PECCA
GROUP BERHAD

REGISTRATION NUMBER: 201001025617 (909531-D)

2023

EMBRACING TRANSFORMATION

The Decisive Shift Towards Innovation And Growth

WHAT'S INSIDE

ABOUT PECCA

The leading car seat cover provider in Malaysia, Pecca Group Berhad (“Pecca” or “the Company”) was listed on the Main Board of Bursa Malaysia Securities Berhad under the Industrial Products & Services sector on 19 April 2016.

With our in-house talent, state-of-the-art technology and manufacturing expertise, we serve a Malaysian and global customer base, including Malaysia’s number one carmaker, Perodua, as well as prominent Japanese carmakers Toyota, Nissan and Mitsubishi.

Pecca and its subsidiaries (“the Group”) are more than just a global upholstery manufacturer. While our core expertise lies in automotive upholstery car seat covers, we are determined to embrace transformation by venturing into new businesses and penetrating new markets.

To further strengthen its business, Pecca has ventured into the aviation MRO business, which has higher margins and high barriers to entry. Pecca intends to leverage its decades of expertise in upholstery design and manufacturing to become a major MRO player, serving airlines, lessors and the aviation industry.

Pecca has also expanded into Indonesia, one of Southeast Asia’s biggest automotive markets.

To drive our transformation and the diversification of our business, we have established a business strategy involving 4 key pillars, namely:

I. OEM: Grow the OEM automotive segment and work on localisation for luxury brands;
II. REM: Raise our REM market share locally and globally;
III. Aviation: Become South East Asia’s top player for aircraft interiors, upholstery and MRO; and
IV. New businesses and EV-related businesses: Seize attractive market opportunities and explore synergistic acquisitions.

With an unwavering commitment to continuous improvement in quality, innovation, transparency, sustainability and compliance, we are forging ahead, revolutionising industries, and creating value for our stakeholders worldwide.

VISION

To be the leading upholstery manufacturer globally in the automotive industry and a top player for aircraft interiors and MRO in Aviation industry.

MISSION

To keep exceeding our customers' expectations in design, quality and innovation and fostering sustainability and long-term partnerships.

PECCA IN A GLANCE

REVENUE

RM 221.26
million

PROFIT AFTER TAX

RM 35.43
million

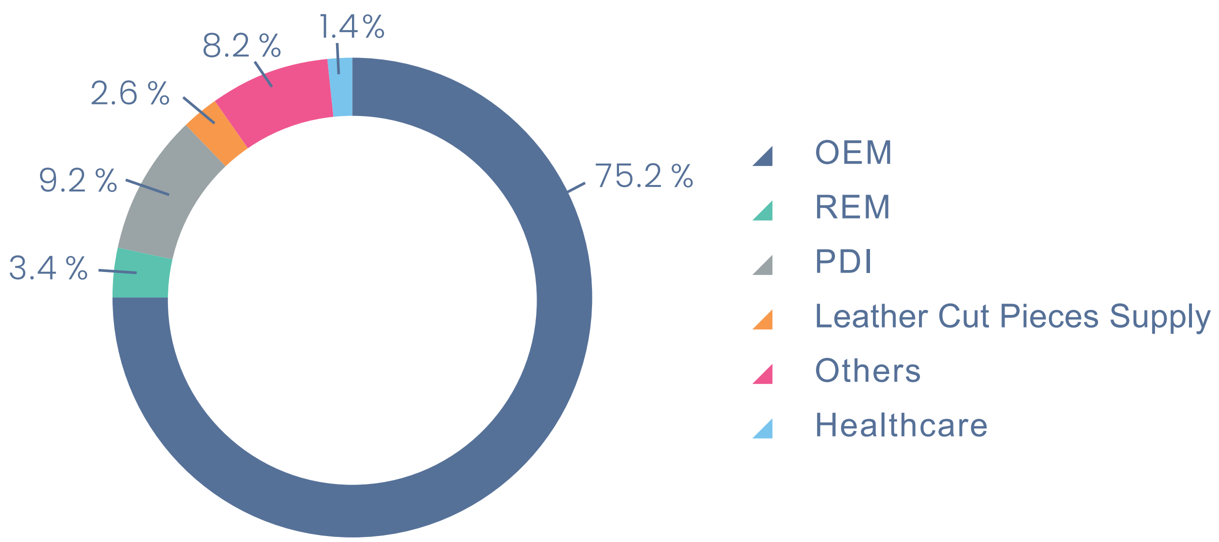
EARNINGS PER SHARE

4.71
sen

TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

RM **212.81**
million

REVENUE BY SEGMENT



CORPORATE INFORMATION

DIRECTORS

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

DATUK TEOH HWA CHENG
(Group Managing Director)

DATIN SAM YIN THING
(Executive Director)

TEOH ZI YI
(Executive Director)

TEOH ZI YUEN
(Executive Director)

DATUK LEONG KAM WENG
(Independent Non-Executive Director)

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

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)

Dato' Mohamed Suffian Bin Awang
(Appointed on 24 November 2022)

Dato' Dr. Norhizan Bin Ismail

Datuk Teoh Hwa Cheng
(Resigned on 24 November 2022)

AUDITORS

Crowe Malaysia PLT
201906000005 (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

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
HSBC Amanah Malaysia Berhad
Hong Leong Islamic Bank Berhad
OCBC Al-Amin Bank Berhad

CORPORATE STRUCTURE

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

PECCA LEATHER SDN BHD 100.00%
Registration No. 200001015763 (518370-H)

Styling, manufacturing, distribution and installation of upholstery for car seat covers, leather cut pieces, provision of wrapping for accessories

Manufacturing and distribution of healthcare product

PT GEMILANG MAJU KENCANA 80.02%
Registration No. 8120002980356

Upholstery leather wrapping & seat cover for automotive industry in Indonesia

PECCA LEATHER (THAILAND) LIMITED 49.00%
Registration No. 0115559022968

Supply of leather upholstery for automotive industry

PECCA AVIATION SERVICES SDN BHD 100.00%
Registration No. 200901019805 (862902-W)

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

PECCA PLUS SDN BHD 100.00%
Registration No. 201101028085 (956220-V)

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

PECCA EV SDN BHD 100.00%
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

EVOLUSI MOBILITI SDN BHD 30.00%
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

PROFILE OF DIRECTORS

Independent Non-executive Chairman

DATO' MOHAMED SUFFIAN BIN AWANG

Malaysian, 52, 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 and Remuneration 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).

Dato' Mohamed Suffian does not have any family relationship with any Director and/or major shareholder of the Company.

He has attended all the six (6) Board Meetings held during the financial year ended 30 June 2023.

Group Managing Director

DATUK TEOH HWA CHENG (KELVIN)

Malaysian, 55, Male

Datuk Teoh Hwa Cheng ("Datuk Kelvin") is the Group Managing Director and founder of Pecca Group. He has been serving on the Board of Pecca Group Berhad since 27 July 2010. With over 28 years of experience in the leather goods industry, he has been instrumental in expanding the group's business in the automotive leather upholstery industry.

As the Group Managing Director, he is responsible for leading the overall strategic planning and long-term goals of Pecca Group. He is always actively involved in the continuous expansion and development of the company's business, both locally and internationally.

Datuk Kelvin is the spouse of Datin Christine and the father of Mr. Hugo and Ms. Kelly. He does not hold any directorship in other public companies or listed issuers.

He has attended all the six (6) Board Meetings held during the financial year ended 30 June 2023.

Executive Director

DATIN SAM YIN THING (CHRISTINE)

Malaysian, 52, Female

Datin Sam Yin Thing ("Datin Christine") is the Executive Director of Pecca Group. She joined the Board on 31 October 2011. Her primary responsibility is overseeing the purchasing functions of Pecca Group, with a special focus on vendor development for key raw materials such as leather, microfiber, PVC etc. With over 24 years of wealth experience in the leather industry, she brings valuable knowledge and expertise to the company.

Datin Christine is the spouse of Datuk Kelvin and mother of Mr. Hugo and Ms. Kelly. She does not hold any directorship in other public companies or listed issuers.

She has attended all the six (6) Board Meetings held during the financial year ended 30 June 2023.

Independent Non-executive Director

DATUK LEONG KAM WENG

Malaysian, 59, 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, Malayan United Industries Berhad and Pan Malaysia Holdings 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.

He has attended all the six (6) Board Meetings held during the financial year ended 30 June 2023.

Executive Director

TEOH ZI YI (HUGO)

Malaysian, 30, Male

Teoh Zi Yi ("Mr. Hugo") 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. He is also actively involved in the development and expansion of the Aviation segment into the domestic and Southeast Asia markets.

Mr. Hugo graduated with a Bachelor of Business Management Degree from University of East Anglia in Norwich, England.

Mr. Hugo is the son of Datuk Kelvin and Datin Christine, and is the sibling of Ms. Kelly. He does not hold any directorship in other public companies or listed issuers.

He has attended all the six (6) Board Meetings held during the financial year ended 30 June 2023.

Executive Director

TEOH ZI YUEN (KELLY)

Malaysian, 28, Female

Teoh Zi Yuen ("Ms. Kelly") is the Executive Director of Pecca Group Berhad. Joining the Board on 16 October 2020, she currently spearheads the marketing department and leads Corporate Affairs & Investor Relations of Pecca Group.

In light of the COVID-19 pandemic that emerged on 18 March 2020, Ms. Kelly seized the opportunity to strategise and oversee investment and production ventures in the healthcare segment. Leveraging Pecca Group's core expertise in manufacturing high-quality leather seat covers, she facilitated the expansion into producing top-notch medical-grade face masks.

Ms. Kelly holds a Bachelor's Degree in Economics and Marketing from Pepperdine University, located in Los Angeles, California, USA.

She is the daughter of Datuk Kelvin and Datin Christine, and is the sibling of Mr. Hugo. She does not hold any directorship in other public companies or listed issuers.

She has attended all the six (6) Board Meetings held during the financial year ended 30 June 2023.

Independent Non-executive Director

DATO' DR. NORHIZAN BIN ISMAIL

Malaysian, 62, 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. He is also 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 offices and State Health Departments where he took on strategic post as Pahang and Kedah State Health Director and was conferred Datukship from both states. 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 official 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.

He has attended all the six (6) Board Meetings held during the financial year ended 30 June 2023.

Notes to the Profile of Directors

None of the Directors has:

1. any conflict of interest or potential conflict of interest, including interest in any competing business with Pecca Group Berhad or its subsidiaries (excluding a related party transation which has been disclosed in the Circular to the Shareholders dated 18 October 2023).
2. any conviction for offences within the past five (5) years other than traffic offences, if any; and
3. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF KEY MANAGEMENT

Chief Executive Officer

FOO KEN NEE

Malaysian, 45, 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 have any family relationship with any Director and/or major shareholder of the Company. As per the Register of Principal Officer's Shareholdings as at 15 September 2023, he has a direct interest of 655,000 ordinary shares in the securities of the Company.

Chief Financial Officer

YEO BEE HWAN

Malaysian, 55, 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 over 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. In Pecca Group, she oversees the full spectrum of finance and reporting, compliance and corporate governance, costing and strategic pricing, treasury and funding management, corporate exercises, legal matters, internal control and related policies.

She does not have any family relationship with any Director and/or major shareholder of the Company.

PROFILE OF KEY MANAGEMENT

Chief Operating Officer

K. KARUNAKARAN A/L KARUPPANNAN

Malaysian, 56, 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 30 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 invaluable experience in the industry, he has extensive knowledge and familiar with the implementation of Standard Operating procedures for operational processes and ISO certifications for manufacturing plants. He has assisted to set up the medical grade face mask operation in 2020. Mr. Karuna has also successfully facilitated to obtain the European Union Aviation Safety Agency ("EASA") license for Pecca Aviation Services Sdn Bhd during FY2023.

He was instrumental in setting up lean management, to support the penetration into the Original Equipment Manufacturer ("OEM"), Pre-delivery Inspection ("PDI"), 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 have any family relationship with any Director and/or major shareholder of the Company.

Technical Director

SAM CHEE KENG

Malaysian, 44, 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 upholstery car seat covers.

On 11 April 2023, he has been appointed as the President Director of PT Gemilang Maju Kencana ("PT GMK"), the newly acquired 80.02% equity-owned subsidiary to help transfer of technical knowledge of upholstery seat cover and develop the new market segment especially the OEM automotive in Indonesia.

He is the sibling of Datin Christine and Mr. Sam Chee Siong, and Brother-in-Law of Datuk Kelvin.

PROFILE OF KEY MANAGEMENT

General Manager Sales

MOHD ZAKI BIN HUSSIN

Malaysian, 52, Male

Mr. Mohd Zaki Bin Hussin ("Mr. Zaki") was appointed as the General Manager of Sales of Pecca Leather Sdn Bhd on 9 May 2023. He holds an Electro-Mechanical Engineering from Polytechnics Sultan Abdul Halim Muadzam Shah, Kedah, Malaysia & Material Forming Engineering from Osaka Technical Institute, Japan.

