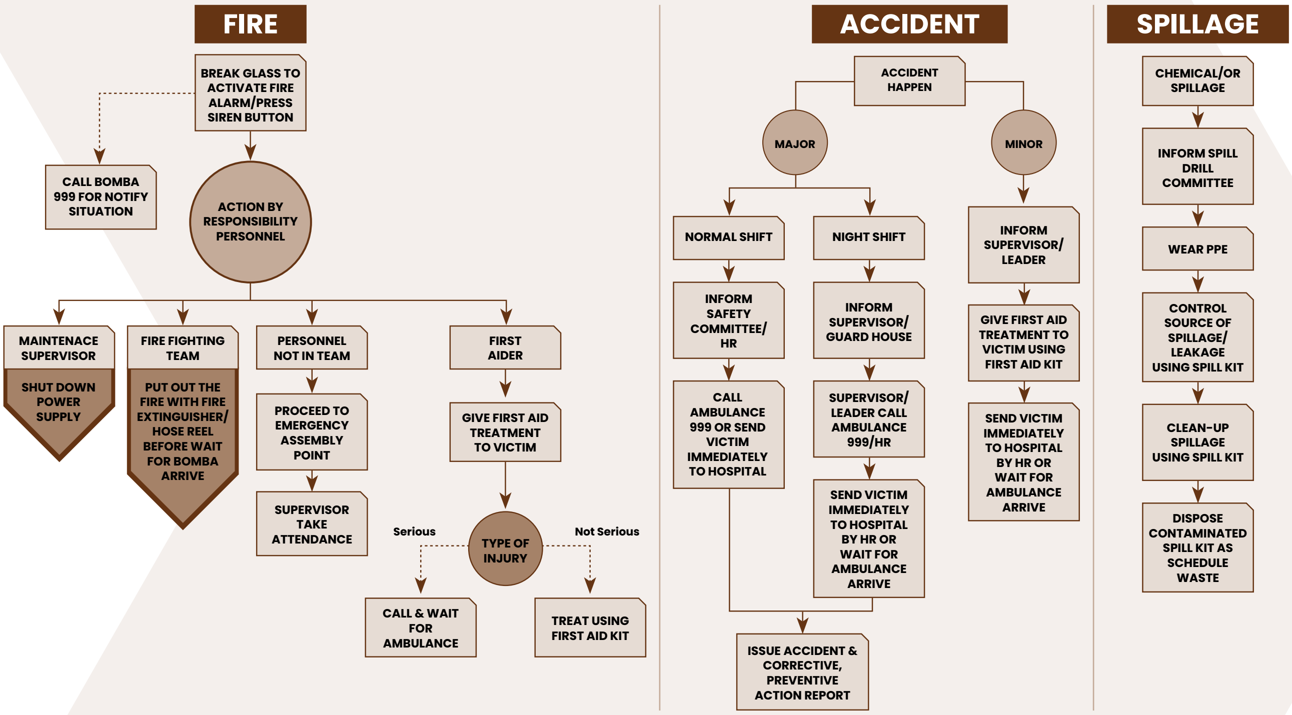
Type of Incident	Root Cause	Corrective Action	Preventive Action
Nasal bone injury	Transfer gate moved too quickly	Reduced air pressure to slow down transfer gate	New workers are trained and monitored
Finger injury	Accidental cut while using knifes	Eliminate the use of blade without knife grip holder	New workers are supervised
Hand skin burn	Electrical shock	Insulated all wires with black electrical tape	Daily inspection of machine before production

SUSTAINABILITY STATEMENT

OCCUPATIONAL HEALTH AND SAFETY (CONT'D)

Workplace Accident (cont'd)

In the event of an emergency, employees are to take action accordingly to the Emergency Response Flow Chart.



OHS Risk Assessment

Hazard identification and risk assessment are important to prevent any unnecessary hazard incidents. Pecca identifies work-related hazards and assess risks in accordance with Guidelines for Hazard Identification and Risk Assessment and Risk Control (HIRARC) 2008, published by Department of Occupational Safety and Health (DOSH) Malaysia. HIRARC review is carried out by trained personnel once a year, led by the safety and health officer. Any registered high risks are responded to and been made as part of OHS management system improvement program for constant improvement.

Work-related hazards or hazardous situations can be reported using the Initial Accident Report Form, or alternatively communicated during the quarterly ESH committee meeting. New hazards identified will be updated in HIRARC and all workers are briefed of the hazards and risk. Hierarchy of control is applied at control measures of a hazard. In the event of work-related incidents, the incident will go through an incident investigation procedure to determine the injury and root cause, as well as to implement the appropriate corrective and preventive measures.

SUSTAINABILITY STATEMENT

OCCUPATIONAL HEALTH AND SAFETY (CONT'D)

Covid-19 Update

As the pandemic enters an endemic phase, our people's health and safety continued to be our priority. To combat 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 creates a proper SOP to set rules and best practices, in compliance with the SOPs set by the Malaysian Government. Pecca's planned SOPs as listed below are enforced on the prevention plan around Pecca premises and is monitored and updated if necessary.

Pecca's Covid-19 Safety SOPs and initiatives taken during FY2022:

- Contractors or their workers are compulsory to self-test at guard house before entering Pecca's premises
- All employees, visitors and customers are required to show MySejahtera status prior entering the premise to screen out high -risk individuals
- Individual with symptoms is not allowed to enter the premises and shall inform HR & supervisor for further advise
- All employees and visitors are required to wear face mask in Pecca's premise
- Employees who are Covid-19 positive are required to report in MySejahtera and self-quarantine according to the Home Quarantine Order issued by MySejahtera

TRAINING AND EDUCATION

In order to ensure our standards and competence sustains, we are committed to enhance the skills of our employees, encouraging and enabling them to unleash their potential. We provide regular trainings to enhance employees' technical abilities and to provide them with career growth opportunities. We've also introduced training in the areas of technology to ensure our employees are fully equipped with the ongoing technological advancement within our environment. As Pecca upholds its quality at the highest standards, employees are given compulsory trainings related to product quality such as ISO 13485: 2019, ISO 9001:2015, IATF 16949:2016, 5 CORE TOOLS AND APQP.

In FY2022, we had provided our employees with various training programmes and workshops as outlined below:

Training Title
Blockchain Certified Associate Developer
PIKAS, National Covid 19 Vaccination Programme
Measurement System Analysis (MSA)
2022 Budget Seminar
Failure Mode & Effects Analysis (FMEA)
Amended to Employee Act 1955
Negotiation & Influencing Skill
Professional In Scheduled Waste

SUSTAINABILITY STATEMENT

TRAINING AND EDUCATION (CONT'D)

Training Hours:

Training Hours	FY2021*	FY2022
Total annual training hours	888	1,217
Average training hours per employee	1.54	2.41

Average training hours by gender:		
Male	1.18	2.25
Female	2.46	2.76

* FY2021's figure has been restated due to a change in calculation methodology

In the financial year under review, our employees were involved in a total of 1,217 hours of training. Among the employees involved in the trainings, 65.7% was attended by male employees, and the remaining 34.3% was attended by our female employees. Most of the training was attended by men as compared to women due to the nature of their work-related tasks. The average training hour achieved in FY 2022 was 2.41 training hours per employee, versus 1.54 training hours per employee in FY2021. This is mainly due to the restrictions we faced from the lockdown implemented in our country. Nonetheless, we managed to conduct online some online training programmes. We do note that some trainings programmes have to be conducted physically in a face-to-face manner to better deliver the training contents to our employees, thus, we have conducted a Training Needs Analysis for FY2022. With the results of the analysis, we will be able to implement such key training programmes that we were unable to carry out in FY2022 for the upcoming FY2023 training calendar. All of our staff undergo annual performance and career development reviews as part of our efforts for organisation-wide continuous improvement efforts, implementing KPIs planning based on indicators such as financial year budget, company's profitability, market / industry benchmarking and bell curve.

Our Workforce and Total Working Hours

Our workforce is among the key drivers for success of the Group and we provide training and education to all levels of employees without any discrimination. In FY2022, Pecca has a total of 506 employees, of which 354 or 70.0% of them are male employees and 152 or 30.0% of them are female employees. Our workforce consists of only permanent employees and 42.7% of our workforce are local.

We are committed in monitoring the total working hours of our employee with regards to our employees' welfare. While we have established a goal to promote zero accidents through our Occupational Health & Safety Policy, in FY2022, our workforce recorded a total of 1,347,840 hours of total working hours.

SUSTAINABILITY STATEMENT

TRAINING AND EDUCATION (CONT'D)

Our Workforce and Total Working Hours (cont'd)

Employees Breakdown:

Employee Category by Gender	FY Jun 2021			FY Jun 2022		
	Female	Male	Total	Female	Male	Total
Non-Executive	116	354	470	103	296	399
Executive	37	27	64	38	26	64
Middle Management	5	23	28	5	25	30
Senior Management	4	10	14	6	7	13
Grand Total	162	414	576	152	354	506
Percentage	28.1%	71.9%	100.0%	30.0%	70.0%	100.0%

Employee Category by Age Group	FY Jun 2021				FY Jun 2022			
	< 30	31-50	> 50	Total	< 30	31-50	> 50	Total
Non-Executive	235	228	7	470	219	176	4	399
Executive	12	43	9	64	16	43	5	64
Middle Management	1	24	3	28	1	27	2	30
Senior Management	2	4	8	14	2	5	6	13
Grand Total	250	299	27	576	238	251	17	506
Percentage	43.4%	51.9%	4.7%	100.0%	47.0%	49.6%	3.4%	100.0%

Employee Category by Nationality	FY Jun 2021			FY Jun 2022		
	Foreigner	Local	Total	Foreigner	Local	Total
Non-Executive	341	129	470	290	109	399
Executive	-	64	64	-	64	64
Middle Management	-	28	28	-	30	30
Senior Management	-	14	14	-	13	13
Grand Total	341	235	576	290	216	506
Percentage	59.2%	40.8%	100.0%	57.3%	42.7%	100.0%

SUSTAINABILITY STATEMENT

TRAINING AND EDUCATION (CONT'D)

Our Workforce and Total Working Hours (cont'd)

In addition to existing employees, we provide opportunities for new hires without any age or gender discrimination to join our company and grow their talents and potential with us.

New Employee Hires:

New Employee Hires Breakdown	FY Jun 2021		FY Jun 2022	
	Foreigner	Local	Foreigner	Local
Total new hires	187	100.0%	166	100.0%
Breakdown by gender:				
Male	121	64.7%	98	59.0%
Female	66	35.3%	68	41.0%
Breakdown by age group:				
<30 years	90	48.1%	94	56.6%
30-50 years	81	43.3%	68	41.0%
>50 years	16	8.6%	4	2.4%

We also closely monitor our employee turnover and provide rewarding incentives for our staff and employees to work together with us long term. In FY2022, the higher turnover was due to foreign workers expatriation as workers reached the maximum limit of Visa renewal, as well as the restructuring of the Group's Medical Division.

Employee turnover:

Employee Turnover Breakdown	FY2021	FY2022
Total employee turnover	136	236

SUSTAINABILITY STATEMENT

TRAINING AND EDUCATION (CONT'D)

Compensation and Benefits

Pecca provides attractive compensation and benefit to reward all employees for their contribution to the group. We adhere to all application regulations regarding wages and benefit as well as the national minimum wage order of RM1,500.

The Group practices fair wages and equal opportunities by compensating fairly for equal skills and responsibility without discrimination. This is important to retain our people as well as to attract future talents. In FY2022, the ratio of the basic salary of women to men is 1:1. Aside from monetary compensation to our staff and employees, we provide additional non-monetary benefits to our staff:

Staff Benefits		
Annual leave	Medical leave	Hospitalization leave
Maternity leave	Paternity leave	Compassionate leave
Exam leave	Emergency disaster leave	Medical coverage (Inpatient and Outpatient)
Group Term Life and Personal Accident Insurances	Dental care	Time-off
Outstation allowances	Travelling allowances	Mileage claim
Carpool vehicles for business purpose	Hostel	Staff purchase program
Educational assistance	Funeral expenses	Skills allowance
Night shift allowance	Attendance allowance	Competency allowance
Line leader allowance and cleanliness competitions awards	Subsidised beverages (vending machine)	In-house clinic


In-house Clinic


Subsidised beverages


Worker's Hostel

SUSTAINABILITY STATEMENT

TRAINING AND EDUCATION (CONT'D)

Parental Leave

In accordance with local laws and regulations, Pecca provides employees parental leaves without discrimination. In FY2022, 3 employees have taken parental leave with a return to work rate of 100%.

Parental Leave	FY2021	FY2022
Number of employees entitled to parental leave:		
Male	49	27
Female	58	39
Total	107	66
Number of employees that took parental leave:		
Male	0	2
Female	4	1
Total	4	3
Number of employees that returned to work after parental leave ended:		
Male	0	2
Female	4	1
Total	4	3
Number of employees that were still employed 12 months after returned to work after parental leave ended:		
Male	-	0
Female	-	4
Total	-	4
Return to work rate of employees that took parental leave:		
Male	-	100.0%
Female	100.0%	100.0%
Total	100.0%	100.0%
Retention rate of employees that were still employed 12 months after returned to worker after parental leave ended:		
Male	-	-
Female	-	100.0%
Total	-	100.0%

SUSTAINABILITY STATEMENT

TRAINING AND EDUCATION (CONT'D)

Human Rights

Human rights are the basic rights where every individual is to be treated with dignity and respect. At Pecca, we aim to create a sustainable and comfortable working environment for our employees. We are committed to protect the basic human rights of all our stakeholders and comply with international and local regulations on protection of rights and interest of all people.

As such, the Group forbids the use of child and forced labour, as well as regularly communicate to our suppliers to adopt the same practice. Additionally, the Group has obtained certification for the Workers' Minimum Standards of Housing and Amenities Act 1990 (Act 446) from JTK.

Pecca has established grievance procedures that are communicated to all employees via the Employee Handbook, and has made available for all employees to report any grievance incident to the Human Resource or Head of Departments.

In FY2022, we recorded zero incidents of human rights and labour standards.

Human Rights	FY2021	FY2022
Number of discrimination incidents	0	0
Number of child labour incidents	0	0
Number of forced or compulsory labour incidents	0	0

Community Engagement

As a responsible corporate citizen, it is important to contribute back and add value to the society to build a sustainable community. Pecca strives to leave a positive impact to our community through our initiatives and corporate social responsibility programmes.

The Group has constantly support local talents and education by providing internship programmes for undergraduates of local colleges and universities. Through our internship programmes, Pecca aims to encourage effective learning and quality training to upskill our youths to become the leaders of the next generation.