Mr. Zaki has more than 25 years of experience in Corporate (ASEAN), Sales & Marketing, Customer Management, New Business Development, Program Management, Operations, Manufacturing, Quality & Supply Chain.

He started his career with Multinational Company and Public Listed Company since 1993 namely Jyoto Works Co. Ltd for 5 years and move to management level with TRW Steering & Suspension (M) Sdn Bhd for 17 years and Lear Corporation Co. Ltd for 8 years with Business in Automotive Industries. He is leading the OEM and PDI Sales Team of Pecca and also responsible in business expansion plan for OEM segment within ASEAN region.

He does not have any family relationship with any Director and/or major shareholder of the Company.

General Manager, Business Unit - EV

JUNAIDY BIN SULAIMAN

Malaysian, 51, Male

Mr. Junaidy Bin Sulaiman ("Mr. Junaidy") was appointed as the General Manager, Business Development and Export on 10 January 2022 and was re-designated to General Manager, Business Unit - EV on 1 November 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 (Specialised in Strategic Management) from CH-Warsaw Management University, Poland.

Mr. Junaidy has more than 25 years of working experience in various industries including banking, chemical, and automotive with local and multinational corporations specialising in sales, marketing, business development, corporate strategy, distributorship operation and management, namely Maybank, PPG Industries, UMW Toyota Motor, and Isuzu Malaysia. Presently, he is leading a business development team of Pecca to identify and develop a new business venture in automotive related business.

He does not have any family relationship with any Director and/or major shareholder of the Company.

PROFILE OF KEY MANAGEMENT

Head of Marketing Group Marketing

SUIT LAI YOONG, HELENA

Malaysian, 44, Female

Ms. Suit Lai Yoong ("Ms. Helena Suit") joined as the Head of Marketing - Group Marketing of Pecca Leather Sdn Bhd on 19 September 2022. She holds a Master of Communication majoring in Integrated Marketing Communication from Universiti Sains Malaysia.

Ms. Helena Suit has more than 20 years of strategic marketing experience gained from diversified industries ranging from marketing and consulting agency to information technology, scientific and analytical instruments, building materials, and education industries in her past employment with Thermo Fisher Scientific, Niro Ceramic Group and SEGi University & Colleges. Her professional expertise includes group marketing management, developing marketing plans, marketing communication, advertising and promotion, event management, corporate branding, product branding, digital marketing, social media management, marketing research and merchandising.

She does not have any family relationship with any Director and/or major shareholder of the Company.

Deputy General Manager, Operation

GOH SOON HUANG

Malaysian, 37, Male

Mr. Goh Soon Huang ("Mr. Goh") joined Pecca Leather Sdn Bhd on 1st December 2007 as Assistant Planner and has advanced his career progression ranking with the Company progressively in which he was promoted to Deputy General Manager, Operation on 1st November 2022.

Mr. Goh has over 16 years of working experiences in the automotive manufacturing industries on overall manufacturing operations management pertaining to production, planning, production costing, engineering, technical, Value Analysis and Value Engineering (VAVE) and new product development. He also possessed extensive experiences in warehouse and logistics operations management as well as setting-up and managing medical manufacturing of face masks in accordance with ISO certifications for manufacturing plants.

He was instrumental in implementing Manufacturing Operations Management (MOM) by providing complete visibility into manufacturing processes and production performance through analyse and consolidate data on inefficient areas of production and enact action plan from a single source. He led the Operations team to optimise production, improvised cost efficiency, enhanced manufacturing execution systems as well as R&D management, advanced planning and scheduling, building MOM contingency plan, ongoing manufacturing automation process towards Industry 4.0 and innovative way of managing the entire manufacturing plant.

He does not have any family relationship with any Director and/or major shareholder of the Company.

PROFILE OF KEY MANAGEMENT

Senior Operation Manager

SAM CHEE SIONG

Malaysian, 49, 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 wrapping 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 Christine and Mr. Sam Chee Keng, and Brother-in-Law of Datuk Kelvin.

Operation Director

NEO HWEE LEONG

Malaysian, 37, Male

Mr. Neo Hwee Leong ("Mr. Neo") joined PT Multi Pratama Interbuana as Head of Department for Production, Planning, Inventory and Control in December 2014. Subsequently, he joined PT GMK as an Operational Manager in July 2017. In December 2021, he was promoted to General Manager of PT GMK to overseeing the entire business operation. He has been re-designated to Operation Director on 15 November 2022 to lead the business operation in PT GMK.

Mr. Neo has various experiences in the areas of operational management and commercial roles, including enterprise resource planning ordering, logistics system development and dealings with distributors. His past experience in commercial serve as the backbone to grow sale and customers base and expand the distribution channels. His role in PT GMK includes general management, operations, supply chain and procurement, sales and marketing, quality and regulatory, finance, human resource and administrative and continuous improvement.

He does not have any family relationship with any Director and/or major shareholder of the Company.

Notes to the Profile of Key Management

None of the Key Management has:

1. held any directorship in public companies or listed issuers
2. any conflict of interest or potential conflict of interest, including interest in any competing business with Pecca Group Berhad or its subsidiaries
3. any conviction for offences within the past five (5) years other than traffic offences, if any; and
4. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

In 2023, the global economy is expected to grow at a slower pace. Resilient domestic demand, strong labour market conditions and recovery in services activity, such as tourism, will continue to support global growth. However, headwinds remain, stemming from persistently elevated inflation and higher interest rates. In addition, while China's reopening has been supportive of the global economy, its recovery is already showing signs of losing steam amid concerns about its property sector. A weaker-than-expected recovery in China will weigh on the global outlook for growth.

In the second half of 2023, the Malaysian economy is expected to expand, albeit at a more moderate pace. Weaker external demand will continue to weigh on economic activity, particularly for export-oriented sectors. But growth will be supported by domestic demand, underpinned by favourable labour market conditions, particularly in domestic-oriented sectors. In addition, tourist arrivals are expected to continue improving, lifting the performance of the service sector, while investment activity should be supported by the introduction and implementation of multi-year investment projects. Domestic financial conditions also remain conducive, with credit to the private non-financial sector rising by 3.8% in the second quarter of 2023, and 4.1% in the preceding quarter.

The resilience of Malaysia's economy, coupled with sales tax exemptions for passenger cars, had a positive impact on the automotive industry's performance during the financial year under review.

According to recent data released by the Malaysian Automotive Association ("MAA"), sales of new motor vehicles continued to grow strongly in the first half of 2023, with total industry volume ("TIV") rising 10.3% to 366,037 units from 331,746 units in the same period a year ago. Following a strong rebound in 2022 and a sustained upbeat performance in the first half of 2023, Malaysia's TIV has already surpassed pre-pandemic levels. In July 2023, in light of strong sales momentum, the MAA raised its TIV forecast for 2023 by 11.5%, from 650,000 units to a record 725,700 units.

In the first half of 2023, robust sales by Malaysia's two national car makers contributed significantly to TIV growth. Perusahaan Otomobil Kedua Sdn Bhd ("Perodua"), for instance, registered 144,690 vehicles in the first half of 2023, a figure 13.6% higher than the 127,343 units recorded in the same period last year. Perodua's sales target for 2023 is approximately 11.0% higher compared to 2022, which was a record year for the carmaker.

From the Group's standpoint, Malaysia's positive economic outlook, coupled with robust demand for new vehicles, should set the stage for another year of solid revenue growth.

In 2023, the automotive industry, along with other industries, continued to experience the effects of supply chain disruptions that led to rising costs for raw materials, logistics, labour supply issues, and component shortages.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

Pecca successfully weathered these challenges, thanks to its strong foundation in business process optimisation, staff unity and a strong entrepreneurial spirit. Not only did the Group navigate the challenging operating environment, it also continued to seize new business opportunities, and sustain returns for our shareholders.

The Group's motto, "Passion for Perfection", serves as the inspirational foundation for us to turn something imperfect into a perfect work of art. This is reflected in the work of our Research & Development Division, which serves as the heart of the Group, providing our customers with the best designs and quality products. We strongly believe in providing comprehensive customer support and working closely with our customers. We relentlessly try to solve customers' pain points, which strengthens our relationships with existing customers, while helping us secure new customers and markets.

As we move forward, Pecca will continue being a multiple-engine growth ecosystem, leveraging four ("4") key pillars to generate diversified revenue streams. These 4 pillars are (1) our OEM business, where we are a leading upholstery player and expanding into the luxury automotive market; (2) our REM business, where we aim to be a leading upholstery player locally and globally, targeting further expansion into overseas markets such as the U.S., Australia, New Zealand, Singapore, Middle East and Europe; (3) our aviation business, which involves providing upholstery and aircraft interior refurbishment for domestic and overseas registered aircraft; and (4) new businesses, where we seek out partnerships with established upholstery and OEM parts manufacturers to penetrate the overseas market for our core business, move up the supply chain from being a sub-contractor (tier 2 supplier) to becoming a main contractor (tier 1 supplier), and venture into electric vehicle (EV) related businesses. We are optimistic that these 4 pillars will transform the Group and bring Pecca's market value to new heights!

FY2023 has been one of the most challenging and exciting years for the Group. Despite the challenges, the Group achieved a record high revenue of RM221.3 million and profit after tax of RM35.4 million.

CORPORATE DEVELOPMENTS

On 5 April 2023, the Company announced that Pecca Aviation Services Sdn Bhd ("Pecca Aviation"), a wholly-owned subsidiary of the Company, received a Production Organisation Approval ("POA") Certificate from the European Union Aviation Safety Agency ("EASA"). With this certificate, Pecca Aviation is the first and the only company with the full-scale fabrication capability of aircraft seat covers under the EASA POA in Malaysia and South East Asia region.

This will provide a valuable opportunity for Pecca Aviation to expand its customers' portfolio globally, beyond its existing customers' base that only serves Malaysia-registered aircraft such as private jets and helicopters.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

CORPORATE DEVELOPMENTS (CONT'D)

In FY2023, Pecca Aviation participated in various domestic and overseas exhibitions, including the Langkawi International Maritime & Aerospace Exhibition (LIMA 2023), the Vietnam Aero Summit (VAS 2023), Aircraft Interiors Middle East (AIME 2023) and the Aircraft Interiors Expo in Germany to promote its products and services capabilities.

On 23 May 2023, Pecca Aviation entered into a Memorandum of Understanding ("MOU") with Global Component Asia Sdn Bhd ("GCA"). GCA is principally involved in providing maintenance, repair and overhaul ("MRO") services to civil and military aircraft, with a focus on markets in Southeast Asia and Australasia.

Pecca Aviation and GCA intend to work together to provide aircraft interior product services. From GCA's point of view, this will enable GCA to provide a wider range of services to its existing customers. At the same time, Pecca Aviation can tap the civil and military aircraft market and increase its market penetration in Southeast Asia and Australasia, considering that GCA already has a presence, resources, and network of key customers in these markets.

On 26 July 2023, Pecca Aviation signed another MOU with Aero Cabin Solutions SAS ("ACS") to explore business opportunities in the area of aircraft upholstery and related aircraft interior support services for the Asia Pacific market.

ACS has more than 20 years of experience in the aircraft interior market. Its business activities are the management, inspection, repair and refurbishment of aircraft interiors for leasing companies, airlines and MRO companies around the world, providing Design Organisation Approval Part 21J, supply and refurbishing of passenger seats, interior kits for cabin reconfiguration, consignment stock and storage.

Pecca Aviation has expertise in the production of aircraft upholstery seat covers and other related interior products, whilst ACS's core competencies are in the maintenance, reconfiguration and refurbishment of entire aircraft interiors. By collaborating on a one-stop aircraft interior solution centre in Malaysia, Pecca Aviation and ACS can offer and deliver a wide range of services and solutions to customers in the Asia Pacific market. The collaboration is expected to further expand Pecca Aviation's global and local customer base.

In FY2023, Pecca Leather Sdn Bhd ("PLSB"), a wholly-owned subsidiary of the Company, completed the acquisition of an 80.02% equity interest in PT Gemilang Maju Kencana ("PT GMK") for a total purchase consideration of approximately RM1.9 million. The acquisition was fully satisfied in cash via the Group's internally generated funds. PT GMK is a company incorporated in Indonesia and is involved in the business of upholstery leather wrapping and seat covers for the automotive industry in Indonesia.

Considering that Pecca has more than twenty years of extensive upholstery specialist experience, the Group is confident that it can tap on PT GMK's established market presence to penetrate into the OEM automotive industry in Indonesia.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BOARD COMPOSITION AND CORPORATE GOVERNANCE

The Board of Directors sets high standards for Pecca's leadership, who bring to the table a wide range of knowledge, skills and experience. Pecca has also embraced Board gender diversity in its board composition, recognising the wealth of benefits derived from having a diverse Board. This enables the Board to contribute effectively to the Group, overseeing the management of the company and implementing sound corporate governance.