Additionally, the Group encourages our stakeholders to practise volunteering culture to give back to our society and develop fulfilment in life. As part of our corporate social responsibility ("CSR") programme, Pecca has organised various CSR events in FY2022, including a blood donation event held on 17th June 2022 and 60 of our employees volunteered to participate in the blood donation for the National Blood Centre, and a gotong-royong activity carried out on 25th June 2022 where our employees come together to clean up the environment and surrounding areas of Pecca's premises to spread awareness on environmental preservation.

SUSTAINABILITY STATEMENT

GRI Content Index

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

GRI-Code	Description	Reference
2 General Disclosures		
The organization and its reporting practices		
2-1	Organizational details	About Pecca Group, Pg 2-3 Corporate Information, Pg 4
2-2	Entities included in the organization's sustainability reporting	Sustainability Statement, Pg 32
2-3	Reporting period, frequency and contact point	Reporting period: 1st July 2021 to 30th June 2022 Frequency: Annual Contact point: ir@peccaleather.com
2-4	Restatements of information	Certain information has been restated to better reflect the standards and requirements.
2-5	External assurance	Non-financial information has not been externally-verified; we will consider doing so moving forward.
Activities and workers		
2-6	Activities, value chain and other business relationships	About Pecca Group, Pg 2-3
2-7	Employees	People First – Training and Education – Our Workforce and Total Working Hours, Pg 65-67
2-8	Workers who are not employees	Pecca does not have any workers who are not employees
Governance		
2-9	Governance structure and composition	Board of directors, Pg 6-13 Senior management, Pg 14-18
2-10	Nomination and selection of the highest governance body	Corporate governance overview statement, Pg 61-77
2-11	Chair of the highest governance body	Board of directors, Pg 6-13
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate governance overview statement – Board Responsibility, Pg 61-77
2-13	Delegation of responsibility for managing impacts	Corporate governance overview statement, Pg 61-77 Sustainability Statement – Sustainability Governance Structure, Pg 34
2-14	Role of the highest governance body in sustainability reporting	Sustainability Statement – Sustainability Governance Structure, Pg 34
2-15	Conflicts of interest	Board of directors, Pg 6-13 Senior management, Pg 14-18 Corporate governance overview statement, Pg 61-77

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI-Code	Description	Reference
2 General Disclosures		
The organization and its reporting practices		
2-16	Communication of critical concerns	Audit and Risk Management Committee Report, Pg 80-84 Statement on Risk Management and Internal Control, Pg 85-89
2-17	Collective knowledge of the highest governance body	Corporate governance overview statement, Pg 61-77
2-18	Evaluation of the performance of the highest governance body	Corporate governance overview statement, Pg 61-77
2-19	Remuneration policies	Corporate governance overview statement, Pg 61-77
2-20	Process to determine remuneration	Corporate governance overview statement, Pg 61-77
2-21	Annual total compensation ratio	Information unavailable. To be applied in future
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	Chairman & Managing Director's Management Discussion & Analysis, Pg 19-31
2-23	Policy commitments	Corporate governance overview statement, Pg 61-77 Corporate Governance, Pg 36-38
2-24	Embedding policy commitments	Corporate governance overview statement, Pg 61-77
2-25	Processes to remediate negative impacts	Statement on Risk Management and Internal Control, Pg 85-89
2-26	Mechanisms for seeking advice and raising concerns	Corporate governance overview statement, Pg 61-77 Corporate Governance, Pg 36-38
2-27	Compliance with laws and regulations	Corporate governance overview statement, Pg 61-77 Corporate Governance - Regulatory Compliance, Pg 36-37
2-28	Membership associations	Not applicable.
Stakeholder engagement		
2-29	Approach to stakeholder engagement	Stakeholder Engagement, Pg 34-36
2-30	Collective bargaining agreements	Information unavailable. To be applied in future

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI-Code	Description	Reference
3 Material Topics		
3-1	Process to determine material topics	Stakeholder Engagement, Pg 34-36
3-2	List of material topics	Stakeholder Engagement, Pg 34-36
3-3	Management of material topics	Stakeholder Engagement, Pg 34-36
201 Economic Performance		
201-1	Direct economic value generated and distributed	Contributing to Economic Growth – Economic Performance – Economic Value Generation and Distribution, Pg 39-40
201-2	Financial implications and other risks and opportunities due to climate change	Contributing to Economic Growth – Economic Performance – Climate Change, Pg 41
201-3	Defined benefit plan obligations and other retirement plans	Contributing to Economic Growth – Economic Performance, Pg 39-41
201-4	Financial assistance received from government	Please refer to our Financial Statements
202 Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Contributing to Economic Growth – Economic Performance – Market Presence, Pg 41
202-2	Proportion of senior management hired from the local community	People First – Training and Education – Our Workforce and Total Working Hours, Pg 65-67
203 Indirect Economic Impact		
203-1	Infrastructure investments and services supported	Contributing to Economic Growth – Economic Performance, Pg 39-41
203-2	Significant indirect economic impacts	Contributing to Economic Growth – Economic Performance, Pg 39-41
204 Procurement Practices		
204-1	Proportion of spending on local suppliers	Contributing to Economic Growth – Procurement and Supply Chain Management, Pg 42-45
205 Anti-corruption		
205-1	Operations assessed for risks related to corruption	Corporate governance overview statement, Pg 61-77 Corporate Governance, Pg 36-38
205-2	Communication and training about anti-corruption policies and procedures	Corporate governance overview statement, Pg 61-77 Corporate Governance, Pg 36-38
205-3	Confirmed incidents of corruption and actions taken	Corporate governance overview statement, Pg 61-77

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI-Code	Description	Reference
206 Anti-competitive Behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In FY2022, there were no legal actions for anti-competitive behavior, anti-trust, and monopoly practices
207 Tax		
207-1	Approach to tax	Contributing to Economic Growth – Economic Performance – Economic Value Generation and Distribution, Pg 39-40
207-2	Tax governance, control, and risk management	Contributing to Economic Growth – Economic Performance – Economic Value Generation and Distribution, Pg 39-40
207-3	Stakeholder engagement and management of concerns related to tax	Contributing to Economic Growth – Economic Performance – Economic Value Generation and Distribution, Pg 39-40
207-4	Country-by-country reporting	Information unavailable. To be applied in future
301 Materials		
301-1	Materials used by weight or volume	Environmental Conservation – Effluent and Waste – Materials Management, Pg 56-58
301-2	Recycled input materials used	Environmental Conservation – Effluent and Waste – Materials Management, Pg 56-58
301-3	Reclaimed products and their packaging materials	Environmental Conservation – Effluent and Waste – Materials Management, Pg 56-58
302 Energy		
302-1	Energy consumption within the organization	Environmental Conservation – Energy Consumption, Pg 49-52
302-2	Energy consumption outside of the organization	Environmental Conservation – Energy Consumption, Pg 49-52
302-3	Energy intensity	Environmental Conservation – Energy Consumption, Pg 49-52
302-4	Reduction of energy consumption	Environmental Conservation – Energy Consumption, Pg 49-52
302-5	Reductions in energy requirements of products and services	Environmental Conservation – Energy Consumption, Pg 49-52

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI-Code	Description	Reference
303 Water and Effluents		
303-1	Interactions with water as a shared resource	Environmental Conservation – Water, Pg 53-54
303-2	Management of water discharge-related impacts	Environmental Conservation – Water, Pg 53-54
303-3	Water withdrawal	Environmental Conservation – Water, Pg 53-54
303-4	Water discharge	Environmental Conservation – Water, Pg 53-54
303-5	Water consumption	Environmental Conservation – Water, Pg 53-54
304 Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable. Pecca does not operate in these areas.
304-2	Significant impacts of activities, products and services on biodiversity	Environmental Conservation, Pg 48-58
304-3	Habitats protected or restored	Not applicable. Pecca does not operate in these areas.
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable. Pecca does not operate in these areas.
305 Emissions		
305-1	Direct (Scope 1) GHG emissions	Environmental Conservation – Energy Consumption, Pg 49-52
305-2	Energy indirect (Scope 2) GHG emissions	Environmental Conservation – Energy Consumption, Pg 49-52
305-3	Other indirect (Scope 3) GHG emissions	Environmental Conservation – Energy Consumption, Pg 49-52
305-4	GHG emissions intensity	Environmental Conservation – Energy Consumption, Pg 49-52
305-5	Reduction of GHG emissions	Environmental Conservation – Energy Consumption, Pg 49-52
305-6	Emissions of ozone-depleting substances (ODS)	Environmental Conservation – Energy Consumption, Pg 49-52
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental Conservation – Energy Consumption, Pg 49-52

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI-Code	Description	Reference
306 Waste		
306-1	Waste generation and significant waste-related impacts	Environmental Conservation – Effluent and Waste, Pg 54-58
306-2	Management of significant waste-related impacts	Environmental Conservation – Effluent and Waste, Pg 54-58
306-3	Waste generated	Environmental Conservation – Effluent and Waste, Pg 54-58
306-4	Waste diverted from disposal	Environmental Conservation – Effluent and Waste, Pg 54-58
306-5	Waste directed to disposal	Environmental Conservation – Effluent and Waste, Pg 54-58
308 Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	Contributing to Economic Growth – Procurement and Supply Chain Management, Pg 42-45
308-2	Negative environmental impacts in the supply chain and actions taken	Contributing to Economic Growth – Procurement and Supply Chain Management, Pg 42-45
401 Employment		
401-1	New employee hires and employee turnover	People First – Training and Education – Our Workforce and Total Working Hours, Pg 65-67
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	People First – Training and Education – Compensation and Benefits, Pg 68
401-3	Parental leave	People First – Training and Education – Parental Leave, Pg 69
402 Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	Information unavailable. To be applied in future
403 Occupational Health and Safety		
403-1	Occupational health and safety management system	People First – Occupational Health and Safety, Pg 58-64
403-2	Hazard identification, risk assessment, and incident investigation	People First – Occupational Health and Safety – OHS Risk Assessment, Pg 63
403-3	Occupational health services	People First – Occupational Health and Safety – OHS Health Services and Initiatives, Pg 59
403-4	Worker participation, consultation, and communication on occupational health and safety	People First – Occupational Health and Safety – Environmental, Safety and Health (ESH) Committee, Pg 59
403-5	Worker training on occupational health and safety	People First – Occupational Health and Safety – OHS Awareness and Training, Pg 60-61

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI-Code	Description	Reference
403 Occupational Health and Safety		
403-6	Promotion of worker health	People First – Occupational Health and Safety, Pg 58-64
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	People First – Occupational Health and Safety – OHS Awareness and Training, Pg 60-61
403-8	Workers covered by an occupational health and safety management system	People First – Occupational Health and Safety – Occupational Health & Safety (OHS) Policy, Pg 59
403-9	Work-related injuries	People First – Occupational Health and Safety – Workplace Accident, Pg 61-63
403-10	Work-related ill health	People First – Occupational Health and Safety – Workplace Accident, Pg 61-63
404 Training and Education		
404-1	Average hours of training per year per employee	People First – Training and Education, Pg 64-65
404-2	Programs for upgrading employee skills and transition assistance programs	People First – Training and Education, Pg 64-65
404-3	Percentage of employees receiving regular performance and career development reviews	People First – Training and Education, Pg 64-65
405 Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	People First – Training and Education – Our Workforce and Total Working Hours, Pg 65-67
405-2	Ratio of basic salary and remuneration of women to men	People First – Training and Education – Compensation and Benefits, Pg 68
406 Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	People First – Training and Education – Human Rights, Pg 70
407 Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	People First – Training and Education – Human Rights, Pg 70
408 Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	People First – Training and Education – Human Rights, Pg 70
409 Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	People First – Training and Education – Human Rights, Pg 70

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI-Code	Description	Reference
410 Security Practices		
410-1	Security personnel trained in human rights policies or procedures	Information unavailable. To be applied in future
411 Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	People First – Training and Education – Human Rights, Pg 70
413 Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	People First – Training and Education – Community Engagement, Pg 70
413-2	Operations with significant actual and potential negative impacts on local communities	In FY2022, we did not identify any operations with significant actual and potential negative impacts on local communities
414 Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	Contributing to Economic Growth – Procurement and Supply Chain Management, Pg 42-45
414-2	Negative social impacts in the supply chain and actions taken	Contributing to Economic Growth – Procurement and Supply Chain Management, Pg 42-45
415 Public Policy		
415-1	Political contributions	Not applicable
416 Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	Information unavailable. To be applied in future
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	In FY2022, there were no incidents of non-compliance concerning the health and safety impacts of products and services
417: Marketing and Labeling		
417-1	Requirements for product and service information and labeling	Information unavailable. To be applied in future
417-2	Incidents of non-compliance concerning product and service information and labeling	In FY2022, there were no incidents of non-compliance concerning product and service information and labeling
417-3	Incidents of non-compliance concerning marketing communications	In FY2022, there were no incidents of non-compliance concerning marketing communications
418 Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	In FY2022, there were no complaints concerning breaches of customer privacy and losses of customer data

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 2022. 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 (4th edition) issued by Bursa Malaysia Securities Berhad ("Bursa Securities").

Detailed application of each practice of the MCCG during the financial year ended 30 June 2022 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 the 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 the 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 Committees 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 Committees through reports made by the Chairman or representative of each Board Committees and the tabling of Board Committees Minutes of the applicable period for notation by the Board. The ultimate responsibility for decision-making, however, lies with the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 a 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 of 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 Committees members at least five (5) business days before the meetings to enable them to receive the information in a timely manner.

4. Access to 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 before 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 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 before 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' suggestions 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 primary induction literature that guides newly appointed and existing Board members on the 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 in October 2022.

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 Code of Ethics of Directors 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 is available on 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 a zero-tolerance approach toward 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. The Board had in October 2021, reviewed and approved the revised Whistleblowing Policy. The Whistleblowing Policy is available on the Company's website at www.peccaleather.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

I. Board Responsibilities (Cont'd)

8. Anti-Bribery and Anti-Corruption Policy

The Company has adopted an Anti-Bribery and Anti-Corruption Policy ("ABAC Policy"), which is made available on 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 of Directors. The ABAC Policy serves as a guideline on how to deal with Bribery and Corruption which may arise in the course of business.

9. Directors' Fit and Proper Policy

The Company has adopted a Directors' Fit and Proper Policy to ensure a formal and transparent process for the appointment and re-election of Directors and the appointment of Key Senior Management of the Company. The execution is delegated to the Nomination Committee, which will be reviewed and approved by the Board. The Board reviews the Fit and Proper Policy periodically, which is available on the Company's website at www.peccaleather.com.

II. Board Composition

1. Board Composition and Balance

The Board is well balanced, comprising experienced businessmen and qualified professionals of diverse ages 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.