As we continue to drive sustainable growth, we are committed to ensuring our governance structure constantly keeps pace with the fast-changing market environment, managing risks effectively and transparently across businesses.

REWARDING SHAREHOLDERS

The Group has a dividend payout policy which involves paying out a dividend comprising 40% of the fiscal year's total profit attributable to owners of the Company.

In FY2023, the Group declared a total single-tier dividend of 2.36 sen per ordinary share, totalling RM17.7 million. At 50.1% of total profit attributable to owners of the Company in FY2023, this payout ratio has exceeded the dividend policy set by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS
OVERVIEW OF THE GROUP'S BUSINESS OUTLOOK, STRATEGIES AND OPERATIONS

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.

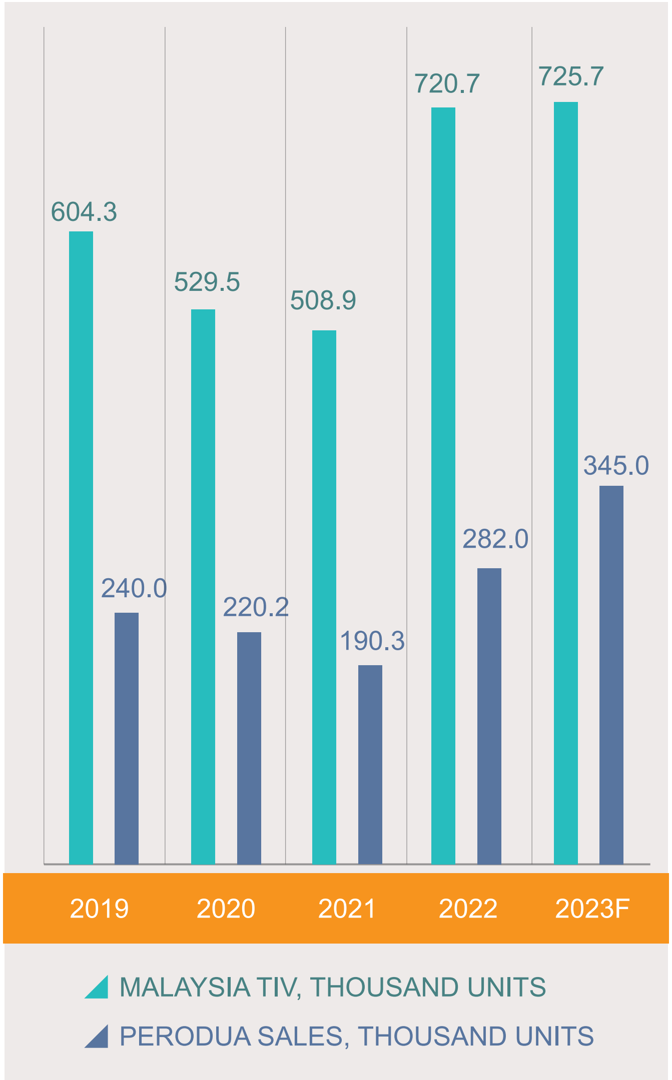
The Group is the leading upholstery seat cover provider for automotive players in Malaysia, with more than twenty years of extensive industry experience. The Group also offers its expertise in styling, designing and manufacturing upholstery seat covers to overseas customers in the U.S., Europe, Australia, New Zealand, Singapore, Thailand and other countries.

Pecca recently obtained European Union Aviation Safety Agency ("EASA") certification, adding to its existing certification by the Civil Aviation Authority Malaysia ("CAAM"). This will allow the Group to provide refurbishment services and supply upholstery seat covers for European-registered aircrafts, particularly commercial aircrafts, besides Malaysia-registered aircrafts.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

MARKET OVERVIEW

Overview of the Automotive market:



Source: MAA, Paultan.org

The Malaysian Automotive Association ("MAA") is projecting total industry volume ("TIV") to hit 725,700 vehicles in 2023, a new record. Despite the delivery of sales tax exemption vehicles ended in March 2023, the industry appears to be on track to hit this target.

Demand for high-quality automotive upholstery continues to be strong, with our key customer, Perodua, projecting sales and production to hit another record high at 345,000 cars in 2023. This sustained momentum is expected to drive Pecca's financial performance in FY2024.

In April FY2023, we completed the acquisition of an 80.02% equity stake in PT Gemilang Maju Kencana ("PT GMK"). To date, PT GMK has contributed RM1.70 million to the Group's revenue, and positively to its net profit.

The global easing of cross-border travel restrictions has unleashed a steady recovery in air travel demand. Aena, the world's biggest airport operator by passenger volume, reported that passenger traffic recovered to 100.5% of pre-pandemic levels as of the first half of 2023.

As travel demand rises, global airlines are planning to increase flight frequencies and introduce new routes. This bodes well for the market for aircraft, aircraft parts, and MRO activities.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

MARKET OVERVIEW (CONT'D)

To seize this opportunity, Pecca is working diligently to broaden its customer base within the aviation industry, both domestically and internationally. In July 2023, Pecca inked a MOU with Aero Cabin Solutions SAS ("ACS"), a French aircraft interior specialist, to explore opportunities in the aircraft interiors market in the Asia-Pacific. Under the MOU, Pecca and ACS intend to form a one-stop aircraft solution centre based in Malaysia, to supply upholstery seat covers and manage, repair and refurbish aircraft interiors under EASA-approved capabilities. Additionally, in May 2023, Pecca entered into an MOU with Global Component Asia ("GCA") Sdn Bhd, a prominent player in the MRO sector in Malaysia. GCA and Pecca plan to work together to provide cabin interior solutions and seat cover products and services in Southeast Asia ("SEA"), including Malaysia and Australasia. Both of these new partnerships aim to leverage Pecca's competitive advantage, as the only EASA-certified POA C2 Certificate holder in Malaysia and SEA as of to date.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL PERFORMANCE REVIEW

RM'000	FY2019	FY2020	FY2021	FY2022	FY2023	CAGR
Extracts from Income Statement:						
Revenue	131,375	104,640	144,750	164,394	221,258	13.9%
Gross Profit	39,380	27,841	41,753	45,831	67,759	14.5%
Results From Operating Activities	19,908	8,786	24,712	28,285	44,892	22.5%
Profit Before Tax	22,179	11,324	25,800	29,289	46,947	20.6%
Profit For the Year	16,672	8,276	19,220	22,841	35,426	20.7%
EBITDA	23,772	12,587	29,526	33,407	49,751	20.3%
Profit attributable to owners of the Company	16,616	8,387	19,234	22,852	35,404	20.8%
Extracts from Balance Sheet:						
Total Assets	190,458	171,613	195,355	224,426	264,036	8.5%
Cash And Cash Equivalents	92,847	78,394	78,132	86,808	111,232	4.6%
Total Liabilities	25,108	16,263	28,418	34,633	50,816	19.3%
Borrowings	-	-	-	8,884	11,870	N.A.
Total Equities	165,350	155,350	166,937	189,793	213,220	6.6%
Extracts from Cash Flows Statement:						
Net cash from operating activities	11,667	3,573	14,836	11,025	39,660	35.8%
Net cash from/(for) investing activities	44,289	13	(7,289)	(10,542)	(2,346)	N.A.
Net cash (for)/from financing activities	(10,425)	(18,184)	(7,624)	8,260	(13,367)	6.4%
Financial Ratios:						
Gross Profit Margin	30.0%	26.6%	28.8%	27.9%	30.6%	
Operation Profit Margin	15.2%	8.4%	17.1%	17.2%	20.3%	
Net Profit Margin	12.7%	7.9%	13.3%	13.9%	16.0%	
Return On Equity [1]	10.0%	5.4%	11.5%	12.0%	16.6%	
Current Ratio (times)	7.3	11.1	6.4	7.2	5.1	
Dividend for the Financial Year	11,007	8,219	11,910	15,461	17,742	
Dividend Payout Ratio (%)	66.2%	98.0%	61.9%	67.7%	50.1%	
Dividend Per Share (sen)[2]	1.5	1.1	1.7[3]	2.1[4]	2.4	

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

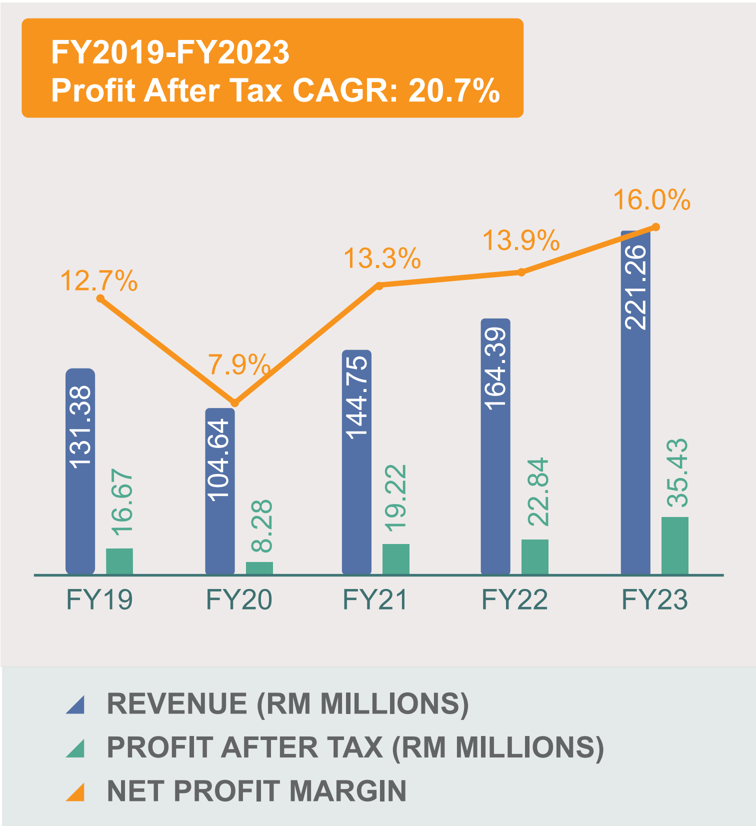
[2] Number of shares are assumed to include the effect of bonus shares issued on the basis of 3 bonus shares for every existing ordinary share held.

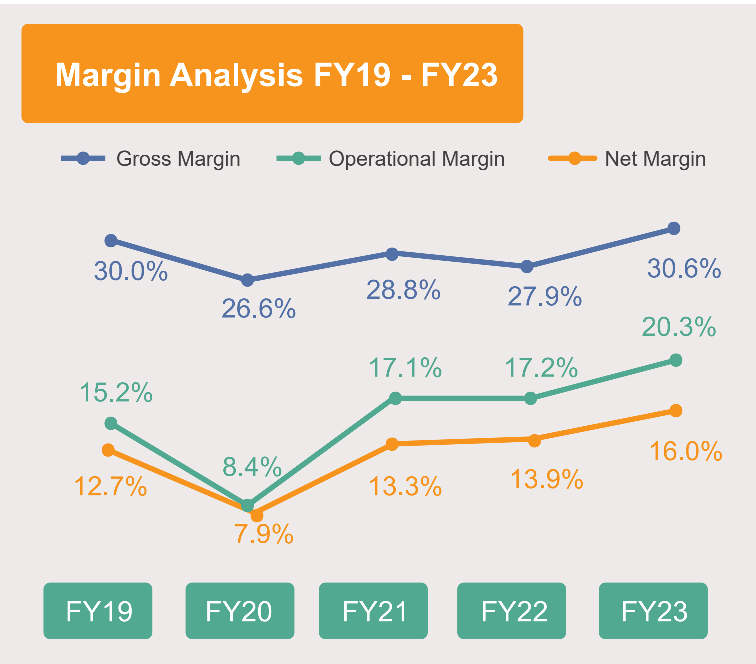
[3] Adjusted based on weighted average cost of share dividend distributed on the basis of 1 treasury share for every 16 existing ordinary shares held.

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

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

REVENUE AND PROFIT PERFORMANCE





In FY2023, for a third consecutive year, Group revenue reached a historical record high. FY2023 revenue was RM221.3 million, a year-on-year ("YoY") improvement of 34.6% from RM164.4 million in the previous financial year. This was primarily attributable to higher revenue from the automotive segment. In addition, the Group achieved significant cost savings, which was mainly the result of reduced operating costs and higher production efficiency in terms of direct labor costs and material yields. This led directly to a notable improvement in the Group's FY2023 EBITDA and PAT, which came in at RM49.8 million and RM35.4 million as compared to RM33.4 million and RM22.8 million in FY2022.

The Group's profit attributable to the owners of the Company increased significantly, rising 54.9% YoY to RM35.4 million in FY2023, from RM22.9 million in FY2022. Thanks to strong revenue growth and improvement in cost efficiency, the Group's net profit margin also improved from 13.9% in FY2022 to 16.0% in FY2023, with return on equity ("ROE") improving from 12.0% in FY2022 to 16.6% in FY2023.

Pecca is confident that it will continue benefiting from strong demand for its upholstery products in the automotive segment, considering the industry is projecting another historical record for Malaysia TIV in 2023, and the Group is making inroads in the Indonesian automotive market.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL POSITION OF THE GROUP

The Group's **total assets** stood at RM264.0 million as of 30 June 2023, an increase of 17.6% from a year ago. The increase was mainly driven by higher cash and cash equivalents, as a result of reduced operating costs following the replacement of sub-contractor workers with the Group's own foreign workers and an improvement in material yields.

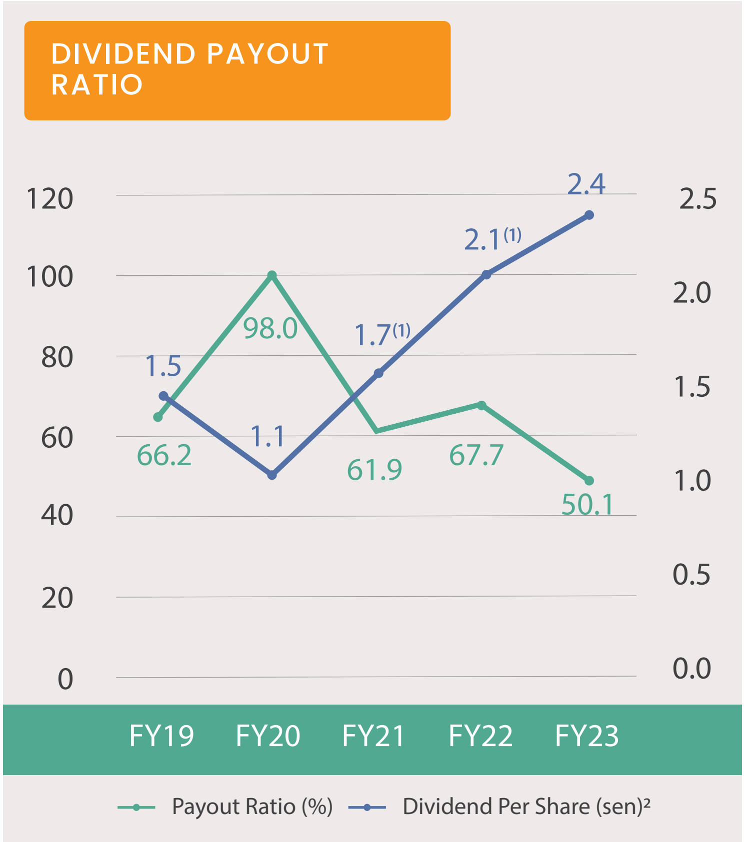
The Group's **total liabilities** stood at RM50.8 million as of 30 June 2023, a 46.7% increase YoY. This was mainly due to higher trade payables incurred to support the Group's increased production volume, as well as a larger provision for corporate tax, triggered by the Group's increased profit before tax ("PBT").

Shareholders' equity rose 12.1% YoY to RM212.8 million as of 30 June 2023. The higher shareholder's equity was mainly a result of the Group's increased net profit, arising from higher sales volume and better economies of scale.

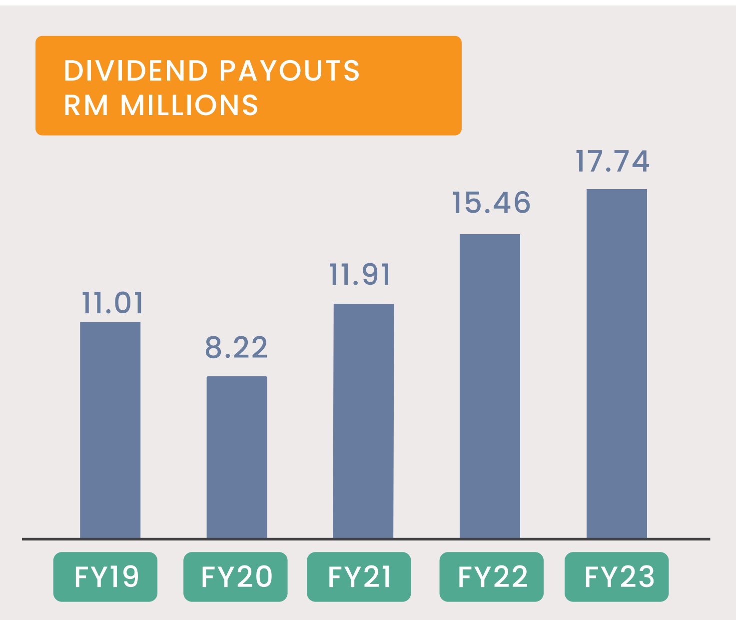
In terms of **liquidity**, the Group continues to maintain a healthy cash and cash equivalents position of RM111.2 million, an increase of 28.1% from RM86.8 million in FY2022. Borrowings remain minimal at RM11.9 million. Given the Group's net cash position and positive net cash flow, Pecca's net gearing ratio remains at an optimal level. The Group's current ratio decreased to 5.1 times from 7.2 times, mainly due to higher tax provision.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

DIVIDEND PAYOUT AND SHAREHOLDERS' RETURN



[1] Adjusted based on the weighted average cost of share dividend distributed.
[2] Dividens per shares is computed based on number of shares are assumed to include the effect of bonus shares issued on the basis of 3 bonus shares for every existing ordinary share held.



In line with our commitment to value creation and as a form of appreciation for all our shareholders, the Board of Directors declared the following dividends in FY2023:

1. On 9 January 2023, the Company declared the first interim single-tier dividend of 0.68 sen per ordinary share in respect of the financial year ended 30 June 2023 totaling RM 5,112,117. The said dividend has been paid on 7 February 2023;
2. On 13 June 2023, the Company declared the second interim single-tier dividend of 0.68 sen per ordinary share in respect of the financial year ended 30 June 2023 amounted to RM 5,112,117 which was paid on 7 July 2023; and
3. On 29 August 2023, the Company declared the third interim single-tier dividend of 1.00 sen per ordinary share in respect of the financial year ended 30 June 2023 which was paid on 29 September 2023, totaling to RM 7,517,831.

Together, these dividends constitute a dividend payout of RM17.7 million, representing 50.1% of the total profit attributable to owners of the Company in FY2023 which exceeded the Group's dividend policy of 40%. The Group will continue to uphold shareholder value creation as a key and long-term objective.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW OF BUSINESS STRATEGIES

The Group's business environment is subject to constant changes, necessitating regular assessments of our corporate strategies. At Pecca, the assessment of business risks is an integrated process that supports informed decision-making throughout the organisation. Our risk assessment process recognises the importance of clear, timely direction and decisions from the Board of Directors and our senior management team while embedding risk management into day-to-day decision-making and operational activities across all business units.

The Group's strategic risk management activities involve reviewing the external business environment in which we operate, taking into consideration our risk appetite. Key risk indicators have been identified for each of our principal risks, to help the Group monitor our risk exposure. These key indicators are periodically reviewed by the Audit and Risk Committee to ensure our business risks are being managed within established levels.

To mitigate risk exposure and ensure the sustainability of the Group's profitability and long-term shareholder value growth, the Management has identified four (4) key pillars to guide the Group's direction moving forward:

Pillar 1: OEM

The Group intends to maintain its focus on the OEM segment to drive continued growth. Pecca is committed to make the necessary investments to expand its core OEM business and be ready to develop products for new models manufactured by existing customers including Perodua, Nissan, Proton, Mitsubishi, and Toyota.

The Group acknowledges the importance of taking calculated risks to seize business opportunities. On this front, the Group has forged a collaboration with the Malaysia Automotive, Robotics & IoT Institute ("MARii"), to participate in MARii's automotive localisation program. Engaging in this collaboration will enable Pecca to explore opportunities to work with new OEM customers, both locally and internationally. The goal of this collaboration is to penetrate the luxury car market, in line with the Malaysian Government's drive to increase the amount of locally produced content in cars assembled in Malaysia. Through this collaboration, Pecca targets to secure luxury car brands such as Porsche and Mercedes-Benz, among others, as new potential clients.

In view of the Group's aspirations in the OEM business, Pecca will construct the second manufacturing plant at the UMW High Value Manufacturing Park in Serendah, Selangor. The second plant will effectively double its production capacity and help Pecca meet the increased production volume requirements for the localisation program.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW OF BUSINESS STRATEGIES (CONT'D)

Pillar 2: REM

The Group aims to be a leading upholstery car seat provider in the REM market, both locally and globally. On the international front, Pecca aims to further expand its REM business in the U.S., Australia, New Zealand, the Middle East, Singapore and Europe. As for expanding the REM business in Malaysia, the Group continues to work closely with dealers and retail outlets to reach out to new end customers.

Expanding the REM business is a strategy to mitigate risks stemming from Pecca's current dependence on the local OEM segment to drive revenue. The OEM market is subject to shifts in TIV demand in Malaysia, which may occur due to a variety of factors outside the Group's control.

In addition, this strategy will enable the Group to penetrate untapped local and global aftersales markets for upholstery car seat cover replacements or upgrades.

Pillar 3: Aviation

The Group is confident that it can develop the Aviation business into a key driver of growth, contributing substantially to Pecca's top and bottom lines.

The Group's European Union Aviation Safety Agency ("EASA") certification, secured in May 2023, is a key step towards this goal. Previously, Pecca only had certification from the Civil Aviation Authority of Malaysia ("CAAM"), which meant Pecca's aviation customer base was limited to locally registered aircraft. The EASA certification will allow the Group to expand its provision of upholstery seat cover services and refurbishment services to EASA-registered aircraft, which includes commercial aircraft.

As it works to expand this business, Pecca has begun a collaboration with ACS, a French aircraft interior specialist, which will provide immediate platform for the Group to explore new business opportunities within the Asia-Pacific aircraft interiors market. In addition, Pecca's MOU with GCA, a major MRO player in Malaysia, is expected to help the Group accelerate its penetration of the market for cabin interior solutions and seat cover products and services across Southeast Asia, including Malaysia and Australasia.

Pillar 4: New Businesses and EV

The Group continues to explore new business ventures through mergers and acquisitions ("M&A"), strategic partnerships, the setting-up of new business segments, as well as businesses related to the electric vehicle ("EV") industry.

Within the automotive segment, Pecca also intends to move up the supply chain, going from a Tier 2 supplier to a Tier 1 supplier. This will allow the Group to accelerate its expansion and growth, enabling it to deliver improved shareholder returns.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW OF BUSINESS STRATEGIES (CONT'D)

Pillar 4: New Businesses and EV (Cont'd)

In April 2023, Pecca completed the acquisition of an 80.02% equity stake in PT Gemilang Maju Kencana ("PT GMK"), giving it access to a production plant based in Indonesia. This acquisition, which marks Pecca's physical expansion in Indonesia's fast-growing automotive market, signifies the Group's commitment to continuously delivering higher returns and value to its shareholders.

The Group is aggressively exploring EV related businesses such as the obtain the distributorship and dealership for EV car within central region, northern and southern region. Pecca also research on various technologies for EV battery and looking into the possibility to participate in the EV battery manufacturing.

BUSINESS OPERATIONS

The composition of the Group's total revenue, with a breakdown of its respective business segments and products, is as follows:-

Business Segments RM'000	FY2019	FY2020	FY2021	FY2022	FY2023
Automotive					
Car Seat Covers					
OEM	78,512	69,308	91,560	104,958	166,354
REM	21,010	10,771	10,110	9,279	7,457
PDI	14,741	9,144	10,570	12,932	20,375
Leather cut pieces supply	9,441	9,905	6,691	10,830	5,667
	123,704	99,128	118,931	137,999	199,853
Healthcare	-	-	17,925	16,388	3,088
Others	7,671	5,512	7,894	10,007	18,317
Grand Total	131,375	104,640	144,750	164,394	221,258

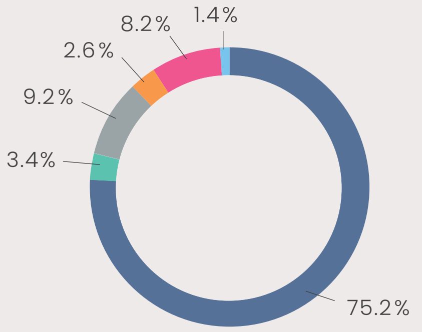
In FY2023, the automotive segment was the biggest contributor to Group performance, at RM217.4 million or 98.2% of Group revenue. Revenue from the Healthcare business was lower YoY, mainly as a result of a decline in sales volume. Sales of facemasks are expected to remain relatively soft as COVID-19 enters an endemic phase, the dangers of the coronavirus subside and facemask mandates are relaxed.