As at 30 June 2022, the Board has Seven (7) members, comprising three (3) Independent Non-Executive Directors, three (3) Executive Directors and one (1) Group Managing Director. This complies with Paragraph 15.02 of the MMLR which requires at least two (2) or one-third (1/3) of the Board of the Company, whichever is higher, are Independent Directors.

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

The Nomination Committee reviewed the Board and Board Committees composition in FY2022 on an annual basis. The composition of the Board comprises an appropriate balance of representation from relevant key areas that supports the sustainability efforts in the business taking into consideration the complexity and nature of the Group's businesses.

2. Board Independence

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

Pursuant to Practice 5.3 of the MCCG, the tenure of an Independent Director does not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director.

However, the retention of Independent Directors after serving a cumulative term of nine (9) years shall be subject to annual shareholders' approval in line with the best practice of the MCCG. The tenure of an Independent Director shall not exceed a cumulative term of twelve (12) years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

II. Board Composition (Cont'd)

2. Board Independence (Cont'd)

As to-date, the tenure of all Independent Directors is less than nine (9) years of service. The Board is of the view that the independence of the Independent Directors should not be determined solely or arbitrarily by their tenure of service. The Board believes that continued contribution will provide stability and benefits to the Board and the Company as a whole, especially their invaluable knowledge of the Group and its operations gained through the years. The calibre, qualification, experience and personal qualities, particularly of the Director's integrity and objectivity in discharging his/her responsibilities in the best interest of the Company should be the predominant factors to determine the ability of a Director to serve effectively as an Independent Director.

The Board is also confident that the Independent Directors themselves, after having provided all the relevant confirmations on their independence, will be able to determine if they can continue to bring independent and objective judgement during Board deliberations and decision making.

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 the 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 perspectives 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 Resources 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.

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 for 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, the management or major shareholders.

In compliance with the MMLR, the Company has in place a Fit and Proper Policy, which sets out the selection criteria for the appointment and/or re-election of Directors and appointment of Key Senior Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

II. Board Composition (Cont'd)

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 Twelfth AGM:-

(a) Datuk Teoh Hwa Cheng (Clause 97)
(b) Datin Sam Yin Thing (Clause 97)

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 the re-election of Datuk Teoh Hwa Cheng and Datin Sam Yin Thing. The Board is satisfied with the skills and contributions of these retiring Directors and recommends their re-election as Directors of the Company which is to be tabled at the forthcoming AGM.

6. Directors' Commitment

The Board meets on a quarterly basis with additional meetings convened where necessary to deal with urgent and important matters that require the attention of the Board. All pertinent issues discussed at the Board meetings in arriving at 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 nine (9) times during the financial year under review. The details of the Directors' attendance at the Board and Board Committees meetings during the financial year under review are set out below:-

Name	Board	ARMC	NC	RC
Dato' Mohamed Suffian Bin Awang *Independent Non-Executive Chairman*	9/9	6/6	2/2	–
Datuk Teoh Hwa Cheng *Group Managing Director*	9/9	–	–	2/2
Datin Sam Yin Thing *Executive Director*	9/9	–	–	–
Teoh Zi Yi *Executive Director*	9/9	–	–	–
Teoh Zi Yuen *Executive Director*	9/9	–	–	–
Datuk Leong Kam Weng *Independent Non-Executive Director*	9/9	6/6	2/2	2/2
Dato' Dr. Norhizan Bin Ismail [(a)] *Independent Non-Executive Director*	7/7	4/4	1/1	1/1
Chew Kian Seng [(b)] *Executive Director*	1/1	–	–	–
Leong Chee Tong [(c)] *Independent Non-Executive Director*	2/2	2/2	1/1	1/1

Remarks:
(a) Appointed on 17 September 2021
(b) Resigned on 20 August 2021
(c) Retired on 17 September 2021

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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. The Directors will continue to identify and attend other training courses to equip themselves effectively to discharge their duties as Directors continuously.

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

Directors	Name of Seminar and Training Programmes	Organised by	Event Date
Dato' Mohamed Suffian Bin Awang	• 2021 National Conference Internal Audit Vigarous and Versatile - Audit Committee Tracks Session	The Institute of Internal Auditors Malaysia	28 September 2021
	• Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes • Corporate Governance Guide (4th edition)	Boardroom Corporate Services Sdn Bhd	25 February 2022
Datuk Teoh Hwa Cheng	• Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes • Corporate Governance Guide (4th edition)	Boardroom Corporate Services Sdn Bhd	25 February 2022
Datin Sam Yin Thing	• Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes • Corporate Governance Guide (4th edition)	Boardroom Corporate Services Sdn Bhd	25 February 2022
Teoh Zi Yi	• Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes • Corporate Governance Guide (4th edition)	Boardroom Corporate Services Sdn Bhd	25 February 2022
Teoh Zi Yuen	• Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes • Corporate Governance Guide (4th edition)	Boardroom Corporate Services Sdn Bhd	25 February 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

II. Board Composition (Cont'd)

7. Directors' Training (Cont'd)

Directors	Name of Seminar and Training Programmes	Organised by	Event Date
Datuk Leong Kam Weng	• Dialogue on Risk Management in Technology	Bank Negara Malaysia and FIDE Forum	8 July 2021
	• How to deal successfully with cultural differences in transaction negotiations (participated as panel speaker)	World Link For Law	22 July 2021
	• Market Outlook – Malaysia and Regional	Affin Hwang Asset Management Bhd & Tokio Marine Life Insurance Bhd	1 November 2021
	• Malaysia Budget 2022	EY Malaysia	12 November 2021
	• Dialogue on Capital Market Plan 3	Securities Commission and FIDE Forum	16 November 2021
	• KPMG Asia Pacific Board Leadership & Assurance Summit 2021	KPMG Asia Pacific	16-18 November 2021
	• Audit Oversight Board Conversation with Audit Committees	Audit Oversight Board	29 November 2021
	• Budget 2022 & Latest Tax Developments	PCCO Group	8 December 2021
	• Climate Change Risk	Tokio Marine Life Insurance Malaysia Berhad	21 January 2022
	• Web 3.0 and the future of finance	Bank Negara Malaysia and FIDE Forum	27 January 2022
	• Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes • Corporate Governance Guide (4th edition)	Boardroom Corporate Services Sdn Bhd	25 February 2022
	• Asia Pacific Board Leadership Centre webinar - 2022 Board and Audit Committee Priorities	KPMG Asia Pacific	31 May 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

II. Board Composition (Cont'd)

7. Directors' Training (Cont'd)

Directors	Name of Seminar and Training Programmes	Organised by	Event Date
Dato' Dr. Norhizan Bin Ismail	• Mandatory Accreditation Program MAP for Directors of Public Listed Companies	Asia School of Business (Iclif Executive Education Centre)	1 – 3 November 2021
	• Webinar Benchmarking your Board Committees and Individual Directors	Learnabee International Sdn. Bhd.	1 December 2021
	• Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes • Corporate Governance Guide (4th edition)	Boardroom Corporate Services Sdn Bhd	25 February 2022
	• 10th Malaysian Conference on Healthy Ageing	Malaysian Healthy Ageing Society (MHAS)	15 – 17 March 2022

The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time and update the Board on the same at the 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.

The Board had on October 2022, reviewed and approved the revised Terms of Reference of the ARMC. A copy of the revised Terms of Reference of the ARMC is available for viewing at the Company's website at www.peccaleather.com.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

II. Board Composition (Cont'd)

8. Board Committees

(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 Chairman

Datuk Leong Kam Weng (Member)
Independent Non-Executive 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

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 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 Board had on October 2022, reviewed and approved the revised Terms of Reference of the NC. A copy of the revised Terms of Reference of the NC, which is published and available for viewing at the Company's website at www.peccaleather.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

II. Board Composition (Cont'd)

8. Board Committees (Cont'd)

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

<u>Summary of Works</u>

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 11th AGM of the Company held on 26 November 2021.
(vii) Assessed and recommended to the Board for the appointment of Dato' Dr. Norhizan Bin Ismail as Independent Non-Executive Director of the Company.
(viii) Recommended the appointment and changes of Board Committees members for the Board's approval.
(ix) Assessed and recommended to the Board for the re-designation of Head of Finance to Chief Financial Officer of the Company.
(x) Assessed and recommended to the Board for the appointment of Chief Executive Officer of the Company.
(xi) Reviewed and recommended to the Board to approve the Directors' Fit and Proper Policy.

(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

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 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 on the 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.
(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 Board had on October 2022, reviewed and approved the revised Terms of Reference of the RC. A copy of the revised 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:-

(i) Reviewed the Directors' Fees and benefits payable to the Directors of the Company and its subsidiaries from the 11th AGM until the conclusion of the next AGM and recommended the same to the Board of Directors for approval.
(ii) Reviewed the Directors' Fees and benefits payable to the new appointed Independent Director of the Company from the appointment date until the conclusion of the next AGM and recommended the same to the Board of Directors for approval.
(iii) Reviewed the remuneration package of the Executive Directors and Key Management of the Company and its subsidiaries and recommended the same to the Board for approval.
(iv) Reviewed the remuneration package of the new appointed Chief Financial Officer and recommended the same to the Board of Directors for approval.
(v) Reviewed the remuneration package of the new appointed Chief Executive Officer and recommended the same to the Board of Directors for approval.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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, the contribution and performance of each director and the performance of ARMC 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 is 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 for 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 an 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, Chief Executive Officer 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 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

III. Remuneration (Cont'd)

Details of Directors' remuneration for the financial year ended 30 June 2022 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 8.1 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 MCCG has stipulated that the Company should disclose on a named basis of 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 of 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.

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. Based on the recommendation of MCCG, the AC requires a former key audit partner to observe a cooling-off period of at least three (3) 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

I. ARMC (Cont'd)

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 MMLR 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 on 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 2022 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 Crowe Malaysia PLT, the External Auditors of the Company have confirmed to the ARMC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

The ARMC is satisfied with the suitability and independence of Messrs Crowe Malaysia 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 2022.

For the financial year ended 30 June 2022, fees paid to the external auditors, Messrs Crowe Malaysia 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 - Messrs Crowe Malaysia PLT	45,000	153,000
Non-Audit: - Messrs Crowe Malaysia PLT - Local affiliates of Messrs Crowe Malaysia PLT	 5,000 24,000	 5,000 42,000
Total	74,000	200,000

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

II. Risk Management and Internal Control Framework

1. Risk Management and Internal Controls

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

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

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

2. Internal Audit Function

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

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

Name	:	Chong Chee Seng
Qualification	:	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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

I. Communication with Stakeholders

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

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

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

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

II. Conduct of General Meetings

As part of the safety measures to curb the spread of Covid-19, the 11th AGM of the Company was conducted on a fully virtual basis through live streaming and online remote voting by using Remote and Participation and Electronic Voting Facilities ("RPEV"), 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 RPEV facilities to the shareholders. The same was also uploaded to the Company's corporate website.

With the RPEV 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 Boardroom Smart Investor Portal before the closing date set out in the Administrative Guide. If a member is unable to attend the 11th AGM, he/she may appoint a proxy or the Chairman of the meeting as his/her proxy to attend the AGM via RPEV 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 21 October 2022.

ADDITIONAL COMPLIANCE INFORMATION

1. **Utilisation of Proceeds raised from Corporate Proposal**

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

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 proceeds for working capital and extend the frame to another 24 months from 19 April 2020 to 19 April 2022. In view of the Covid-19 pandemic, Movement Control Order enforced by the Government in March 2020 and the endemic which was announced in April 2022, the Board has approved to further extended the timeframe for utilisation of the proceeds for working capital for another 24 months from 19 April 2022 to 19 April 2024.

The status of the utilisation of the gross proceeds as at 30 June 2022 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 storey of 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 major 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 2022.

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 the public. The details of the Recurring Related Party Transactions ("RRPT") for the financial year ended 30 June 2022 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	Management service	490,000
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	200,000
			Supply of PPE products	16,388,000
			Purchase of PPE products	116,000
			Management service	480,000

The Company intends to seek the approval of its shareholders for the proposed shareholders' mandate to enter into RRPT at the forthcoming 12th Annual General Meeting of the Company. A circular to the shareholders containing the details of the proposal is made available on the Company's website.

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 23 August 2019.

5. Audit and Non-Audit Fees

	Company (RM)	Group (RM)
Audit services rendered	45,000	155,000
Non-audit services renders	29,000	48,000

During the financial year, the amount incurred in respect of non-audit fees amounted to RM63,000 comprised of professional fees in relation to statutory tax compliance advisory services and Statement of Risk Management and Internal Control review.

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 ("ARMC") Report for the financial year ended 30 June 2022 ("FY2022").

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 ("MMLR") 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 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

* *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 FY2022, six (6) ARMC meetings were held and the details of attendance of the meetings are as follows:

Name	Total Meeting Attended	Percentage
Datuk Leong Kam Weng	6/6	100%
Dato' Mohamed Suffian Bin Awang	6/6	100%
Dato' Dr. Norhizan Bin Ismail *	4/4	100%
Leong Chee Tong **	2/2	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

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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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 2022 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 2021), Second Quarter (ended 31 December 2021), Third Quarter (ended 31 March 2022), and Fourth Quarter (ended 30 June 2022) 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 MMLR.

b. Reviewed the Company and the Group's annual audited financial statements for the financial year ended 30 June 2022 together with the External Auditor, Messrs. Crowe Malaysia PLT, before recommending to the Board's approval. The ARMC has obtained assurance from the External Auditor that the financial statements give a true and fair view of the financial position and financial performance of the Group and of the Company for the financial year ended 30 June 2022 in accordance with the relevant financial reporting standards.

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. 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 2022, including the scope of work, anticipated key audit matters, reporting timelines, and the External Auditor's fees. The ARMC obtained written confirmation from the External Auditor that its engagement 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 2022, including any audit or accounting issues raised. The ARMC also obtained a written confirmation from the External Auditor that its engagement 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 cause of 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 "Evaluation of the performance and independence of the External Auditor" and upon review and being satisfied with the results of the said assessment, the same was recommended to the Board for approval.

f. Reviewed and recommended to the Board for approval on the proposed appointment of Messrs. Crowe Malaysia PLT as the External Auditors of the Company in place of the retired External Auditors, Messrs. KPMG PLT and authorised the Board to fix their remuneration.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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 2022 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 MMLR.

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 and assisted by Chief Financial Officer, 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, Chief Executive Officer and Chief Financial Officer.