The healthcare business, which is mainly involved in OEM facemask manufacturing and distribution of healthcare products, contributed RM3.1 million or 1.4% to FY2023 revenue, compared to RM16.4 million or 10.0% of FY2022 revenue. Other segments (including Aviation and other businesses) contributed RM806,000 or 0.4% to the Group's total revenue.

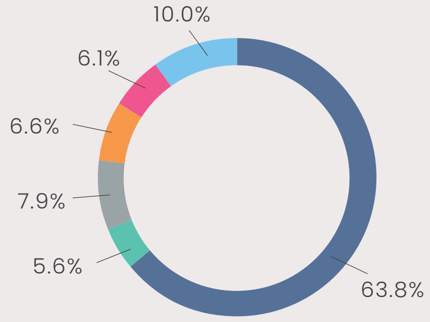
CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OPERATION (CONT'D)

BUSINESS SEGMENT BREAKDOWN FY2023



BUSINESS SEGMENT BREAKDOWN FY2022

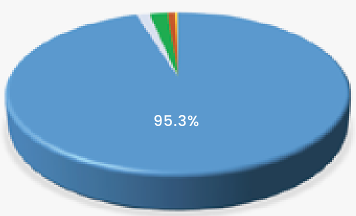


OEM REM PDI Leather Cut Pieces Supply Others Healthcare

REVENUE BREAKDOWN BY GEOGRAPHICAL LOCATION

Country RM'000	FY2019	FY2020	FY2021	FY2022	FY2023
Malaysia	108,698	86,465	133,802	150,219	210,788
Asia Pacific	14,919	12,133	3,970	5,794	3,298
Europe	3,856	2,456	3,300	4,900	4,612
North America	1,940	1,727	1,581	1,808	1,665
Oceania	1,962	1,859	2,097	1,673	895
Total	**131,375**	**104,640**	**144,750**	**164,394**	**221,258**

GEOGRAPHICAL REVENUE BREAKDOWN, FY2023



95.3 % MALAYSIA
1.5 % ASIA PACIFIC
2.1 % EUROPE
0.7 % NORTH AMERICA
0.4 % OCEANIA

In terms of geographical markets, the OEM and REM business in Malaysia contributed the bulk of Group revenue in FY2023, at 95.3% of total revenue. Local OEM and REM revenue totaled RM210.8 million in FY2023, up 40.3% from RM150.2 million in FY2022. This was mainly attributable to robust domestic demand, especially for the OEM segment.

However, the Group's export revenue experienced a decline of 26.1% to RM10.5 million in FY2023, from RM14.2 million in FY2022. The reduction in export sales reflects global economic challenges, as consumers in many economies continue to face high inflation, while continued interest rate hikes have impacted automotive market demand.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OPERATION (CONT'D)

Automotive business overview:

Pecca has always positioned its automotive business as a one-stop solution center, ensuring we provide the best value-add to our customers for the styling, manufacturing, distribution, and installation of car seat covers and car interior accessories. With over twenty years of extensive experience as a specialist in automotive upholstery, we offer a wide range of products, designs, and materials that cater to various market requirements. In particular, we supply OE Fit car seat covers to our Original Equipment Manufacturer ("OEM") market segment that serves car manufacturers, Smart Fit seat covers for the Pre-Delivery Inspection ("PDI") market segment, and Quick Fit car seat covers for the Replacement Equipment Manufacturer ("REM") market segment. In FY2023, Pecca had a production capacity range of 20,000 to 24,000 units of car seat covers per month.

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

- IATF 16949:2016 Quality Management System for Automotive
- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- ISO 45001 :2018 Occupational Health and Safety Management System
- ISO 13485 :2016 Quality Management System for medical devices
- VDA 6.3 Process Auditor Certification

In addition, we have maintained a solid track record serving many established local and international car manufacturers in Malaysia, such as Perodua, Toyota, Nissan, Proton, Mitsubishi, and other car makers.

Revenue Breakdown of Automotive Segment

RM'000	FY2019	FY2020	FY2021	FY2022	FY2023
Car Seat Covers					
OEM	78,512	69,308	91,560	104,958	166,354
REM	21,010	10,771	10,110	9,279	7,457
PDI	14,741	9,144	10,570	12,932	20,375
Sub-Total for Car Seat Covers	114,263	89,223	112,240	127,169	194,186
Leather cut pieces supply	9,441	9,905	6,691	10,830	5,667
Others	6,422	5,016	6,992	9,493	17,511
Total	130,126	104,144	125,923	147,492	217,364

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OPERATION (CONT'D)

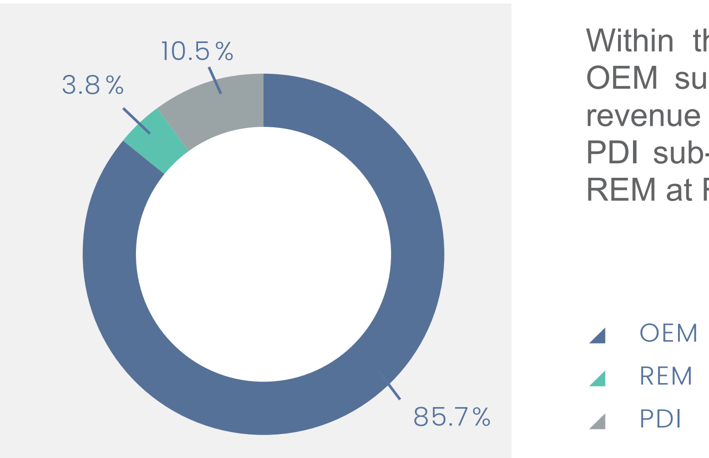
In FY2023, total revenue derived from car seat covers stood at RM194.2 million, a 52.7% increase from RM127.2 million in the previous financial year. The improved result was primarily driven by strong demand for new cars in Malaysia, despite the Government ending its 100% sales tax exemption for locally assembled cars in March 2023. Since hitting rock bottom during the imposition of the Full Movement Control Order ("FMCO") 3.0, the Group's automotive segment has rebounded strongly and even exceeded its pre-pandemic performance. Reflecting this, the segment's capacity utilisation rate has steadily increased, rising to nearly 100% in FY2023.

Revenue from the supply of leather cut pieces was RM5.7 million in FY2023, a 47.7% decrease from RM10.8 million in FY2022. The reduction in revenue was attributable to softer demand from end customers for certain brands.

Within the automotive segment, the Group's Others sub-segment includes the provision of sewing services for fabric car seat covers, the manufacturing of leather/PVC car accessories covers and miscellaneous seat covers, the provision of wrapping and stitching services, and the supply of raw materials. Revenue in the others sub-segment rose 84.5%, from RM9.5 million in FY2022 to RM17.5 million in FY2023, thanks to increased demand for accessories.

Moving forward, the Group aims to expand its international REM business by penetrating new markets in the U.S., Australia, New Zealand, Singapore, Middle East and Europe.

Car Seat Covers Sub-segment Mix, FY2023



Within the car seat covers segment, the Group's OEM sub-segment makes up the largest share of revenue at RM166.4 million or 85.7%, followed by the PDI sub-segment at RM20.4 million or 10.5%, and REM at RM7.5 million or 3.8%.

Pecca will strive to maintain its strong relationship with its customers and support their upcoming projects by manufacturing higher-quality car seat covers and introducing innovative, improved product offerings. The Group is confident it can sustain its market leadership in Malaysia's automotive upholstery industry, while also delivering profit growth.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OPERATION (CONT'D)

In April 2023, Pecca completed the acquisition of an 80.02% equity stake in PT Gemilang Maju Kencana ("PT GMK"), Indonesia. This acquisition is in line with the Group's commitment to continuously generate higher returns and create value for its shareholders. The acquisition has already started contributing to the Group's performance, with PT GMK contributing RM1.7 million to the Group's top line and positively to the company's profit after tax ("PAT") in the three 3 months ending June 30, 2023.

Reinforcing our leadership in the automotive upholstery market

- Pecca is committed to enhancing and improving all relevant aspects of our operations to become the preferred partner for leading domestic and international automotive brands. We will expand our product range with innovative designs and materials to cater to customer needs for vehicle facelifts and upcoming vehicle models. This strategic approach will help grow our presence in the automotive leather upholstery sector while placing us in a prime position to capitalise on eventual growth in automotive demand.

Enhancing the Group's operational efficiency

- The Group constantly strives to enhance its operational efficiency, recognising it as a key competitive advantage. In line with this commitment, we are actively integrating Industry 4.0 systems into our operations. These systems include a Manufacturing Execution System ("MES"), an Enterprise Resource Planning ("ERP") System, a Human Resource Management System, and a Warehouse Management System ("WMS"). The implementation of these systems enable us to improve the effectiveness of our process and cycle time management, allowing us to have a better control and manage our manufacturing processes, goods, services, and human capital in a more timely and efficient manner. We further improve the transparency and analyses via Power BI analytical tool to consolidate databases from all these systems to enable analysis and reporting in a real-time manner with a click for dashboard. On top of IR 4.0, the Group also exploring the potential benefits of artificial intelligence ("AI") may bring to the operational efficiency and decision making such as production processes, material yield, specification etc.

The Group's automotive sales volume is closely linked to the production output of our automotive manufacturing customers, which, in turn, hinges on consumer demand for automotive vehicles. The Group faces competition risks due to the highly competitive nature of our industry, both locally and internationally, coupled with the presence of new entrants. These factors could potentially adversely impact our financial performance. Pecca faces competition in its active pursuit of market share expansion with both new and existing customers and the exploration of high-growth markets. To maximise our competitive edge, Pecca remains focused on continuous product differentiation and improvement through the development of innovative products and effective cost management.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OPERATION (CONT'D)

From an operational perspective, the Group faces downtime risks stemming from the disruption of our manufacturing lines, albeit in rare and unexpected events such as fires, floods, power outages, machinery breakdowns, and movement restrictions. The Group has established protocols and procedures across all departments, to minimise the impact of such incidents on our operations.

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Aviation business overview:

While the aviation segment only delivered a small amount of revenue in FY2023, the Management is confident that this segment's revenue contribution will increase significantly, and that the aviation segment will grow into a key revenue and profit contributor for the Group.

Pecca is certified by the Civil Aviation Authority of Malaysia ("CAAM") for aircraft servicing and refurbishment works, allowing the Group to provide refurbishment services and supply upholstery seat covers to locally registered aircraft. In May 2023, Pecca Aviation, a 100% equity-owned subsidiary of Pecca Group, obtained certification from the European Union Aviation Safety Agency ("EASA") that enable Pecca to service and supply upholstery seat covers to European-registered aircraft.

The aviation upholstery industry is a more stringent regulated market, with customers expecting high quality and faster turnaround times. In addition, the Group is of the view that aviation upholstery is still largely an untapped market, as there are fewer players in the segment. This implies that aircraft seat upholstery is a potentially lucrative business opportunity, where Pecca will be able to price its leather seat covers strategically. As such, the Group believes that as revenue from the aviation business grows, the segment will contribute meaningfully to the Group's profit margins.

Healthcare business overview:

Revenue for the Group's Healthcare business came in at RM3.1 million for FY2023, declining 81.1% from RM16.4 million in FY2022. The significant drop in revenue was attributable to the relaxation of mask mandates, as Malaysia and other countries transitioned to an endemic phase of COVID-19.

In light of the marked slowdown in mask demand and low capacity utilisation rates for its production facilities, the Group made a tough decision to record an RM2.0 million impairment charge for its mask production machines and an RM0.75 million write-down on the value of raw materials in its inventory.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OPERATION (CONT'D)

Healthcare business overview: (cont'd)

Moving forward, the Group expects demand for personal protective equipment ("PPE") products to be sustained. Medical-grade masks and other mask products are expected to remain an essential part of daily life for the foreseeable future, as consumers have become more health and safety-conscious in the post-pandemic era. The Group has continuously enhanced the quality and design of its facemasks to deliver better value for money, while retaining highly stylistic elements to differentiate itself as the preferred brand for fashion-conscious mask buyers.

The Group continues to meet strict healthcare industry guidelines by obtaining and maintaining the necessary certifications for its PPE products. Our key certifications include ISO 13485:2016, GDPMD(Good Distribution Practice For Medical Device), MDA(Medical Device Authority (Malaysia)), FDA, CE(European Conformity (Europe)), Filtration Efficiency Testing, SIRIM, and Made in Malaysia. By ensuring its products meet high quality standards, the Group is well-positioned to tap the global export market.

BUSINESS OUTLOOK

According to the International Monetary Fund ("IMF"), Malaysia's economy is projected to expand between 4% and 5% in 2023. Domestic demand is expected to be the main driver of growth, buoyed by better employment prospects, and a rebound in tourism activities. Malaysia's economy is also seen as a beneficiary of continued investments in the manufacturing and services sectors. On this front, Malaysia is expected to gain from trade diversion and 'China Plus One' – a strategy by multinational corporations that involves diversifying business operations and supply chains across Asia, besides China.

In 2023, the IMF expects Southeast Asia's GDP to expand by 4.6%, down from 5.7% in 2022. Continued regional economic growth will bode well for Pecca Group, both in its home market, Malaysia, and other markets in South-East Asia. In July 2023, in light of strong sales momentum, the MAA raised its TIV forecast for 2023 by 11.5%, from 650,000 units to a record 725,700 units.

Pecca is confident that momentum in the automotive market will be sustained into the upcoming financial year, FY2024. In addition, the Group expects to continue reaping the benefits of improved profitability, resulting from the replacement of sub-contractors in its labor force with skilled foreign workers.

The spectre of global supply chain issues continues to weigh on the outlook for various industries, including the automotive sector. Over the past few years, supply chain disruptions have led to shortages of microchips, components, parts and other materials required in the automotive manufacturing industry. A disruption can directly impact demand or deliveries of automotive upholstery seat covers. The Group's operation teams are working very closely with our customers to mitigate the impact of such disruptions.

CHAIRMAN & MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OUTLOOK (CONT'D)

Despite the challenging operating environment in FY2023, Pecca Group achieved a record-breaking fiscal year, with full-year revenue of RM221.3 million and profit after tax of RM35.4 million, a 55.1% increase from FY2022. These numbers represent the Group's best financial performance since its initial public offering in 2016, and demonstrated the resilience and agility of the Group in the face of numerous headwinds.

To sustain our growth, Pecca will continue leveraging its key strengths to expand in existing and new markets, with a focus on the four key pillars within our multiple-engine growth ecosystem. The Group will also continue delivering operational efficiency through process improvement, automation, and prudent procurement strategies. Moreover, the Group's healthy balance sheet enables us to capture new opportunities and pursue expansion, as and when such opportunities arise. Our robust cash position, which stood at RM111.2 million as of 30 June 2023, gives us the financial strength to accelerate growth across the Group.

In the near term, we will place an emphasis on strengthening our existing capabilities to ensure a dynamic foundation for future growth and success.

A NOTE OF APPRECIATION

In FY2023, it was the spirit of unity and strong support from all stakeholders, including our management and employees, that helped us not only overcome some of the toughest business challenges that we have faced since the inception of our business, but we managed to achieve our best year ever.

We would like to express our deepest gratitude to our Board of Directors for their guidance and support, and to thank our valued shareholders, customers, suppliers, business associates, financiers, and the relevant regulatory authorities for their continuous support and belief in the Group. We highly appreciate to these individuals for their relentless support, commitment, sacrifices, hard work, and diligence during these challenging times.

We believe in rewarding our shareholders through tangible dividend distributions that track our financial performance. This is reflected in the Group's record of sustained, consistent dividend payments since its listing. As we execute our growth strategy, we are confident that we will be able to improve our dividend payout and drive long-term returns for shareholders.

This year, we have also stepped up our efforts to drive business sustainability through various energy conservation and ESG initiatives. The Sustainability Statement in this year's annual report details the Group's efforts and actions taken on this front.

We will continue to do our best, and we share the Management's positivity and confidence about the Group's performance in 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

As a leading automotive leather upholstery player in Malaysia, Pecca Group Berhad ("Pecca" or "the Company") strives to exceed customers' expectations in design, quality and innovation while integrating sustainability into our core businesses by incorporating the factors Economic, Environmental, Social and Governance into our Group's journey. The Sustainability Statement outlines the Group's performance in sustainability management and its progress towards a sustainable future.

STATEMENT OVERVIEW

Reporting Period and Cycle

This Statement covers the financial year period from 1 July 2022 to 30 June 2023 ("FY2023"), and is reported on an annual basis. Data and information from previous years have been included, where possible.

Reporting Scope

This Statement encompasses all business operations of Pecca and its subsidiaries in Malaysia and Indonesia. This year, Indonesia's operation has been included in the scope as the Group has completed the acquisition of 80.02% stake in PT Gemilang Maju Kencana ("PT GMK"), Indonesia in FY2023.

Reporting Framework

This Statement has been prepared in accordance with the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") and Bursa Malaysia's Sustainability Reporting Guide and Toolkits 3rd Edition. Additionally, the statement is further guided by the Global Reporting Initiative ("GRI") Standards, United Nations Sustainable Development Goals ("UN SDGs") and FTSE4Good Bursa Malaysia Index's Environmental, Social and Governance indicators ("FTSE4Good").

External Assurance

This statement has not been externally assured. Nonetheless, the content of this statement has been internally reviewed and endorsed by the Group's Board of Directors and Sustainability Working Group Commitee ("SWC"). We will consider obtaining external assurance for our sustainability statement in the future.

Point of Contact

We value your feedback and opinion concerning our sustainability efforts and reporting approaches. Please reach out to us if there are any enquiries via our email address at corporate@peccaleather.com.

SUSTAINABILITY STATEMENT

SUSTAINABILITY GOVERNANCE

Sustainability governance at Pecca is anchored upon the structure of our Sustainability Working Committee ("SWC") to ensure accountability across all identified sustainability matters. The SWC is led by our Chief Financial Officer ("CFO") who is supported by our Compliance Senior Manager, and comprises our head of Departments ("HODs") across the Group. The SWC is responsible for identifying sustainability issues, developing, and implementing sustainability-related strategies into their day-to-day operations. To align every member's understanding on ESG, the SWC conducts discussion from time to time to discuss on sustainability matters of the Group.

The SWC reports to Pecca's Board of Directors ("Board") on the Group's performance and key issues identified on sustainability matters. The Board oversees the Group's sustainability objectives, policies, strategies, and reviews the sustainability progress of the SWC to ensure successful implementation of the strategies.

The diagram below illustrates Pecca's sustainability governance and their respective responsibilities.

Governance Structure	Roles and Responsibilities
Board of Directors	• Oversight of Pecca's ESG strategies and progress • Review policies and procedures on sustainability matters • Provide guidance and directions to SWC
Sustainability Working Committee Chief Financial Officer Compliance Senior Manager Head of Departments • Finance • Operation • Safety • Sales • Group Marketing • Business Development • Human Resource • Purchasing • IT • Indonesia Operation • Aviation • Warehouse	• Identify and address sustainability-related issues, including risks and opportunities • Develop sustainability strategies and goals • Monitor sustainability indicators and evaluate the performance • Supervise the implementation of the strategies • Report and update to the Board on sustainability matters

SUSTAINABILITY STATEMENT

SUSTAINABILITY GOVERNANCE (CONT'D)

The remuneration of our directors and senior management is further tied to ESG indicators to ensure accountability for the achievement of our sustainability goals. The Key Performance Indicators ("KPI") consist of ESG indicators such as employee safety and health, renewable energy, cost reduction in utilities, product innovation, employee engagement and well-being, diversity and inclusion in new hiring, among others.

CORPORATE MEMBERSHIP AND ASSOCIATION

Pecca actively engages with industry associations to acquire valuable insights into industry best practices and stay informed about emerging trends and developments. The Group is a member of the following associations and organisations:

- Federation of Malaysian Manufacturers ("FMM")
- Motorcycle & Scooter Assemblers And Distributors Association of Malaysia ("MASAAM")
- Malaysia Automotive Association ("MAA")
- Malaysia Aerospace Industry Association ("MAIA")

STAKEHOLDER ENGAGEMENT

At Pecca, we firmly believe that maintaining consistent communication with both internal and external stakeholders is important as we strive to establish ourselves as a reputable and sustainable business. Pecca actively engages with all stakeholder groups in a timely manner to understand concerns among our stakeholders as well as the ESG impact of our product and services. We value all feedback for the continuous improvement of our company.

We engage our stakeholders in various manners across various channels and frequencies, such as quarterly, annually or ongoingly. Such engagement may happen through both formal and informal engagements, covering feedback surveys, shareholder meetings, investor conferences, etc.

The table below summaries our key stakeholders, frequency of engagement, sustainability concerns and the engagement channels.

Stakeholder Group	Frequency of Engagement	Sustainability Concerns	Engagement Channel
Customers	• Ongoing • Annually	• Product quality and safety • Product innovation • Ethical sourcing and production • Customer satisfaction • Customer privacy	• Customer surveys and feedback forms • Customer service and support • Meetings
Investors	• Ongoing • Quarterly • Annually	• Financial performance and stability • Long-term growth and resilience • Ethical business practices • Timely and accurate announcement • Transparency in financial reporting	• Annual general meetings • Earnings reports and financial disclosures • Sustainability reports and update • Investor relations website and contact • Analyst briefings • Press release • Site visits

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT (CONT'D)

Stakeholder Group	Frequency of Engagement	Sustainability Concerns	Engagement Channel
Employees	• Ongoing • Annually	• Workplace safety and well-being • Diversity and equal employment opportunities • Training and career development • Corporate culture and values • Human rights • Employee welfare	• Employee surveys and feedback mechanisms • Regular team meetings • Annual appraisal and performance review • Training and development programme • Employee newsletters and communication platforms • Staff engagement programmes
Suppliers	• Ongoing • Annually	• Ethical sourcing and procurement practices • Quality standards and performance expectations • Sustainability in the supply chain • Strategic partnership	• Supplier assessments and audits • Supplier selection form • Supplier meetings and negotiations • Purchasing control policy
Governments and regulators	• Ongoing • Annually	• Compliance with regulations • Ethical and responsible business practices • Contribution to the local economy • Public health and safety • Environmental and social impact	• Regulatory reporting and compliance submissions • Announcement • Participation in programmes organised by regulatory bodies
Community	• Ongoing	• Environmental and social impact of operations • Community development and well-being • Corporate social responsibility initiatives • Job creation and economic contributions	• Community outreach programs and events • Corporate social responsibility programme

MATERIALITY ASSESSMENT

The materiality assessment is a useful process that enables the Group to identify and understand the sustainability matters that may significantly impact the Group's operations and influence the decisions of our stakeholders. The assessment further guides the Group in formulating its sustainability strategies and goals.

SUSTAINABILITY STATEMENT

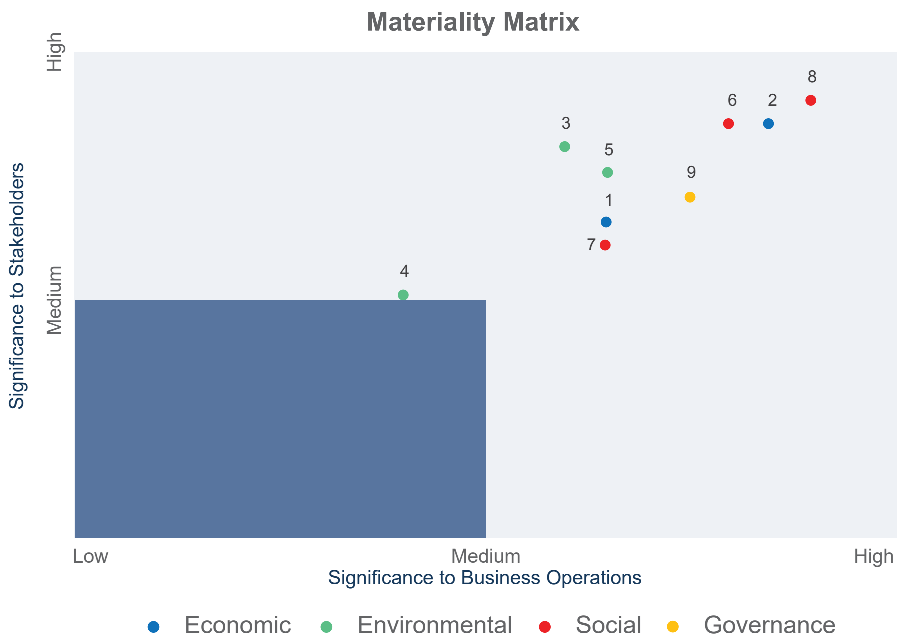
MATERIALITY ASSESSMENT (CONT'D)

Identification of Sustainability Matters	Categorisation and Prioritisation of Material Matters	Review and Validation
• Identify and gather material issues from discussion and engagement with stakeholders • Refer to material matters identified in previous years and those of our peers	• Evaluate the significance of each material matters on the Group's operations and the influence on stakeholders' decision through SWC internal discussions and stakeholders engagement • Plot the outcomes on the Materiality Matrix	• SWC reviews the materiality matrix and reaffirms the matters against sustainability trends and reporting practices in the industry sector • The materiality matrix is presented to the Board for review and approval

In FY2023, we reviewed and reprioritised the materiality matters to realign the matters to its impact on the Group's operations and impact on stakeholders' decisions. Through the materiality assessment and discussions with our stakeholders, we have identified nine (9) material matters. We have reassessed the impact of each material matter after taking into consideration the main concerns of ESG rating agencies regarding the leather manufacturing industry as well as opinions from stakeholders.