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 FY2022.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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 2022 were as follows:- (Cont'd)

vi. Ethical and Integrity Areas

The ARMC did not receive any report under the Group's Whistle Blowing Policy, which the ARMC would take very seriously in its implementation and protection of its confidentiality as set out in the aforesaid policy.

vii. Others

a. Reviewed and recommended for the Board's approval, the Proposed Acquisition of 204,000 Ordinary Shares in Rentas Health Sdn. Bhd. and Proposed Diversification.

b. Reviewed and recommended for the Board's approval, the revised Whistleblowing Policy and Related Party Transaction Policy.

c. Reviewed and recommended for the Board's approval, the Corporate Governance Overview Statement, Corporate Governance Report, ARMC Report, Management Discussion and Analysis and Statement on Risk Management and Internal Control for the inclusion in annual report.

d. Reviewed and recommended for the Board's approval, the Circular to Shareholders in relation to the proposed renewal of authority for the Company to purchase its own ordinary share.

e. Reviewed the actual results for the financial year ended 30 June 2022, and compared it to the budgeted for financial year ended 30 June 2022.

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 FY2022 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:

- Revenue to Receivables;
- Costing; and
- Warehouse.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

4. SUMMARY OF THE ACTIVITIES OF INTERNAL AUDIT FUNCTIONS (CONT'D)

The summary of activities carried out by the Internal Auditor for FY2022 as follows: (Cont'd)

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

- Related Party Transactions ("RPT") Review;
- Production and Quality Control;
- Revenue to Receivables; and
- Costing.

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 for 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 2022 amounted to RM42,000.00.

This Report is dated 21 October 2022.

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") and the Malaysian Code on Corporate Governance 2021 ("MCCG"). This Statement outlines the nature and scope of Pecca and its subsidiaries ("Pecca Group" or the "Group") 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 2022 ("FY2022") 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 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 31000:2018. The risk management framework is applied across the Group, including the following key functions or operating units:

Sales and Marketing	**Finance, Costing and IT**	**Human Resources and Admin**
	PECCA GROUP BERHAD	
Operations	**R&D and Stylelab**	**Purchasing**

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 to enable minimal disruption to manufacturing activities and product shipments while keeping everyone safe.

- 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.

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, Purchasing, 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL SYSTEM (CONT'D)

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

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, ISO45001:2018 and ISO13485:2016 certifications. As such, the company is subjected to annual surveillance audits by certification bodies, Kiwa International Certification (M) Sdn. Bhd, a business partner of Kiwa Cermet Italy 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 2022, three (3) 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 pages 100 to 102 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 2022.

8. Strategic business planning processes

Appropriate business plans are established in which the Group's business objectives, strategies, and targets are articulated. Business planning and budgeting are undertaken annually to establish plans and targets against which performance is monitored on an ongoing basis.

9. Performance monitoring and reporting

The Management team led by the CEO, CFO and heads of respective business units (the "Management") monitors and reviews financial and operational results of the Group regularly, including reporting of performance against the operating plans and targets. The Management team formulates and implements action plans to address the identified areas of concern.

In addition, there is also weekly Management Meeting, bi-weekly credit control meeting, monthly Group Management meetings, weekly operation meetings, weekly sales meetings and the yearly presentation to the Board for the Environmental, Social, and Governance report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 2022, 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 21 October 2022.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENT

The Directors of the Group and 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 2022 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; and
- Prepared the audited financial statements on a going concern basis.

The Directors are also responsible in ensuring that the Group and the Company keep 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 the Company to prevent and detect fraud and other irregularities.

The Board is satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 30 June 2022.

FINANCIAL STATEMENT

DIRECTORS' REPORT

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 2022.

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 have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year attributable to:-		
Owners of the Company	22,852	16,223
Non-controlling interests	(11)	–
	22,841	16,223

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company declared the following dividends for the financial year ended 30 June 2022:-

(a) On 18 October 2021, a total of 4,473,844 treasury shares with a carrying value of RM4,936,774 were distributed as share dividend to shareholders on the basis of one(1) treasury share for every 41 ordinary shares held on 20 October 2021. The share dividend has been credited into the entitled shareholders' securities account maintained with Bursa Malaysia Depository on 8 November 2021.

(b) On 25 July 2022, the Company declared a single-tier interim dividend of 1.40 sen per ordinary share amounting to RM10,525,000 and was paid on 16 August 2022 based on the total number of issued shares of the Company at 30 June 2022.

The directors do not recommend any final dividend to be paid for the financial year ended 30 June 2022.

DIRECTORS' REPORT

ISSUE OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company issued bonus shares on the basis of three(3) bonus shares for every one(1) existing share held. This has resulted in the number of issued and paid up ordinary share capital of the Company to increase by 564,000,000 from 188,000,000 to 752,000,000; and

(b) there were no debentures issued during the financial year.

TREASURY SHARES

During the financial year, the Company declared and distributed as share dividend a total of 4,473,844 of the treasury shares with the carrying value of RM4,936,774.

As at 30 June 2022, the Company held as treasury shares a total of 216,868 of its issued fully paid up ordinary shares. The treasury shares are held at a carrying value of RM60,173. The details of the treasury shares are disclosed in Note 12 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS OF THE COMPANY

The names of directors who served during the financial year and up to the date of this report are as follows:

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
Phichai Witjitwarochai

DIRECTORS' REPORT

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 1.7.2021	**Share Dividend**	**Bought**	**Sold**	**Bonus Issues**	**At 30.6.2022**
The Company						
Direct Interests						
Datuk Teoh Hwa Cheng	10,946,781	145,043	–	(5,000,000)	18,275,472	24,367,296
Dato' Mohamed Suffian Bin Awang	106,250	2,591	–	–	326,523	435,364
Datuk Leong Kam Weng	106,250	2,591	–	–	326,523	435,364
Datin Sam Yin Thing	4,356,252	256,417	8,154,900	–	38,302,707	51,070,276
Teoh Zi Yi	315,562	7,696	–	–	969,774	1,293,032
*Indirect Interests**						
Datuk Teoh Hwa Cheng	91,048,196	2,220,687	–	–	279,806,649	373,075,532
Datin Sam Yin Thing	91,048,196	2,220,687	–	–	279,806,649	373,075,532

* The indirect interests are held by virtue of their direct substantial shareholdings in MRZ Leather Holdings Sdn. Bhd..

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.

None of the other directors holding office at 30 June 2022 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 has received or become entitled to receive any benefit (other than Directors' Remuneration as disclosed in the "Directors' Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests, as disclosed in Note 28 to the financial statements.

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

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are as follows:-

	Group RM'000	Company RM'000
Fees	372	252
Salaries, bonuses and other benefits	1,805	49
Defined contribution benefits	191	–
	2,368	301

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 has been made for doubtful debts, and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

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

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

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

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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)

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 2022 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.

SIGNIFICANT EVENT OCCURING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 29 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration of the Group and of the Company for the financial year ended 30 June 2022 are as follows:-

	Group RM'000	Company RM'000
Audit fees	155	45
Non-audit fees	5	5
	160	50

Signed in accordance with a resolution of the directors dated 21 October 2022

Datuk Teoh Hwa Cheng

Datin Sam Yin Thing

STATEMENT BY DIRECTORS

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

We, **Datuk Teoh Hwa Cheng** and **Datin Sam Yin Thing**, being two of the directors of **Pecca Group Berhad**, state that, in the opinion of the directors, the financial statements set out on pages 120 to 177 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 2022 and their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 21 October 2022

Datuk Teoh Hwa Cheng

Datin Sam Yin Thing

STATUTORY DECLARATION

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

I, **Yeo Bee Hwan** (MIA Membership Number:13236), being the officer primarily responsible for the financial management of **Pecca Group Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 120 to 177 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 abovementioned
Yeo Bee Hwan,
at Kuala Lumpur
in the Federal Territory
on this 21 October 2022

Yeo Bee Hwan

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 2022 of the Group and the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 120 to 177.

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 2022, and their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

BASIS FOR OPINION

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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.

OTHER MATTERS

The financial statements of the Group and of the Company for the preceding financial year were audited by another firm of auditors whose report dated 25 October 2021, expressed an unmodified opinion on those statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PECCA GROUP BERHAD

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 financial 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 Note 7 to the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
The Group has significant inventories balance as at 30 June 2022 of RM28,983,000. There is judgement involved in assessing the level of allowance required for slow moving and obsolete inventories. Accordingly, there is a risk that allowance for slow moving and obsolete inventories have not been adequately provided for.	Our audit procedures included, amongst others:- • We have obtained an understanding of the process on allowance for slow moving and obsolete inventories and the design and control effectivenesss over slow-moving inventories; • We have observed the physical inventory count including the sighting the conditions of the inventories; • We have compared the carrying amount of the inventories to their corresponding net realisable values; • We have reviewed the slow moving inventories by taking into consideration the ageing profile of the inventories and enquired management plan to realise the slow moving inventories; and • We have also assessed the adequacy of the allowance for slow moving and obsolete inventories.

We have determined that there are no key audit matters in the audit of the separate financial statement 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 in 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PECCA GROUP BERHAD

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

AUDITORS' 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 Group's and the Company's internal control.

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PECCA GROUP BERHAD

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 financial 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 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 subsidiary of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

OTHER MATTERS

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.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Ooi Song Wan
02901/10/2024 J
Chartered Accountant

Kuala Lumpur

21 October 2022

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Assets					
Property, plant and equipment	3	38,013	39,454	–	–
Right-of-use assets	4	20,036	11,723	–	–
Investments in subsidiaries	5	–	–	103,850	76,350
Other investments	6	418	418	–	–
Total non-current assets		58,467	51,595	103,850	76,350
Inventories	7	28,983	28,358	–	–
Trade and other receivables	8	46,544	30,976	15,317	12
Contract assets	9	337	–	–	–
Prepayments	10	3,287	5,129	10	10
Current tax assets		–	1,165	29	29
Cash and cash equivalents	11	86,808	78,132	27,661	54,332
Total current assets		165,959	143,760	43,017	54,383
Total assets		224,426	195,355	146,867	130,733
Equity					
Share capital	12	135,702	135,702	135,702	135,702
Reserves		54,163	31,304	10,956	(5,267)
Total equity attributable to owners of the Company		189,865	167,006	146,658	130,435
Non-controlling interests		(72)	(69)	–	–
Total equity		189,793	166,937	146,658	130,435
Liabilities					
Deferred tax liabilities	13	5,995	5,969	–	–
Lease liabilities	14	49	119	–	–
Borrowings	15	5,670	–	–	–
Total non-current liabilities		11,714	6,088	–	–
Trade and other payables	16	19,383	22,055	209	298
Current tax liability		2	–	–	–
Lease liabilities	14	320	206	–	–
Borrowings	15	3,214	–	–	–
Contract liability	17	–	69	–	–
Total current liabilities		22,919	22,330	209	298
Total liabilities		34,633	28,418	209	298
Total equity and liabilities		224,426	195,355	146,867	130,733

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue	18	164,394	144,750	15,271	16,000
Cost of sales		(118,563)	(102,997)	–	–
Gross profit		45,831	41,753	15,271	16,000
Other income		1,632	660	–	–
Selling and distribution expenses		(5,417)	(5,900)	–	–
Administrative expenses		(13,857)	(13,615)	(1,121)	(1,108)
Net gain/(loss) on impairment of financial instruments		96	1,814	1,437	(1,450)
Results from operating activities		28,285	24,712	15,587	13,442
Finance income	19	1,034	1,104	652	848
Finance costs		(30)	(16)	–	–
Profit before tax	20	29,289	25,800	16,239	14,290
Tax expense	21	(6,448)	(6,580)	(16)	(5)
Profit for the financial year		22,841	19,220	16,223	14,285
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		15	9	–	–
Other comprehensive income/(expense) for the financial year, net of tax		15	(125)	–	–
Total comprehensive income for the financial year		22,856	19,095	16,223	14,285

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Profit attributable to:					
Owners of the Company		22,852	19,234	16,223	14,285
Non-controlling interests		(11)	(14)	–	–
Profit for the financial year		22,841	19,220	16,223	14,285
Total comprehensive income attributable to:					
Owners of the Company		22,859	19,105	16,223	14,285
Non-controlling interests		(3)	(10)	–	–
Total comprehensive income for the financial year		22,856	19,095	16,223	14,285
Basic and diluted earnings per ordinary share (sen)	22				
- basic		3.07	2.72		
- diluted		3.07	2.72		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

		Attributable to owners of the Company								
		Non-distributable					Distributable			
Group	Note	Share capital RM'000	Treasury shares RM'000	Merger deficit RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2020		135,702	(12,242)	(60,822)	(4)	10,899	81,876	155,409	(59)	155,350
Profit and comprehensive income for the financial year		–	–	–	–	–	19,234	19,234	(14)	19,220
Other comprehensive income/(expense) for the financial year:-										
Revaluation of:										
- property, plant and equipment		–	–	–	–	(198)	–	(198)	–	(198)
- right-of-use assets		–	–	–	–	64	–	64	–	64
Foreign currency translation differences for a foreign operation		–	–	–	5	–	–	5	4	9
Total comprehensive income/(expense) for the financial 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	23	–	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

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

		Attributable to owners of the Company								
		Non-distributable					Distributable			
Group	Note	Share capital RM'000	Treasury shares RM'000	Merger deficit RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2021		135,702	(4,996)	(60,822)	1	10,765	86,356	167,006	(69)	166,937
Profit and comprehensive income for the financial year		–	–	–	–	–	22,852	22,852	(11)	22,841
Other comprehensive income for the financial year:										
- foreign currency translation differences for a foreign operation		–	–	–	7	–	–	7	8	15
Total comprehensive income for the financial year		–	–	–	7	–	22,852	22,859	(3)	22,856
Distributions to owners of the Company:										
- dividend to owners of the Company	23	–	4,936	–	–	–	(4,936)	–	–	–
At 30 June 2022		135,702	(60)	(60,822)	8	10,765	104,272	189,865	(72)	189,793

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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 2020		135,702	(12,242)	198	123,658
Profit and total comprehensive income for the financial 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	23	–	11,910	(14,754)	(2,844)
Total transactions with owners of the Company		–	7,246	(14,754)	(7,508)
At 30 June 2021/1 July 2021		135,702	(4,996)	(271)	130,435
Profit and total comprehensive income for the financial year		–	–	16,223	16,223
Distributions to owners of the Company:					
- dividend to owners of the Company	23	–	4,936	(4,936)	–
At 30 June 2022		135,702	(60)	11,016	146,658

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows from/(for) operating activities					
Profit before tax		29,289	25,800	16,239	14,290
Adjustments for:					
Depreciation of:					
- property, plant and equipment	3	4,639	4,566	–	–
- right-of-use assets	4	483	248	–	–
Dividend income		–	–	(15,271)	(16,000)
Finance income	19	(1,034)	(1,104)	(652)	(848)
Finance costs		44	16	–	–
Gain on disposal of property, plant and equipment		(20)	(207)	–	–
Plant and equipment written off	20	50	–	–	–
Inventories written down	7	32	–	–	–
Net impairment (gain)/loss on:					
- amount due from a subsidiary		–	–	(1,438)	1,450
- trade receivables	25.4	(96)	(1,814)	–	–
- investment in subsidiaries		–	–	–	111
Unrealised (gain)/loss on foreign exchange	20	(56)	368	–	–
Operating profit/(loss) before changes in working capital		33,331	27,873	(1,122)	(997)
Change in inventories		(657)	(5,413)	–	–
Change in trade and other receivables		(15,353)	(10,003)	–	(12)
Change in contract assets		(337)	–	–	–
Change in prepayments		1,842	(3,443)	–	(10)
Change in trade and other payables		(2,383)	11,312	(89)	172
Change in contract liabilities		(69)	(181)	–	–
Cash generated from/(for) operations		16,374	20,145	(1,211)	(847)
Income tax paid		(5,255)	(5,293)	(16)	(18)
Dividend received		–	–	–	18,000
Interest paid		(44)	(16)	–	–
Net cash from/(for) operating activities		11,075	14,836	(1,227)	17,135
Cash flows for investing activities					
Acquisition of property, plant and equipment	3	(3,198)	(8,850)	–	–
Acquisition of right-of-use asset	4	(8,448)	–	–	–
Purchase of additional shares in subsidiaries		–	–	(27,500)	–
Advances to a subsidiary		–	–	(46)	(1,200)
Repayment from a subsidiary		–	–	1,450	–
Proceeds from disposal of property, plant and equipment		20	457	–	–
Interest received		1,034	1,104	652	848
Net cash for investing activities		(10,592)	(7,289)	(25,444)	(352)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows from/(for) financing activities					
Dividends paid	23	–	(2,844)	–	(2,844)
Payment of lease liabilities		(354)	(116)	–	–
Repurchase of treasury shares		–	(4,664)	–	(4,664)
Net proceeds from borrowings		8,884	–	–	–
Repayments to a director		(270)	–	–	–
Net cash from/(for) financing activities		8,260	(7,624)	–	(7,508)
Net increase/(decrease) in cash and cash equivalents		8,743	(77)	(26,671)	9,275
Effect of exchange rate fluctuations on cash held		(67)	(185)	–	–
Cash and cash equivalents at 1 July 2021/2020		78,132	78,394	54,332	45,057
Cash and cash equivalents at 30 June	11	86,808	78,132	27,661	54,332

Cash outflows for leases as a lessee

Group	**2022 RM'000**	**2021 RM'000**
Included in net cash from operating activities:		
Interest paid in relation to lease liabilities	16	5
Included in net cash from financing activities:		
Payment of lease liabilities	354	116
Total cash outflows for leases	370	121

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

Group	**1 July 2021 RM'000**	**Acquisition of new lease RM'000**	**Net changes from financing cash flows RM'000**	**At 30 June 2022 RM'000**
Lease liabilities	325	398	(354)	369

The annexed notes form 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 W.P. Kuala Lumpur

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

The consolidated financial statements of the Group and of the Company as at and for the financial year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Company"). The financial statements of the Group and of the Company as at and for the financial year ended 30 June 2022 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 21 October 2022.

1. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

1.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONT'D)

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon its initial application.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Critical Accounting Estimates and Judgements

Key sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Critical Accounting Estimates and Judgements (Cont'd)

Key sources of Estimation Uncertainty (Cont'd)

(b) Revaluation of Property, Plant and Equipment and Right-of-Use Assets

Certain properties of the Group held under property, plant and equipment and right-of-use assets are reported at revalued amounts which are based on valuations performed by independent professional valuers. The valuers used judgement in determining the factors used in the valuation process and have also applied judgement in estimating prices for not readily observable external parameters by reference to the selling prices of recent transactions and asking prices of similar properties of nearby locations and where necessary, adjusting for tenure, location, size, market trends and others. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuations. The carrying amount of related properties and right-of-use assets measured at revaluation as at the reporting date are disclosed in Note 3 and Note 4 to the financial statements.

(c) Impairment of Property, Plant and Equipment and Right-of-Use Assets

The Group determines whether an item of its property, plant and equipment and right-of-use assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Note 3 and Note 4 to the financial statements.

(d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 7 to the financial statements.

(e) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables and contract assets. The carrying amounts of trade balances owing by third parties and a subsidiary and contract assets as at the reporting date are disclosed in Note 8 and Note 9 to the financial statements.

(f) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default (probability of default) and expected loss if a default happens (loss given default). It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amount of other receivables as at the reporting date is disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Critical Accounting Estimates and Judgements (Cont'd)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements.

2.2 Basis of Consolidation

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

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

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

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

(a) Business Combinations

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

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

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

(b) Acquisition of 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 is treated as a merger deficit or merger reserve as applicable. The other components of equity of the acquired entities are added to the same components within Group entity.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of Consolidation (Cont'd)

(c) Non-Controlling Interests

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

(d) Changes in Ownership Interests in Subsidiaries without Change of Control

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

(e) Loss of Control

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

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

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

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.3 Functional and Foreign Currency

(a) Functional and Presentation Currency

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

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

(b) Foreign Currency Transactions and Balances

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Functional and Foreign Currency (Cont'd)

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when the settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

2.4 Financial Instruments

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

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

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial Instruments (Cont'd)

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

Equity instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

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

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial Instruments (Cont'd)

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

(e) Financial Guarantee Contracts

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

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

2.5 Investments in Subsidiaries

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

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

2.6 Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property, Plant and Equipment (Cont'd)

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

Buildings	50 years
Plant and machineries	10 years
Motor vehicles	5 years
Office equipment	5 – 10 years
Furniture and fittings	10 years
Computer	2 – 5 years
Renovation	10 years

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

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 equipment.

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

2.7 Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statement of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset 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 the right-of-use assets are determined on the same basis as those property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Leases (Cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first in first out basis and weighted average method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

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

2.9 Contract Asset and Contract Liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9.

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.

2.10 Cash and Cash Equivalents

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

2.11 Impairment

(a) Impairment of Financial Asset

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment (Cont'd)

(a) Impairment of Financial Asset (Cont'd)

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of Non-Financial Asset

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

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Employee Benefits

(a) Short-term Benefits

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

(b) Defined Contribution Plans

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

2.13 Income Taxes

(a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax is recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

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

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

2.15 Operating Segments

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

2.16 Earnings per Share

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

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

Diluted 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.

2.17 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Fair Value Measurements

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

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

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

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

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

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

2.19 Revenue from Contracts with Customers

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

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 that asset.

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

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- 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.

2.20 Revenue from Other Sources and Other Operating Income

(i) Dividend Income

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

(ii) Rental Income

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

(iii) Interest Income

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

NOTES TO THE FINANCIAL STATEMENTS

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 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/ 1 July 2021	19,121	23,809	3,717	1,668	3,980	4,307	11,502	–	68,104
Additions	–	1,604	372	142	109	357	163	501	3,248
Disposals	–	(238)	(101)	–	–	–	–	–	(339)
At 30 June 2022	19,121	25,175	3,988	1,810	4,089	4,664	11,665	501	71,013

NOTES TO THE FINANCIAL STATEMENTS

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 2020	3,818	12,191	2,663	1,356	2,594	3,291	3,705	–	29,618
Depreciation for the financial 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/ 1 July 2021	–	13,349	2,739	1,359	2,906	3,668	4,629	–	28,650
Depreciation for the financial year	468	2,099	387	96	224	499	866	–	4,639
Disposals	–	(188)	(101)	–	–	–	–	–	(289)
At 30 June 2022	468	15,260	3,025	1,455	3,130	4,167	5,495	–	33,000
Carrying amounts									
At 30 June 2021	19,121	10,460	978	309	1,074	639	6,873	–	39,454
At 30 June 2022	18,653	9,915	963	355	959	497	6,170	501	38,013

NOTES TO THE FINANCIAL STATEMENTS

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	2022 RM'000	2021 RM'000
Buildings		
At cost	17,346	17,346
Accumulated depreciation	(4,526)	(4,189)
	12,820	13,157

Fair Value Information

Fair value of the buildings are categorised as follows:

	Level 3	
Group	**2022 RM'000**	**2021 RM'000**
Buildings	25,950	25,950

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.

NOTES TO THE FINANCIAL STATEMENTS

4. RIGHT-OF-USE ASSETS

Group	Leasehold land RM'000	Office building RM'000	Storage RM'000	Total RM'000
At 1 July 2020	11,447	27	–	11,474
Addition	–	–	413	413
Depreciation for the financial year	(131)	(27)	(90)	(248)
Adjustment for revaluation	84	–	–	84
At 30 June 2021/1 July 2021	11,400	–	323	11,723
Addition	8,448	–	348	8,796
Depreciation for the financial year	(132)	–	(351)	(483)
At 30 June 2022	19,716	–	320	20,036

The Group leases storage that runs for a period of two years, with an option to renew the lease after that date.

The leasehold land is amortised over the lease terms ranging from 90 to 99 years.

The leasehold land at the end of the previous reporting period was revalued by an independent professional valuer on 30 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 RM64,157 arising from the revaluation, net of deferred tax, had 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	2022 RM'000	2021 RM'000
Leasehold land		
At cost	4,903	4,903
Accumulated depreciation	(653)	(603)
	4,250	4,300

Fair Value Information

Fair value of the leasehold land is categorised as follows:

Group	Level 3 2022 RM'000	Level 3 2021 RM'000
Leasehold land	11,400	11,400

NOTES TO THE FINANCIAL STATEMENTS

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

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

Company	2022 RM'000	2021 RM'000
Cost of investment	76,461	76,461
Subscribed for additional shares in existing subsidiaries	27,500	–
	103,961	76,461
Less: Impairment losses	(111)	(111)
	103,850	76,350

Impairment losses in investments in subsidiaries:-		
1 July	111	–
Addition during the financial year	–	111
30 June	111	111

NOTES TO THE FINANCIAL STATEMENTS

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 2022 %	2021 %
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 Crowe Malaysia PLT.

\# 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.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

5.1 During the financial year:-

(i) On 22 November 2021, the Company subscribed for the entire additional 25,000,000 ordinary shares, issued by PLeather for a total consideration of RM25,000,000; and

(ii) On 13 December 2021, the Company subscribed for the entire additional 2,500,000 ordinary shares, issued by PAviation for a total consideration of RM2,500,000.

5.2 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.

The Company's shareholdings in non-wholly owned subsidiary is as follows:

	Number of ordinary shares			
	At 1.7.2021/ Date of incorporation	**Bought**	**Sold**	**At 30.6.2022**
Interest in non-wholly owned subsidiary:				
PThailand	2,450	–	–	2,450

6. OTHER INVESTMENTS

	Group	
	2022 RM'000	**2021 RM'000**
Non-current		
Financial assets at fair value through profit or loss:		
- club memberships	418	418

Included in club memberships is a club membership amounting to RM367,500 (2021: RM367,500) of a subsidiary registered in the name of a Director of the Company.

During the financial year, the Company has subscribed for 300 ordinary shares of RM1 each representing 30% equity interest in Evolusi Mobiliti Sdn. Bhd. for a total consideration of RM300.

NOTES TO THE FINANCIAL STATEMENTS

7. INVENTORIES

	Group	
	2022 RM'000	2021 RM'000
At cost:		
- Raw materials	25,239	23,849
- Finished goods	1,389	2,763
- Work-in-progress	1,619	1,208
	28,247	27,820
At net realisable value:		
- Raw materials	736	538
	28,983	28,358
Recognised in profit or loss:		
Inventories recognised as cost of sales	118,586	103,282
Inventories written off	32	–
Reversal of inventories written down to net realisable value	(55)	(285)

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		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade					
Trade receivables	8.1	44,685	28,635	–	–
Non-trade					
Amounts due from a subsidiary	8.2	–	–	46	12
Dividend receivable from a subsidiary		–	–	15,271	–
Other receivables and deposits	8.3	1,859	2,341	–	–
		1,859	2,341	15,317	12
		46,544	30,976	15,317	12

8.1 The Group's normal trade credit terms range from 60 to 90 days (2021 – 60 to 90) days.

Included in trade receivables is an amount due from companies substantially owned by certain Directors amounting to RM6,907,000 (2021: RM14,158,000). The amount due from related parties is subject to normal trade credit term. The amount of RM14,130,000 at the end of the previous financial year was subject to an interest of 1.5% per month on overdue balances.

NOTES TO THE FINANCIAL STATEMENTS

8. TRADE AND OTHER RECEIVABLES (CONT'D)

8.2 The non-trade amount due from a subsidiary is unsecured, interest-free and repayable on demand.

8.3 Included in other receivables and deposits is an amount of RM955,000 (2021: RM639,000) due from companies substantially owned by certain Directors.

9. CONTRACT ASSETS

	Group	
	2022 RM'000	2021 RM'000
At 1 July	–	–
Performance obligations performed	337	–
At 30 June	337	–

The contract assets primarily relate to the Group's right to consideration for work completed but not yet billed as at the reporting date. The amount will be transferred to trade receivables when the Group issues billing in the manner as established in the contracts with customers.

10. PREPAYMENTS

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

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	27,213	28,649	255	6,769
Liquid investments	59,595	49,483	27,406	47,563
	86,808	78,132	27,661	54,332

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.

NOTES TO THE FINANCIAL STATEMENTS

12. SHARE CAPITAL AND RESERVES

Share Capital

	Group and Company			
	2022	2021	2022	2021
	Number of shares ('000)		RM'000	
Issued and fully paid ordinary shares with no par value classified as equity instruments:-				
At 1 July	188,000	188,000	135,702	135,702
Issuance of bonus shares	564,000	–	–	–
At 30 June	752,000	188,000	135,702	135,702

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, except that all rights to the treasury shares are suspended until those shares are reissued.

During the financial year, the Company issued bonus shares on the basis of three(3) bonus shares for every one(1) existing share held. This has resulted in the number of issued and paid up ordinary share capital of the Company to increase by 564,000,000 from 188,000,000 to 752,000,000.

Treasury Shares

On 18 October 2021, a total of 4,473,844 (2021: 10,792,039) treasury shares amounting to RM4,936,774 (2021: RM11,910,000) were distributed by the Company as share dividend to shareholders on the basis of one(1) treasury share for every 41 ordinary shares (2021: one(1) treasury share for every 16 ordinary shares) held on 20 October 2021 (2021: 15 February 2021), in respect of financial year ended 30 June 2022. The share dividend has been credited into the entitled shareholders' securities account maintained with Bursa Malaysia Depository on 8 November 2021.

The shareholders of the Company, by a special resolution passed at the annual general meeting held on 26 November 2021, 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 did not repurchase any shares during the financial year. However, the number of treasury shares were increased by 162,651 from 54,217 to 216,868 resulting from the issuance of bonus shares during the financial year.