We have renamed "Regulatory Compliance" to "Corporate Governance and Ethics", included "Employee Welfare" and omitted "Customer's Satisfaction" as a material topic in FY2023, as the Group has integrated customer's satisfaction factors under "Economic Performance". The Group aims to review the materiality matrix every year to keep updated on the emerging sustainability matters.

The identified sustainability matters are illustrated in the materiality matrix below, plotted against the x-axis, which shows the importance of each matter to the business, and against the y-axis, which shows the importance of each matter to our stakeholders.



1 Economic Performance
2 Procurement and Supply Chain Management

3 Energy Consumption
4 Water Management
5 Effluent and Waste Management

6 Occupational Health and Safety
7 Training and Education
8 Employee Welfare

9 Corporate Governance and Ethics

SUSTAINABILITY STATEMENT

OUR SUSTAINABILITY GOALS

Pecca is committed to supporting the UN SDGs. We have identified ten (10) UN SDGs and realigned our strategies to the goals. The table below illustrates the sustainability goals adopted by Pecca, categorised according to our ESG pillars.

Contributing to Economic Growth

Material Topics	GRI Standards	Sustainability Goals
Economic Performance	GRI 201: Economic Performance 2016 GRI 207: Tax 2019	• Enhance economic performance by promoting responsible financial practices • Increase value generated for our stakeholders • Foster economic growth within our communities
Procurement and Supply Chain Management	GRI 204: Procurement Practices 2016 GRI 308: Supplier Environmental Assessment 2016 GRI 414: Supplier Social Assessment 2016	• Establish a responsible and sustainable supply chain • Ensure ethical sourcing • Minimise environmental impacts

Environmental Conservation

Material Topics	GRI Standards	Sustainability Goals
Energy Consumption	GRI 302: Energy 2016 GRI 305: Emissions 2016	• Reduce energy consumption • Increase energy efficiency • Reduce greenhouse gas emissions
Water Management	GRI 303: Water and Effluents 2018	• Prevent water pollution • Minimise water usage
Effluent and Waste Management	GRI 301: Materials 2016 GRI 304: Biodiversity 2016 GRI 306: Waste 2020	• Reduce waste generation • Minimise the environmental impact of waste disposal • Promote recycling and responsible waste management

SUSTAINABILITY STATEMENT

OUR SUSTAINABILITY GOALS (CONT'D)

People First

Material Topics	GRI Standards	Sustainability Goals
Occupational Health and Safety	GRI 403: Occupational Health and Safety 2018 GRI 416: Customer Health and Safety 2016	• Achieve zero (0) workplace incident • Ensure a safe and healthy work environment for all employees
Training and Education	GRI 404: Training and Education 2016	• Provide training and educational opportunities for employees • Enhance employees' skills and knowledge • Contribute to personal growth and career development
Employee Welfare	GRI 401: Employment 2016 GRI 405: Diversity and Equal Opportunity 2016 GRI 406: Non-discrimination 2016 GRI 407: Freedom of Association and Collective Bargaining 2016 GRI 408: Child Labor 2016 GRI 409: Forced or Compulsory Labor 2016 GRI 413: Local Communities 2016	• Promote diversity and inclusion • Prioritise employee welfare including physical and mental well-being

Corporate Governance

Material Topics	GRI Standards	Sustainability Goals
Corporate Governance and Ethics	GRI 205: Anti-corruption 2016 GRI 418: Customer Privacy 2016	• Ensure full compliance with applicable laws and regulations • Promote responsible and ethical business conduct

SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH

Material Topic: Economic Performance

Definition of Material Topic

Refers to the financial health and viability of Pecca, which is crucial for both our upholstery business and our supply to automotive industry partners.

Why Is This Topic Material to Us?

Economic performance underwrites our ability to invest in new leather treatments, expand our product lines, and maintain the artisanal quality that sets us apart.

Risks/Challenges

1. Economic downturns may impact consumer spending on downstream markets which will affect our products' demand.
2. Market volatility causes fluctuations of foreign currency exchange leading to increment costs such as logistics.

Opportunities

1. Strong financial health allows for R&D into sustainable leather treatments.
2. Opens doors for potential collaborations with eco-friendly automotive brands.
3. Enables us to reinvest into technologies which may reinforce our unique market position.

Management Approach

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 manufacturer in OEM and focus on localisation of luxury brands.
- To be a leading upholstery manufacturer in REM locally and globally, targeting to further expand the overseas market into the US, Australia, New Zealand, Middle East, Singapore and Europe.
- To further expand the Aviation business which provides upholstery and refurbishment for domestic and European registered aircraft.
- To explore potential new businesses – potential partnership with existing upholstery and parts OEM manufacturer to penetrate the oversea markets 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 businesses.

SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)
Economic Performance (Cont'd)

Generate Higher Economic Value via Better Financial Performance

The Group's revenue is generated primarily from the automotive segment, which involves styling, manufacturing, distribution and installation of upholstery for car seat covers, as well as the supply of leather cut pieces to the automotive upholstery industry. Our other segments include healthcare and aviation.

Our financial performance is directly proportional to our Group's revenue generating capabilities. The table below shows a summary of the Group's financial performance for the past three financial years:

Direct Economic Value Generated and Retained (RM million)

	FY2021	FY2022	FY2023
Revenue	144.8	164.4	221.3
Profit Before Tax	25.8	29.3	46.9
Profit for the year attributable to the owners of the Company	19.2	22.9	35.4

For the current financial year, Pecca has generated a total direct economic value of RM 221.3 million, an increase of RM56.9 million or 34.6% from the prior year.

As a sustainable company, we distribute our economic value to our stakeholders through direct and indirect operating costs, employee wages and benefits, payments to capital providers, payments to government and community investments.

Pecca rewards its shareholders through dividends as follow:

	FY2021	FY2022	FY2023
Dividend for the financial year (RM million)	11.9	15.5	17.7
Dividend payout ratio	61.9%	67.7%	50.1%

For more information on our financial performance, please refer to our Financial Statements.

Tax Governance

Pecca upholds the principles of responsible tax governance as an integral part of our commitment to sustainable economic growth. Our approach to taxation is guided by transparency, compliance, and active engagement with tax authorities. We are committed to:

- Adhere to all applicable tax laws and regulations in the jurisdictions where we operate
- Maintain a continuous and open dialogue with tax authorities to foster transparency and mutual understanding
- Actively follow up and address any queries or concerns raised by tax authorities, responding promptly and comprehensively
- Ensure timely settlement of our tax obligations

SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Economic Performance (Cont'd)

The Group's CFO and finance department is responsible for overseeing and ensuring compliance with our tax approach, and we work closely with tax authorities and auditors to ensure accurate, comprehensive, and compliant disclosures. In FY2023, the tax payment to the government amounted to RM 7.7 million.

Improve Sales Framework

To strengthen our economic value generation abilities, we have established a robust Sales Processing & Planning Framework which encloses a systematic and efficient procedure in processing all customers' sales orders. Our Sales General Manager is responsible for implementing these procedures, as well as reviewing the risks 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 · Customer provided items
Amendment of Order	· Letter of amendment or new purchase order
Customer feedback/satisfaction	· Customer feedback · Direct communication · Second-party audit · Customer complaint · Customer satisfaction survey
Records	· All related records shall be maintained and controlled in accordance with Control of Records
Customer Property	· Initial inspection activities · Secure storage conditions · Adequate identification
Risk and Opportunity Assessment	· Changes in process, raw material usage, equipment/machines, product or services · Changes in legislation or policy or organisational structures · New control measures to be taken after a complaint

SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)
Economic Performance (Cont'd)

Prioritise Customer Satisfaction

Our revenue largely depends on our Sales Department's diligent customer relationship management with new and existing customers. Hence, it is prominent that our customers are satisfied by ensuring all clients' feedback and issues are addressed promptly and delivering products and services of the highest quality. We have established a robust management system to ensure highest standards are kept for all our products, with reference to global ISO standards:

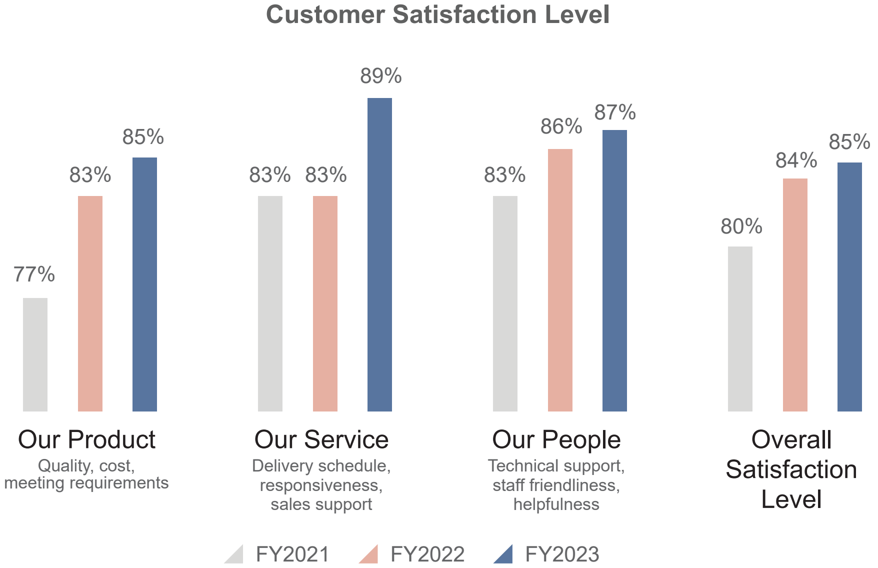
- ISO 9001:2015 Quality Management Systems
- IATF 16949:2016 Automotive Quality Management Systems
- ISO 13485:2016 Quality Management for medical devices.

The flowchart below outlines our end-to-end processes from pre-purchase to post-purchase:

Pecca utilises customer satisfaction survey as two-way communication between the client and Pecca to collect feedback on our products and services. After obtaining feedback from customers, all corrective and preventive action plans are 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. Pecca conducts its Annual Customer Satisfaction Survey every year end, and our customer satisfaction levels are shown as below.

SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)
Economic Performance (Cont'd)



Based on the overall customer satisfaction levels, we were rated at a score of 85%, an improvement from the previous year (FY2022: 84%), as well as above our internal customer satisfaction target of 80%. The rating on our product, service and people have also improved compared to previous year.

Our Group will continue to develop our customer service and relationship management by investing on extra initiatives to improve our customer satisfactory levels while promoting sustainable economic value retention through recurring revenue generated from satisfied customers.

SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)
Economic Performance (Cont'd)

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

Customer Satisfaction Area of Improvement	Description
Quality	• More stringent incoming inspection, online production quality control ("QC") and outgoing quality gates before delivery • Quick response to customer complaints if any
Cost	• Set up special team to study Value Analysis and Value Engineering ("VAVE") in terms of materials process etc. • Price benchmark current or existing models
Design	• Design optimisation of products • Working on designs which meets customer's need and requirement
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

Material Topic: Procurement and Supply Chain Management

Definition of Material Topic

Involves the sourcing, purchasing, and management of raw materials including leather, textiles, and other materials crucial to our manufacturing process.

Why Is This Topic Material to Us?

Given our specialisation in leather upholstery business, a sustainable supply chain is vital for maintaining the high-quality craftsmanship that our customers expect.

SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Procurement And Supply Chain Management (Cont'd)

Risks/Challenges

1. Unethical practices in our supply chain could damage our brand reputation.
2. Dependence on specific leather suppliers could introduce vulnerabilities.

Opportunities

1. Building relationships with sustainable leather suppliers can give us a competitive edge.
2. Streamlined procurement can allow for quicker adaptation to market trends.
3. Utilising a diversified supplier base can mitigate risks and improve resilience.