As at 30 June 2022, the Company held as treasury shares a total of 216,868 (2021: 4,528,061) of its issued fully paid up ordinary shares. The treasury shares are held at a carrying amount of RM60,173.

NOTES TO THE FINANCIAL STATEMENTS

12. SHARE CAPITAL AND RESERVES (CONT'D)

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 foreign subsidiary 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.

13. DEFERRED TAX LIABILITIES

Recognised Deferred Tax Assets/(Liabilities)

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

	Assets		Liabilities		Net	
Group	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Revaluation surplus of leasehold land and buildings	–	–	(3,083)	(3,136)	(3,083)	(3,136)
Property, plant and equipment	–	–	(3,320)	(3,482)	(3,320)	(3,482)
Provisions	426	564	–	–	426	564
Other temporary differences	–	85	(18)	–	(18)	85
Tax assets/(liabilities)	426	649	(6,421)	(6,618)	(5,995)	(5,969)
Set off of tax	(426)	(649)	426	649	–	–
Net tax liabilities	–	–	(5,995)	(5,969)	(5,995)	(5,969)

NOTES TO THE FINANCIAL STATEMENTS

13. DEFERRED TAX LIABILITIES (CONT'D)

Movement in temporary differences during the financial year

	At 1.7.2020 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in other compre-hensive income RM'000	At 30.6.2021/ 1.7.2021 RM'000	Recognised in profit or loss (Note 21) RM'000	At 30.6.2022 RM'000
Revaluation surplus of leasehold land and buildings	(3,231)	53	42	(3,136)	53	(3,083)
Property, plant and equipment	(3,349)	(133)	–	(3,482)	162	(3,320)
Provisions	1,382	(818)	–	564	(139)	425
Others	(63)	148	–	85	(102)	(17)
	(5,261)	(750)	42	(5,969)	(26)	(5,995)

Unrecognised Deferred Tax Assets

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

Group	2022 RM'000	2021 RM'000
Unabsorbed capital allowances	43	28
Unutilised tax losses	1,963	1,647
Other taxable temporary differences	(20)	(12)
	1,986	1,663

The unutilised tax losses from a Year of Assessment ("YA") can only be carried forward up to 10 (2021: 7) YA's whilst the unabsorbed capital allowances do not expire under the current tax legislation. The unutilised tax losses of RM1,963,000 (2021: RM1,647,000) expire between 2029 to 2032 (2021: expire between 2026 to 2028). 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 a subsidiary can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS

14. LEASE LIABILITIES

	Group	
	2022 RM'000	2021 RM'000
At 1 July	325	–
Additions	398	412
Interest expenses recognised in profit or loss	16	5
Repayment of principal	(354)	(87)
Payment of interest expenses	(16)	(5)
At 30 June	369	325
Analysed by:-		
Current liabilities	320	206
Non-current liabilities	49	119
	369	325

15. BORROWINGS

	Group	
	2022 RM'000	2021 RM'000
Non-current		
Term loan	5,670	–
Current		
Trade financing	2,584	–
Term loan	630	–
	3,214	–
	8,884	–

The details of the term loan at the reporting date is as follows:-

	Number of Monthly Instalments	Monthly Instalment RM	Date of Commencement of Repayment
Term loan	120	52,500	July 2022

The effective interest rate and the maturity analysis of borrowings is disclosed in Note 25.5 to the financial statements.

The borrowings of the subsidiary are secured by corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS

16. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade					
Trade payables	16.1	14,045	9,206	–	–
Non-trade					
Amount due to a Director	16.2	–	270	–	–
Other payables and accruals	16.3	5,338	12,579	209	298
		5,338	12,849	209	298
		19,383	22,055	209	298

16.1 The normal credit term granted to the Group range from 30 – 90 (2021: 60 – 90) days.

16.2 The amount due to a Director was unsecured, interest-free and repayable on demand.

16.3 Included in other payables and accruals of the Group in the previous financial year was an amount of RM6,000,000 due to a company substantially owed by certain Directors. The amount was repaid in full during the current financial year.

17. CONTRACT LIABILITY

The contract liability in the previous financial year related to the advance consideration received from a customer for refurbishment contract. The contract liability was then expected to be recognised as revenue in next twelve months.

18. REVENUE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers	164,394	144,750	–	–
Other revenue				
Dividend income	–	–	15,271	16,000
	164,394	144,750	15,271	16,000

NOTES TO THE FINANCIAL STATEMENTS

18. REVENUE (CONT'D)

18.1 Disaggregation of Revenue

	Reportable segment				Other non-reportable segment		Total	
	Automotive		Healthcare					
Group	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Primary geographical markets								
Malaysia	133,317	114,975	16,388	17,925	514	902	150,219	133,802
Asia Pacific	5,794	3,970	–	–	–	–	5,794	3,970
Europe	4,900	3,300	–	–	–	–	4,900	3,300
North America	1,808	1,581	–	–	–	–	1,808	1,581
Oceania	1,673	2,097	–	–	–	–	1,673	2,097
	147,492	125,923	16,388	17,925	514	902	164,394	144,750
Revenue from car seat covers:								
- original equipment manufacturer	104,958	91,560	–	–	–	–	104,958	91,560
- replacement equipment manufacturer	9,279	10,110	–	–	–	–	9,279	10,110
- pre-delivery inspection	12,932	10,570	–	–	–	–	12,932	10,570
Revenue from healthcare products	–	–	16,388	17,925	–	–	16,388	17,925
Other sales	5,097	4,444	–	–	–	–	5,097	4,444
Leather cut pieces supply	10,830	6,691	–	–	–	–	10,830	6,691
Other services	4,396	2,548	–	–	514	902	4,910	3,450
	147,492	125,923	16,388	17,925	514	902	164,394	144,750
Timing and recognition								
At a point in time	147,492	125,923	16,388	17,925	514	902	164,394	144,750

NOTES TO THE FINANCIAL STATEMENTS

18. REVENUE (CONT'D)

18.2 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 (2021: 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 (2021: 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 (2021: 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 (2021: 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 (2021: 30 to 90 days) from invoice date.	Not applicable.	Not applicable.

19. FINANCE INCOME

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income of financial assets calculated using the effective interest method that are at amortised costs	132	166	41	45
Interest income from money market unit trust investments	902	938	611	803
	1,034	1,104	652	848

NOTES TO THE FINANCIAL STATEMENTS

20. PROFIT BEFORE TAX

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration				
Audit fees:				
- auditors of the Company	153	155	45	50
- other auditors	2	6	–	–
Non-audit fees:				
- auditors of the Company	5	6	5	6
- member firm of the auditors of the Company	42	195	24	122
Material expenses/(income)				
Depreciation of:				
- property, plant and equipment	4,639	4,566	–	–
- right-of-use assets	483	248	–	–
Gross dividend from a subsidiary (unquoted)	–	–	(15,271)	(16,000)
Loss/(Gain) on foreign exchange:				
- realised	201	(34)	–	–
- unrealised	(56)	368	–	–
Equipment written off	50	–	–	–
Rental income	(418)	(302)	–	–
Reversal of inventories written down to net realisable value	(55)	(285)	–	–
Staff costs:				
- defined contribution benefits	2,114	2,062	–	–
- wages, salaries and others	28,668	25,463	4	10
Net (gain)/loss on impairment of financial instruments				
Financial assets at amortised costs	(96)	(1,814)	(1,438)	1,450

NOTES TO THE FINANCIAL STATEMENTS

21. TAX EXPENSE

Recognised in Profit or Loss

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Current tax expense				
Current year	6,951	5,880	9	5
(Over)/Underprovision in prior year	(529)	(50)	7	–
	6,422	5,830	16	5
Deferred tax expense (Note 13)				
Origination and reversal of temporary differences	537	1,011	–	–
Overprovision in prior years	(511)	(261)	–	–
	26	750	–	–
Income tax expense	6,448	6,580	16	5
Reconciliation of tax expense				
Profit before tax	29,289	25,800	16,239	14,290
Income tax calculated using Malaysian tax rate of 24% (2021: 24%)	7,029	6,192	3,897	3,430
Non-deductible expenses	928	937	256	607
Utilisation of reinvestment allowances	(16)	(160)	–	–
Non-taxable income	(531)	(193)	(4,144)	(4,032)
Deferred tax assets not recognised during the financial year	78	115	–	–
(Over)/Underprovision of tax expense in prior year:				
- current tax	(529)	(50)	7	–
- deferred tax	(511)	(261)	–	–
	6,448	6,580	16	5

NOTES TO THE FINANCIAL STATEMENTS

22. EARNINGS PER ORDINARY SHARE

Basic Earnings per Ordinary Share

The calculation of basic earnings per ordinary share at 30 June 2022 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2022 RM'000	**2021 RM'000**
Profit attributable to ordinary shareholders		
Continuing operations	22,852	19,234

Weighted average number of ordinary shares outstanding

	Group	
	2022 '000	**2021* '000**
Issued ordinary shares at the beginning of the financial year	188,000	188,000
Issuance of bonus shares	564,000	564,000
Effect of treasury shares held	(6,640)	(44,216)
Weighted average number of shares (basic)	745,360	707,784

	Group	
Basic earnings per ordinary share	**2022 Sen**	**2021* Sen**
From continuing operations	3.07	2.72

Diluted Earnings per Ordinary Share

The Group has no dilution in its earnings per ordinary shares at 30 June 2022 and 30 June 2021, accordingly no diluted earning per share has been presented.

* *Comparative figures for the weighted average number of ordinary shares have been restated to reflect the increase in the number of shares arising from the bonus issue during the financial year.*

NOTES TO THE FINANCIAL STATEMENTS

23. DIVIDENDS

Dividends recognised by the Company are:

	RM per share	Total amount RM'000	Date of payment
2022			
Interim 2022 ordinary (single tier)	0.027	4,936	Note (a)
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	

(a) On 18 October 2021, a total of 4,473,844 (2021: 10,792,039) treasury shares amounting to RM4,936,774 (2021: RM11,910,000) were distributed as share dividend to shareholders on the basis of one (1) treasury share for every 41 ordinary shares (2021: one (1) treasury share for every 16 ordinary shares) held on 20 October 2021, in respect of financial year ended 30 June 2022. The share dividend has been credited into the entitled shareholders' securities account maintained with Bursa Malaysia Depository on 8 November 2021.

(b) On 25 July 2022, the Company declared the following single tier interim dividend in respect of the current financial year, which was paid on 16 August 2022:-

	RM per share	Total amount RM'000
2023		
Interim 2022 ordinary (single tier)	0.014	10,525

The dividend will be recognised in the financial year ending 30 June 2023.

The Directors do not recommend any final dividend to be paid for the financial year ended 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS

24. 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 2022 and 2021.

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

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

Business Segment

The Group comprises the following business segment:-

Automotive industry:	Styling, manufacturing, distribution and installation of automotive leather upholstery for car seat covers and accessories covers.
Healthcare industry:	Manufacturing and distribution of healthcare products.

	Automotive	
	2022	**2021**
	RM'000	**RM'000**
Revenue from car seat covers:		
Original Equipment Manufacturer	104,958	91,560
Replacement Equipment Manufacturer	9,279	10,110
Pre-Delivery Inspection	12,932	10,570
	127,169	112,240
Leather cut pieces supply	10,830	6,691
Others	9,493	6,992
	147,492	125,923
Segment profit before tax	27,014	21,641
Included in the measurement of segment profit before tax are:		
Finance income	403	276
Depreciation and amortisation	3,607	3,690
Not included in the measurement of segment profit before tax but provided to Managing Director:		
Tax expense	(5,569)	(5,504)

NOTES TO THE FINANCIAL STATEMENTS

24. OPERATING SEGMENT (CONT'D)

	Healthcare	
	2022	**2021**
	RM'000	**RM'000**
Revenue from external customers	16,388	17,925
Segment profit before tax	3,112	4,314
Included in the measurement of segment profit before tax are:		
Depreciation and amortisation	1,494	1,077
Not included in the measurement of segment profit before tax but provided to Managing Director:		
Tax expense	(863)	(1,071)

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	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	133,317	114,975	16,388	17,925	149,705	132,900
Asia Pacific	5,794	3,970	–	–	5,794	3,970
Europe	4,900	3,300	–	–	4,900	3,300
North America	1,808	1,581	–	–	1,808	1,581
Oceania	1,673	2,097	–	–	1,673	2,097
	147,492	125,923	16,388	17,925	163,880	143,848

Major Customers

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

	Revenue		Segment
	2022	**2021**	
	RM'000	**RM'000**	
Customer A	82,767	77,887	Automotive
Customer B	16,388	17,849	Healthcare
	99,155	95,736	

NOTES TO THE FINANCIAL STATEMENTS

24. OPERATING SEGMENT (CONT'D)

Reconciliations of Reportable Segment Revenues and Profit or Loss

	Group	
	2022 RM'000	2021 RM'000
Revenue		
Total revenue for reportable segment	163,880	143,848
Other non-reportable segment	514	902
Consolidated revenue	164,394	144,750
Profit or loss		
Total profit or loss for reportable segment	30,126	25,955
Other non-reportable segment	(837)	(155)
Consolidated profit before tax	29,289	25,800

25. FINANCIAL INSTRUMENTS

25.1 Categories of Financial Instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial Assets				
<u>Fair Value Through Profit or Loss</u>				
Other investments	418	418	–	–
Liquid investments	59,595	49,483	27,406	47,563
	60,013	49,901	27,406	47,563
<u>Amortised Cost</u>				
Trade and other receivables	46,544	30,976	15,317	12
Cash and bank balances	27,213	28,649	255	6,769
	73,757	59,625	15,572	6,781
Financial Liabilities				
<u>Amortised Cost</u>				
Trade and other payables	(19,383)	(22,055)	(209)	(298)
Borrowings	(8,884)	–	–	–
	(28,267)	(22,055)	(209)	(298)

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.2 Net Gains and Losses Arising from Financial Instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial Assets				
Fair Value Through Profit or Loss				
Net gains recognised in profit or loss by:				
- mandatorily required by MFRS 9	902	938	611	803
Amortised Cost				
Net gains/(losses) recognised in profit or loss	240	1,803	1,477	(1,405)
	1,142	2,741	2,088	(602)
Financial Liability				
Amortised Cost				
Net losses recognised in profit or loss	(140)	(127)	–	–

25.3 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

25.4 Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to a subsidiary, and corporate guarantee given to financial institutions for credit facilities granted to the subsidiary. The Company monitors the results of the subsidiary regularly and repayments made by the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit Risk (Cont'd)

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to amount owing by 2 customers (2021: 2) which constituted approximately 57% (2021: 68%) of the trade receivables at the end of the reporting period.

In addition, the Group also determines the concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables including a related party at the end of the reporting period is as follows:-

Group	2022 RM'000	2021 RM'000
Malaysia	41,187	26,711
Asia Pacific	2,437	599
Europe	1,145	1,378
North America	1,056	820
Oceania	109	288
	45,934	29,796

(ii) Maximum Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiary of RM8,884,000 (2021 - nil), representing the outstanding banking facilities of the subsidiary as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

(iii) Assessment of Impairment Losses

The Group has an informal credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty; and
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full when the receivable is not able to pay when demanded.

<u>Trade Receivables and Contract Assets</u>

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables and contract assets.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure expected credit losses on a collective basis, trade receivables (including a related party) and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information that will affect the ability of the trade receivables to settle their debts.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

Allowance for Impairment Losses

Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
2022				
Current (not past due)	37,481	–	(8)	37,473
1 - 30 days past due	2,593	–	(7)	2,586
31 - 60 days past due	1,537	–	(7)	1,530
61 - 90 days past due	1,276	–	(24)	1,252
More than 90 days past due	1,855	–	(11)	1,844
	44,742	–	(57)	44,685
Credit impaired				
Individually impaired	855	(855)	–	–
Trade receivables	45,597	(855)	(57)	44,685
Contract assets	337	–	–	337
	45,934	(855)	(57)	45,022
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)	–	–
Trade receivables	29,796	(993)	(168)	28,635

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

Allowance for Impairment Losses (Cont'd)

The movement in the allowance for impairment losses of trade receivables as at 30 June 2022 was as follows:

Group	2022 RM'000	2021 RM'000
At 1 July	1,161	2,975
Addition during the financial year	–	377
Impairment loss reversed	(96)	(2,191)
Impairment loss write off	(153)	–
At 30 June	912	1,161

The Group believes that no impairment allowance is necessary in respect of its trade receivables and amount owing by related Company because the probability of default by these trade receivables were negligible.

Cash and Bank Balances

The Group considers the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Other Receivables and Amount Owing by Related Parties

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables and amount owing by related parties.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

Allowance for Impairment Losses

No expected credit loss is recognised on other receivables as it is negligible.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Amount Owing by A Subsidiary

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

The Company measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

The Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loans and advances are demanded, the Company will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale of less liquid assets by the subsidiary.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

Allowance for Impairment Losses

Company 2022	Gross carrying amount RM'000	12-month loss allowance RM'000	Lifetime loss allowance RM'000	Carrying amount RM'000
Low credit risk	15,317	–	–	15,317
Credit impaired	200	–	(200)	–
	15,517	–	(200)	15,317
2021				
Low credit risk	12	–	–	12
Credit impaired	1,637	–	(1,637)	–
	1,649	–	(1,637)	12

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit Risk (Cont'd)

(iv) Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be having low risks of default and historically there were no instances where financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

25.5 Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

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

Group	Interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Under 1 year RM'000	1 – 5 years RM'000	More than 5 years RM'000
2022						
Non-derivative financial liabilities						
Lease liabilities	2.63 – 3.34	369	375	326	49	–
Term loan	3.86	6,300	7,491	845	2,430	4,216
Trade financing	2.34 – 2.99	2,584	2,598	2,598	–	–
Trade and other payables	–	19,383	19,383	19,383	–	–
		28,636	29,847	23,152	2,479	4,216
2021						
Non-derivative financial liabilities						
Lease liabilities	3.34	325	334	214	120	–
Trade and other payables	–	22,055	22,055	22,055	–	–
		22,380	22,389	22,269	120	–

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.5 Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

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

	Interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Under 1 year RM'000	1 – 5 years RM'000
Company					
2022					
Non-derivative financial liabilities					
Other payables	–	209	209	209	–
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary					
- term loan	3.86	6,300	7,491	845	6,646
- trade financing	2.34 – 2.99	2,584	2,598	2,598	–
		9,093	10,298	3,652	6,646
2021					
Non-derivative financial liabilities					
Other payables	–	298	298	298	–

25.6 Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies within the Company. 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. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.6 Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

Group		***Denominated in***		
	USD RM'000	**SGD RM'000**	**EURO RM'000**	**Total RM'000**
2022				
Balances recognised in the statements of financial position				
Trade receivables	3,426	73	1,139	4,638
Cash and cash equivalents	1,332	144	780	2,256
Trade payables	(5,591)	–	–	(5,591)
Net financial (liabilities)/assets	(833)	217	1,919	1,303
Less: Forward foreign currency contracts (contracted notional principal)	833	–	–	833
Net exposure	–	217	1,919	2,136
2021				
Balances recognised in the statements 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

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

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate receivables and borrowing are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither they carrying amount nor the future.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.6 Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Interest rate risk sensitivity analysis

Any reasonable possible change in the interest rates on the Group's borrowings of the floating rate term loan at the end of the reporting period does not have a material impact on the profit after taxation and equity of the Group and hence, no sensitivity analysis is presented.

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

Any reasonably possible change in the prices of quoted investments at the end of the reporting period does not have a material impact on the profit after taxation and equity of the Group and of the Company and hence, no sensitivity analysis is presented.

25.7 Fair Value Information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair value of financial instruments carried at fair value		Total fair value	Carrying amount
Group	**Level 1 RM'000**	**Level 2 RM'000**	**RM'000**	**RM'000**
2022				
Financial assets				
Liquid investments	59,595	–	59,595	59,595
Club memberships	–	418	418	418
	59,595	418	60,013	60,013
2021				
Financial assets				
Liquid investments	49,483	–	49,483	49,483
Club memberships	–	418	418	418
	49,483	418	49,901	49,901
Company				
2022				
Financial asset				
Liquid investments	27,406	–	27,406	27,406
2021				
Financial asset				
Liquid investments	47,563	–	47,563	47,563

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONT'D)

25.7 Fair Value Information (Cont'd)

(i) The fair values above have been determined using the following basis:-

(a) The fair value of liquid investments are their last quoted bid price by the fund managers at the end of the reporting period.

(b) The fair value of club membership is estimated by the market value as per the published price in the current club prospectus and publicly available information.

(ii) There were no transfers between level 1 and level 2 during the financial year.

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

27. CAPITAL AND OTHER COMMITMENTS

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

Group	2022 RM'000	2021 RM'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	749	1,074

28. RELATED PARTIES DISCLOSURE

(a) Identity of Related Parties

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, companies substantially owned by certain Directors and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES DISCLOSURE (CONT'D)

(b) 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 16.

		Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(i)	**Subsidiaries**				
	Dividend income from a subsidiary	–	–	15,271	16,000
	Dividend income received from a subsidiary	–	–	–	18,000
	Advances to a subsidiary	–	–	–	1,200
	Interest charged to a subsidiary	–	–	21	20
(ii)	**With companies substantially owned by certain Directors**				
	Sales to related parties	16,388	17,849	–	–
	Purchases from a related party	(116)	(544)	–	–
	Rental charged to related parties	416	301	–	–
	Management service fees charged to related parties	970	–	–	–
(iii)	**Key management personnel**				
	Directors				
	- fees	372	326	252	220
	- remuneration	1,996	1,713	49	24
		2,368	2,039	301	244
	Other key management personnel				
	- salaries, allowances and bonus	1,684	1,955	–	–
	- defined contribution plan	199	233	–	–
		1,883	2,188	–	–
		4,251	4,227	301	244

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.

29. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

On 1 July 2022, the Company subscribed for 1,000 ordinary shares of RM1 each representing 100% equity interest in Pecca EV Sdn. Bhd. for a total consideration of RM1,000. The intended principal activity of the Pecca EV is importation, distribution and trading of electric motor vehicles and related EV charger, EV charging station, spare parts and accessories, as well as the provision of after sales services.

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 30.06.2022 (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)* (i) 22,169 SqFt *(Built-up area for 5-storey office building with a mezzanine floor)* (ii) 109,673 SqFt *(Built-up area for 5-storey flatted factory building)* (iii) 48,262 SqFt *(Built-up area for 6-storey hostel building)* (iv) 103 SqFt *(Built-up area for guard house)* & 1,163 SqFt *(Built-up area for carpark shed)*	1 unit of 5-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 / carpark shed Head office and production factory of our Group	11 years / 5 January 2011 (for 4-storey office and 4-storey factory) 21 June 2011 (for 6-storey hostel)	35,711,972	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	21 years/ 2 December 2010	343,534	350,000 30.06.2021
3.	Part of No. Hakmilik H.S. (D) 63081, PT 17942 Seksyen 20, Bandar Serendah, Daerah Hulu Selangor, Selangor Darul Ehsan.	Leasehold 90 years	7 July 2109	187,744 SqFt (land area)	Industrial land	< than 1 year	8,448,462*	–

* *Under construction work-in-progress*

ANALYSIS OF SHAREHOLDINGS

AS AT 30 SEPTEMBER 2022

Issued Shares	:	752,000,000 (including shares held as treasury shares)
Treasury Shares	:	216,868
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	318	9.93	15,399	0.00
100 – 1,000	498	15.54	210,414	0.03
1,001 – 10,000	1,318	41.14	6,736,424	0.90
10,001 – 100,000	810	25.28	26,107,923	3.47
100,001 to less than 5% of issued shares	257	8.02	298,070,668	39.65
5% and above of issued shares	3	0.09	420,642,304	55.95
Total	3,204	100	751,783,132	100

* Excluding a total of 216,868 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 30 September 2022.

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders as at 30 September 2022)

Name	Direct	% (3)	Indirect	% (3)
	No. of shares held			
MRZ Leather Holdings Sdn Bhd	373,075,532	49.63	–	–
Datuk Teoh Hwa Cheng	24,367,296	3.24	(1) 373,075,532	49.63
Datin Sam Yin Thing	51,861,276	6.90	(1) 373,075,532	49.63
Dato' Lim Cheng Ling	44,775,600	5.96	–	–
Huaren Holdings Sdn Bhd	47,566,772	6.33	–	–
Malaysian Chinese Association	–	–	(2) 47,566,772	6.33

Notes:

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

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

(3) *Excluding a total of 216,868 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 30 September 2022.*

ANALYSIS OF SHAREHOLDINGS

AS AT 30 SEPTEMBER 2022

DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings as at 30 September 2022)

	No. of shares held			
Name	Direct	% [(2)]	Indirect	% [(2)]
Dato' Mohamed Suffian Bin Awang	435,364	0.06	–	–
Datuk Teoh Hwa Cheng	24,367,296	3.24	[(1)] 373,075,532	49.63
Datin Sam Yin Thing	51,861,276	6.90	[(1)] 373,075,532	49.63
Teoh Zi Yi	1,293,032	0.17	–	–
Teoh Zi Yuen	–	–	–	–
Datuk Leong Kam Weng	435,364	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 216,868 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 30 September 2022.*

ANALYSIS OF SHAREHOLDINGS

List of Thirty Largest Shareholders as at 30 September 2022

No.	Name	No. of shares	Percentage holding (%)*
(1)	MRZ LEATHER HOLDINGS SDN. BHD.	198,929,192	26.461
(2)	MRZ LEATHER HOLDINGS SDN. BHD.	174,146,340	23.164
(3)	HUAREN HOLDINGS SDN BHD	47,566,772	6.327
(4)	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAM YIN THING (MY4369)	27,992,000	3.723
(5)	TEOH HWA CHENG	24,367,296	3.241
(6)	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAM YIN THING (MY4178)	22,253,644	2.960
(7)	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING	14,561,948	1.937
(8)	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIN TEONG	13,540,000	1.801
(9)	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE EU JIN	12,012,880	1.598
(10)	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING (7002620)	11,300,000	1.503

ANALYSIS OF SHAREHOLDINGS

AS AT 30 SEPTEMBER 2022

ANALYSIS OF SHAREHOLDINGS (CONT'D)

List of Thirty Largest Shareholders as at 30 September 2022 (Cont'd)

No.	Name	No. of shares	Percentage holding (%)*
(11)	LEE YEE SUM	11,177,584	1.487
(12)	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR USAHA IMPRESIF SDN BHD (E-KKU/LDO)	6,976,916	0.928
(13)	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING (MY3731)	6,732,924	0.896
(14)	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIM PIAU (MY2525)	6,591,268	0.877
(15)	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING	5,659,756	0.753
(16)	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG NYOK YOONG	5,077,496	0.675
(17)	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING	4,800,000	0.638
(18)	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH GROWTH FUND	4,367,700	0.581
(19)	TAN SOON KAR	3,906,648	0.520
(20)	TAN LEE HONG	3,654,380	0.486
(21)	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIN TEONG	3,370,632	0.448
(22)	SAM CHEE SIONG	3,102,656	0.413
(23)	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH AGGRESSIVE FUND	2,550,000	0.339
(24)	LEE NGA JING	2,300,136	0.306
(25)	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIN TEONG (MY3766)	2,209,416	0.294
(26)	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	2,125,600	0.283
(27)	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG BOON HUAT (7008568)	2,048,780	0.273
(28)	LIE YING PING @ LEE YING PING	2,010,980	0.267
(29)	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LAI KAM MEI (LAI0576C)	2,000,000	0.266
(30)	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG HAI SAN (3000048)	2,000,000	0.266
Total		629,332,944	83.712

* *Excluding a total of 216,868 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 30 September 2022.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting ("12th 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	:	Wednesday, 23 November 2022
Time	:	10.00 a.m.
Meeting platform	:	https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657)
Mode of Communication	:	i. Shareholders may type their questions in the chat box at any time during the live streaming of the Annual General Meeting ("AGM") via the meeting platform. ii. Submit questions by logging into the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com latest by Monday, 21 November 2022 at 10.00 a.m. iii. Email questions to corporate@peccaleather.com no later than 10.00 a.m. on Monday, 21 November 2022.

AGENDA

As Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 30 June 2022 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 RM330,000.00 from 24 November 2022 until the conclusion of the next AGM of the Company.	**Ordinary Resolution 1**
3.	To re-elect Datuk Teoh Hwa Cheng 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 Datin Sam Yin Thing who is to retire pursuant to Clause 97 of the Company's Constitution and being eligible, has offered herself for re-election.	**Ordinary Resolution 3**
5.	To re-appoint Messrs Crowe Malaysia PLT as auditors of the Company and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 4**

NOTICE OF ANNUAL GENERAL MEETING

As Special Business

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

6. **Authority under Section 75 and 76 of the Companies Act 2016 ("the Act") for the Directors to allot and issue shares** — **Ordinary Resolution 5**

   "**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.

   THAT pursuant to Section 85 of the Act, read together with Clause 58 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued Pecca shares arising from issuance of new shares pursuant to this Mandate.

   AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares."

7. **Proposed Renewal of Authority to the Company to Purchase its own Ordinary Shares** — **Ordinary Resolution 6**

   "**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 2022 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.

NOTICE OF ANNUAL GENERAL MEETING

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."

8. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")** **Ordinary Resolution 7**

"**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 26 October 2022 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

NOTICE OF ANNUAL GENERAL MEETING

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."

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

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)
(SSM PC No.: 202008001023)

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

Company Secretaries

Kuala Lumpur

Date: 26 October 2022

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.

NOTICE OF ANNUAL GENERAL MEETING

NOTES:- (CONT'D)

(5) In line with the Guidance and Frequently Asked Questions (FAQs) on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia (including any amendment(s) that may be made from time to time) (SC Guidance), the 12th AGM of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting (RPEV) facilities. The SC Guidance 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 SC Guidance, 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. Please follow the procedures as stipulated in the Administrative Guide of the 12th AGM in order to register, participate and vote virtually.

(6) An individual member who appoints a proxy must sign the form of proxy personally or by his attorney duly authorised in writing. A corporate member who appoints a proxy must execute the form of proxy under seal or under the hand of its officer or attorney duly authorised. The duly executed form of proxy shall be deposited with **Boardroom Share Registrars Sdn Bhd** at 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 12th 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 would need to register as a user on the Boardroom Smart Investor Portal first before they can request for the Remote Participantion User ID and password to virtually attend, participate, speak and vote at the 12th AGM, in accordance with Administrative Guide of the 12th 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 **16 November 2022** 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.

(9) Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in the notice of any general meeting will be put to vote by poll.

EXPLANATORY NOTES:-

1. To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 340 of the Act does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.

2. Ordinary Resolution 5 on the Authority under Section 75 and 76 of the Act for the Directors to allot and issue shares

The Ordinary Resolution 5 proposed under item 6 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 but the Directors consider it desirable to have the flexibility permitted to respond to market developments and to enable allotments to take place to finance business opportunities without making a pre-emptive offer to existing shareholders. 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.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:- (CONT'D)

3. Ordinary Resolution 6 on Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 6, if passed, will empower the Directors to purchase the Company's shares of up to ten per centum (10%) of the total number of issued shares of the Company at any point in time, by utilising the funds allocated which shall not exceed the total retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM.

For further information on Ordinary Resolution 6 please refer to the Statement to Shareholders dated 26 October 2022 accompanying the Annual Report of the Company for the financial year ended 30 June 2022.

4. Ordinary Resolution 7 on Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature

The proposed Ordinary Resolution 7, if passed, will empower the Directors from the date of the 12th 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 7, please refer to the Circular to Shareholders dated 26 October 2022 accompanying the Annual Report of the Company for the financial year ended 30 June 2022.

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 12TH ANNUAL GENERAL MEETING ("AGM")

FOR THE SHAREHOLDERS OF PECCA GROUP BERHAD

Day and Date	:	Wednesday, 23 November 2022
Time	:	10.00 a.m.
Online Meeting platform	:	https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657)
Mode of Communication	:	(1) Shareholders may type their questions in the chat box at any time during the live streaming of the AGM via the meeting platform. (2) Submit questions by logging into the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com latest by Monday, 21 November 2022 at 10.00 a.m. (3) Email questions to corporate@peccaleather.com no later than 10.00 a.m. on Monday, 21 November 2022.

Dear Shareholders,

The Company will continue to leverage on technology to facilitate communication and engagement with shareholders by conducting the 12th AGM on fully virtual basis via online meeting platform. The fully virtual 12th AGM is in line with the Malaysian Code on Corporate Governance Practice 13.3, by conducting a virtual AGM, this would facilitate greater shareholders' participation as it facilitates electronic voting and remote shareholders' participation.

In line with Guidance and Frequently Asked Questions (FAQs) on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia (including any amendment(s) that may be made from time to time) (SC Guidance), the 12th AGM of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting (RPEV) facilities. The SC Guidance 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 SC Guidance, 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 RPEV 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.

Entitlement to Participate and Vote Remotely

Only shareholders whose names appear on the Record of Depositors as of **16 November 2022** shall be entitled to participate and/or vote at the 12th AGM or appoint proxy(ies) or in case of a corporation to appoint corporate representative(s) to participate and/or vote on his/her/their behalf by returning the duly executed Form(s) of Proxy.

ADMINISTRATIVE GUIDE OF THE 12TH ANNUAL GENERAL MEETING ("AGM")

FOR THE SHAREHOLDERS OF PECCA GROUP BERHAD

Form(s) of Proxy

If you are unable to attend and participate at the 12th AGM, you are encouraged to appoint a proxy or the Chairman of the 12th AGM as your proxy and indicate the voting instructions in the Form(s) of Proxy in accordance with the notes and instructions printed therein.

Please ensure that the original Form(s) of Proxy is/are deposited at the Company's Share Registrar not less than forty-eight (48) hours before the time appointed for holding the 12th AGM i.e. latest by **Monday, 21 November 2022 at 10.00 a.m**. Details of our Share Registrar can be found below.

Alternatively, you may lodge your Form(s) of Proxy through the BSIP at https://investor.boardroomlimited.com, kindly refer to step 2(d) below.

Corporate Representative

For corporate shareholder who has appointed a representative(s) or attorney(s) to participate in the 12th AGM, please deposit the ORIGINAL Form(s) of Proxy, certificate of appointment or power of attorney, as the case may be, by hand or post to 11th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not later than **Monday, 21 November 2022 at 10.00 a.m**.

Upon verification against the Record of Depositors, an email will be sent to the corporate representative(s) or attorney(s) by Boardroom Share Registrars Sdn Bhd ("Boardroom") to furnish the user name and password. Please note that only one (1) user name will be provided to each corporate representative(s) or attorney(s).

Revocation of Proxy

If you have submitted your Form(s) of Proxy prior to the 12th AGM and subsequently decide to appoint another person as your proxy(ies) or wish to participate in the 12th AGM yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy(ies) not less than forty-eight (48) hours before the 12th AGM. Upon revocation, the proxy(ies) appointed by you previously will not be allowed to participate in the 12th AGM. In such event, you should notify your previous proxy(ies) accordingly.

Voting Procedure

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the 12th AGM will be conducted by poll. The Company has appointed Boardroom as the Poll Administrator to conduct the poll by way of electronic voting ("e-Voting") and SKY Corporate Services Sdn Bhd as Independent Scrutineer to verify the results of the poll.

During the 12th AGM, the Chairman will invite the Poll Administrator to brief on the e-Voting housekeeping rules. The e-Voting session will commence at the start of the 12th AGM at 10.00 a.m. on Wednesday, 23 November 2022 or such other time as announced by the Chairman, and will continue until the time declared by the Chairman as the end of the e-Voting session.

For the purpose of this 12th AGM, e-Voting will be carried out using personal smart mobile phones, tablets, personal computers or laptops. The Independent Scrutineers will verify the poll result reports upon closing of the e-Voting session by the Chairman. Thereafter, the poll results will be announced and the Chairman will declare whether the resolutions put to vote were successfully carried.

ADMINISTRATIVE GUIDE OF THE 12TH ANNUAL GENERAL MEETING ("AGM")

FOR THE SHAREHOLDERS OF PECCA GROUP BERHAD

Registration for Remote Participation

All shareholders including (i) individual shareholders; (ii) corporate shareholders; (iii) authorised nominees; and (iv) exempt authorised nominees shall use the RPEV facilities to participate and vote remotely at the 12th AGM. You will be able to view a live webcast of the Meeting, pose questions and submit your votes in real time whilst the 12th AGM is in progress.

Kindly follow the steps below to register your participation as a shareholder or appoint proxy(ies) for the 12th AGM:

Procedure		**Steps**
Before the day of the 12th AGM		
1.	Register online with BSIP *Note: If you have previously registered with BSIP, you may proceed to Step (2)*	(Only for first-time BSIP users) a. Access the 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 d. Enter a valid mobile number and email address e. You will receive an e-mail from BSIP for e-mail address verification. Click '**Verify E-mail Address**' from the e-mail received to continue with the registration f. Once your email address is verified, you will be re-directed to BSIP for verification of mobile number. Click '**Request OTP Code**' and an OTP code will be sent to the registered mobile number. You will need to enter the OTP Code and click '**Enter**' to complete the process g. Once your mobile number is verified, registration of your new BSIP account will be pending for final verification. Your registration will be verified and approved within one business day and an email notification will be provided
2.	Submit request for remote participation *Note: You must be a registered BSIP user. If not, return to Step (1)*	The registration for RPEV facilities will open on **Wednesday, 26 October 2022 until Wednesday, 23 November 2022,** upon the commencement of the e-Voting session to be announced by the Chairman of the 12th AGM The instrument appointing a proxy must be received latest by **Monday, 21 November 2022 at 10.00 a.m.** <u>For Individual Shareholders</u> a. Log in to https://investor.boardroomlimited.com b. Click 'Corporate Meeting' and select from the list of companies – '**PECCA GROUP BERHAD 12TH ANNUAL GENERAL MEETING**' and click '**Enter**' c. To attend the virtual 12th AGM remotely ➢ Click '**Register for RPEV**' ➢ Read and accept the general terms and conditions and enter your CDS account no. to submit your request d. To appoint proxy(ies) ➢ Click '**Submit eProxy Form**' ➢ Read and accept the general terms and conditions and enter your CDS account no. Then, insert your proxy(ies) details and voting instructions. If you wish your proxy(ies) to act upon his/her discretion, please indicate "**Discretionary**" <u>For Corporate Shareholders, Authorised Nominees/Exempt Authorised Nominees and Attorneys</u> a. Write to bsr.helpdesk@boardroomlimited.com and provide the name of shareholder, CDS account no. and the Certificate of Appointment of Corporate Representative(s) or Form(s) of Proxy (as the case may be) b. Provide a copy of MyKad (front and back) or passport and a valid mobile number and email address

ADMINISTRATIVE GUIDE OF THE 12TH ANNUAL GENERAL MEETING ("AGM")

FOR THE SHAREHOLDERS OF PECCA GROUP BERHAD

Registration for Remote Participation (Cont'd)

Procedure		**Steps**
Before the day of the 12th AGM		
3.	Verification and email notification	For Individual Shareholders, Corporate Shareholders, Authorised Nominees/ Exempt Authorised Nominees and Attorneys a. An email notification will be sent by BSIP to notify that your request for remote participation has been received for system verification b. Upon verification against the Record of Depositors as at 16 November 2022, you will receive an email from Boardroom on the day prior to the 12th AGM, i.e. Tuesday, 22 November 2022 either approving or rejecting your request for remote participation c. If your registration is approved, the said email will provide the Meeting ID, username and password together with the user guide on remote participation and voting for the 12th AGM
On the day of the 12th AGM		
4.	Log in	a. The RPEV facilities will be open for log in on Wednesday, 23 November 2022 at 9.00 a.m., i.e. one hour before the commencement of the 12th AGM b. Click the link provided in the email in Step (3)c to join the 12th AGM. Insert the Meeting ID and sign in with the username and password provided to you via the same email
5.	Participate	a. Please follow the user guide in the email to view the live webcast, submit questions and vote b. To view the live webcast, select the broadcast icon To ask a question during the 12th AGM, select the messaging icon . Type your question in the chat box and click the send button to submit
6.	Vote	a. Once voting has commenced, the polling icon will appear with the resolutions and voting choices until such time that the Chairman declares the end of the voting session b. To vote, select your voting preference 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	a. After closing of the voting session, Chairman will wait for polling results to be furnished by Independent Scrutineers and thereafter inform the shareholders/ participants whether the resolutions are carried b. Upon the announcement by the Chairman on the closure of the 12th AGM, the live webcast will end

ADMINISTRATIVE GUIDE OF THE 12TH ANNUAL GENERAL MEETING ("AGM")

FOR THE SHAREHOLDERS OF PECCA GROUP BERHAD

Gift Policy

There will be **NO DISTRIBUTION** of door gifts or e-vouchers for shareholders/proxies who participate at this virtual Meeting.

The Company would like to thank all shareholders for their kind co-operation, support and understanding in these challenging times.

No Recording or Photography

No recording or photography of the live streaming of the 12th AGM proceedings is allowed without the prior written permission of the Company.

Enquiries relating to the 12th AGM

If you have any enquiries, please contact our Share Registrar during office hours from Monday to Friday from 8.30 a.m. to 5.30 p.m. (except weekend and public holidays) as set out below:

<u>Boardroom Share Registrars Sdn Bhd</u>

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

<u>Personal Data Policy</u>

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 Twelfth Annual General Meeting of the Company 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 **Wednesday, 23 November 2022, 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 2022 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 RM330,000.00 from 24 November 2022 until the conclusion of the next Annual General Meeting of the Company.	Ordinary Resolution 1		
3.	To re-elect Datuk Teoh Hwa Cheng who is 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 Datin Sam Yin Thing who is to retire pursuant to Clause 97 of the Company's Constitution and being eligible, has offered herself for re-election.	Ordinary Resolution 3		
5.	To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 4		
Special Business				
6.	Authority under Section 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares.	Ordinary Resolution 5		
7.	Proposed Renewal of Authority to the Company to Purchase its own Ordinary Shares.	Ordinary Resolution 6		
8.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 7		

(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.

....
Signature/Common Seal of Shareholder

Number of shares held: ....
Date:

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

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

NOTES:-

(1) A member of the Company 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) In line with the Guidance and Frequently Asked Questions (FAQs) on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia (including any amendment(s) that may be made from time to time) (SC Guidance), the 12th AGM of the Company will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting (RPEV) facilities. The SC Guidance 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 SC Guidance, 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. Please follow the procedures as stipulated in the Administrative Guide of the 12th AGM in order to register, participate and vote virtually.

(6) An individual member who appoints a proxy must sign the form of proxy personally or by his attorney duly authorised in writing. A corporate member who appoints a proxy must execute the form of proxy under seal or under the hand of its officer or attorney duly authorised. The duly executed form of proxy shall be deposited with **Boardroom Share Registrars Sdn Bhd** at 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 12th 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 would need to register as a user on the Boardroom Smart Investor Portal first before they can request for the Remote Participantion User ID and password to virtually attend, participate, speak and vote at the 12th AGM, in accordance with Administrative Guide of the 12th 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 **16 November 2022** 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.

(9) Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in the notice of any general meeting will be put to vote by poll.

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 26 October 2022.

1st 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

2nd Fold Here

Fold This Flap For Sealing

PECCA GROUP BERHAD
201001025617 (909531-D)
No.1 Jalan Perindustrian Desa Aman 1A,
Industri Desa Aman, Kepong,
52200 Kuala Lumpur, Malaysia.
T +603 6275 1800 / 3800