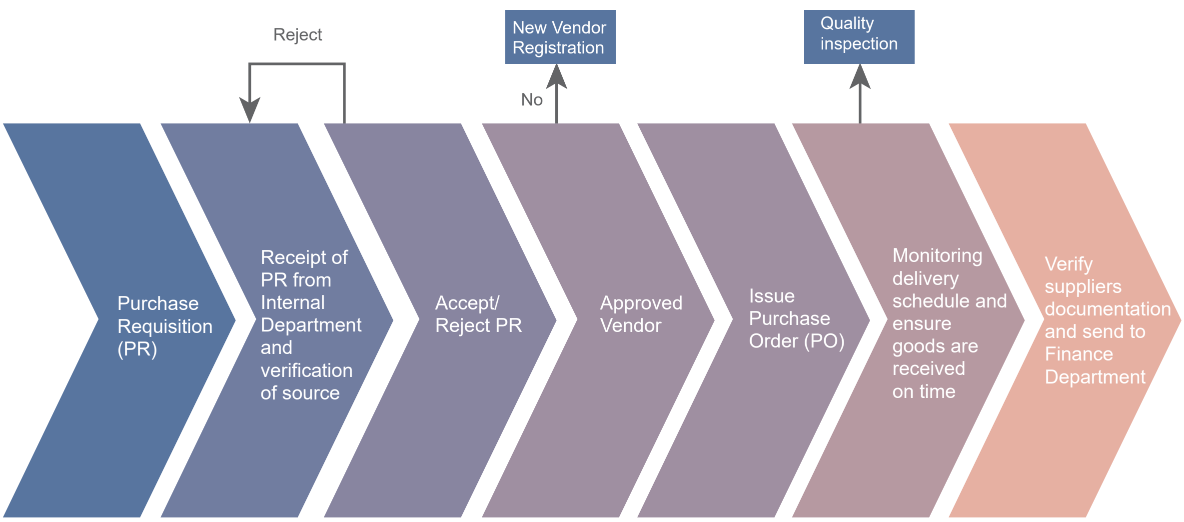
Management Approach

Strengthen Purchasing Processing Flow and Purchasing Control Framework

Having an effective system of supply chain which attaches a stringent set of policies and standards is crucial for any business as it ensures that these raw materials are procured sustainably along our entire supply chain. The need for raw materials for Pecca's operations which includes leather, microfiber, PVC, and fabric in a considerable quantity presses the need for an efficient procurement and supply chain management to minimise the environmental and social impact in our supply chain while consistently delivering our products and services to our customers.

To ensure a cost efficient and sustainable sourcing of raw materials which enhances the competitiveness and supply chain reliability of the Group, Pecca has set in place a robust **Purchasing Processing Flow** and **Purchasing Control Framework** which is regularly reviewed to always be on par with the revolving changes within our environment.

Overview of our Purchasing Processing Flow:



SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Procurement And Supply Chain Management (Cont'd)

Overview of our Purchasing Control Framework:
Key Components in our Purchasing Control Framework

Purchase Requisition

- Purchase Requisition clearly describes the materials required (reference, description, quantity, required time of 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

Purchase Order

- Purchase Order shall include raw materials' description, delivery schedule, compliance details with production requirements, purchase amount and relevant approvals

Supplier Selection

- Carried out by the Purchasing Department based on the following criteria or customer recommendations:
  - Customer appointed sources
  - Background and experience
  - Quality
  - Price competitiveness
  - Delivery Commitment
  - ISO 9001 Certified Suppliers (Direct Raw Materials)

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

SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Procurement And Supply Chain Management (Cont'd)

Key Components in our Purchasing Control Framework (cont'd)

Supplier Audit	· Include supplier's audit or factory visit process whenever necessary
Supplier Development	· Determination of any development actions for active suppliers when there are 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

Selection Criteria for New Suppliers

Pecca is committed to responsible sourcing practices and ensuring our products are of the highest quality standards. To ensure a sustainable supply chain, all new suppliers are required to be screened via a supplier selection form before onboarding. Additionally, main raw material suppliers, especially leather suppliers, are accessed on their environmental and social sustainability practices. Pecca aims to evaluate the environmental and social criteria for all other direct suppliers in the future. All suppliers are screened and treated fairly and equally.

SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

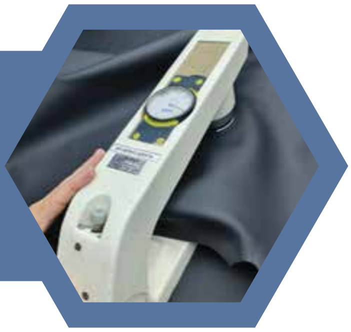
Procurement And Supply Chain Management (Cont'd)

Selection Criteria for New Suppliers (Cont'd)

The full list of supplier selection criteria is as follow:

- Competitiveness of price
- Short order lead time
- Prompt service/ support
- Risk assessment document
- Quality - passed the trial run testing (Direct Material)
- Customer appointed external providers
- Audit performance results
- Environmental Health & Safety
- Legal requirements
- Company background & experiences (priority to Automotive Industry)

Apart from a set of criteria to evaluate and verify our suppliers, our Purchasing Department and operation members perform additional safeguards through physical factory site visits and audits to perform product development, testing and inspection as shown below.



Checking of leather softness

Checking of leather quality

Leather supplier quality inspection

Microfiber supplier factory visit

Comprehensive Supplier Performance Assessment

To further certify that our products and services conform with highest quality, our Purchasing Department conducts annual suppliers' performance assessment to verify that all our suppliers are aligned with Pecca's sustainability goals and ethical standards.

In FY2023, all of our 50 active direct material suppliers and all service providers are assessed via the yearly Supplier Performance Assessment, which include environmental and social considerations. Additionally, Pecca carries out yearly audits for active direct suppliers or suppliers with quality issues, while the rest of the suppliers shall conduct self-audit evaluations.

SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Procurement And Supply Chain Management (Cont'd)

Comprehensive Supplier Performance Assessment (Cont'd)

Notwithstanding, we did not identify any suppliers with significant environmental and social risks.

Some of the environmental and social criteria assessed include:
- Environmental and social legal compliance
- Certified quality management systems (environmental, health and safety)
- Environmental, health & safety awareness
- Compliance to labour laws (child labour)

Overview of 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 · Compliance to statutory & regulatory requirements
Cost	· Competitive pricing/value · Price stability/accuracy · Commitment to cost reduction
Service	· Speed of quotation · Responsiveness to urgency/complaints · Accessibility to after sales service · Technical assistance/ability
Environmental Health & Safety	· Certified EMS ISO 14001, OHS ISO 45001 · Incur accident during supply of product / services · Compliance to Pecca's EHS guidelines · Environmental, Health & Safety Awareness/Permit to Work · Housekeeping after completion of job
Child Labour	· Compliance to The Child Act 2001

SUSTAINABILITY STATEMENT

CONTRIBUTING TO ECONOMIC GROWTH (CONT'D)

Procurement And Supply Chain Management (Cont'd)

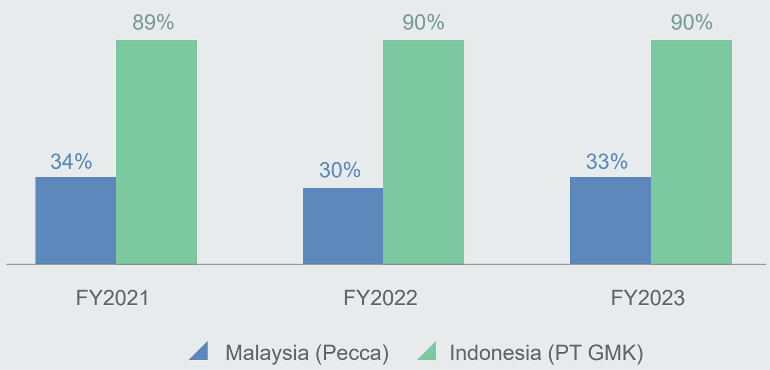
Increase Purchases From Sustainable Local Suppliers

As part of our contribution to the domestic economy, we aim to increase procurement from local suppliers, which improves efficiency due to shorter delivery lead times and lower transportation costs as compared to overseas suppliers. For the local suppliers, Pecca undergoes non-discriminatory assessments as per our purchasing guidelines to ensure competitiveness in product, pricing, place, and promotion is maintained. Our Group's dedicated efforts in strengthening our local procurement have seen an increase in Malaysia's local purchases in FY2023, increasing from 30.0% to 33.0%.

Foreign purchases made up a higher percentage of Malaysia's procurement as most of our main materials such as leather, PVC, fabric and microfibers are sourced from overseas suppliers due to the absence of raw materials and technology available locally in Malaysia. Additionally, the selection of some of these materials are appointed by our customers, which consist of mostly foreign suppliers. Nonetheless, materials such as foam, carton box, glue and plastic bags which are available locally were sourced mainly from local vendors. We strive to sustainably increase our local procurement efforts.

Illustration of our breakdown of purchases for FY2021 to FY2023 is shown below:

Local Spending by Country



% of total purchases

Country (Entity)	FY2021 Local purchases	FY2021 Foreign purchases	FY2022 Local purchases	FY2022 Foreign purchases	FY2023 Local purchases	FY2023 Foreign purchases
Malaysia (Pecca)	34%	66%	30%	70%	33%	67%
Indonesia (PT GMK)	89%	11%	90%	10%	90%	10%

SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION

Environmental Policy

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 and aviation 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.

As outlined in the Environmental Policy, Pecca strives to promote untiring efforts for environment preservation by minimising environmental impact from the manufacturing of leather and synthetic leather seat cover and interior finishing for automotive and aviation industries, as well as manufacturing of medical device through:

- Commitment to comply with environmental requirements of all applicable legislation and regulation
- Commitment to carry out environmental protection by organising and prioritising environmental management and involvement of all employees and interested parties
- Promote the environmental management programs to mitigate, minimise environmental impact, and prevention of pollutions
- Provide sufficient education, training and promotion to all employees on risk-based thinking, identify life-cycle perspective and environmental impact through continual improvement on awareness and management skills

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 ("DOE"). 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 incident of non-compliance with environmental laws and regulations in FY2023. We strive to continue adhering to these best practices going forward.

SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)

Biodiversity

Biodiversity is important in maintaining a healthy planet. We are committed to responsible environmental stewardship throughout our operations. Our operation sites are located in industrial zones in Malaysia and Indonesia, and none of our sites are located in or adjacent to protected areas or areas of high biodiversity value outside protected areas.

We recognise our leather automotive and aviation seats, as well as interior accessories manufacturing processes sources materials from biodiversity, which involves the sourcing of hides from cattle. Leather is a by-product from the meat industry, where unused hides are recycled and manufactured into leather. We are dedicated to sourcing our materials responsibly and promoting sustainable ranching practices in our supply chain, as elaborated in the "Procurement and Supply Chain Management" section above, to reduce our environmental impact and preserve our ecosystems for a more sustainable and biodiverse future. We do not identify any significant impacts of our operations on biodiversity.

Material Topic: Energy Consumption

Definition of Material Topic

Relates to the energy used in our manufacturing facilities where we produce leather upholstery.

Why Is This Topic Material to Us?

Efficient energy use is not only cost-effective but aligns with the artisanal, hand-crafted quality that requires focused and sustainable production processes.

Risks/Challenges

1. Rising energy costs could disproportionately affect our hand-crafted manufacturing processes.
2. Transitioning to renewable energy sources may face initial implementation challenges.
3. New energy efficiency regulations may require updates to our longstanding practices.

Opportunities

1. Lower energy costs can make our high-quality products more competitively priced.
2. Using sustainable energy can enhance our brand's appeal to eco-conscious consumers.
3. Potential for government incentives in transitioning to cleaner energy sources.

SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)

Energy Consumption (Cont'd)

Management Approach

Energy Management

As a signatory of the Paris Agreement, Malaysia has committed to achieve a 45% reduction in greenhouse gas ("GHG") emission intensity per unit of GDP by 2030, compared to 2005 levels. 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, as all our cutting and sewing machines uses electricity. We therefore continue to develop and enhance our Environmental Management System ("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.

In FY2023, Pecca has recorded 0 incident of non-compliance with environmental laws and regulations regarding energy and emissions.

Our Initiatives

Replacing fluorescent lamp with LED

The Group has been replacing our fluorescent lighting fixtures lamps with light-emitting diode ("LED") to improve energy efficiency since FY2021. Currently, the progress of the replacement stands at 40% for office lightings (FY2022: 9%) and 60% for production lightings (FY2022: 16%). Pecca endeavours to continue such replacement going forward.

Installation of Solar PV System

The Group has completed the installation of a solar photovoltaic ("PV") system on the rooftop of our manufacturing facility in FY2022. 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 the 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 290.9 MWh and helped to reduce 290.0 tonnes of carbon dioxide in FY2023.

Total Solar Energy Generated in FY2023	290.9 MWh
CO_2 Emissions reduced in FY2023	290.0 tCO_2

SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)

Energy Consumption (Cont'd)

Our Initiatives (Cont'd)

Completed solar PV system on the rooftop of our manufacturing facility

Energy-Saving Campaign

Our ongoing energy-saving campaign for the past few years has continued to instill values of reducing energy consumption among our employees. This includes employing the use of "best practice" notices and signages at power outlets and switches.

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

Water Cooling System

Pecca uses water cooling system instead of fans or air conditioning system on our operations floor, covering 3.5 floors which is equivalent to 75,000 sqft. This initiatives greatly reduces our electricity consumption as there is no need for fans or air conditioners to cool the air.

Water cooling system in operation floors

SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)

Energy Consumption (Cont'd)

Our Initiatives (Cont'd)

Auto Motion Sensor Lightings and Solar-Powered Lightings

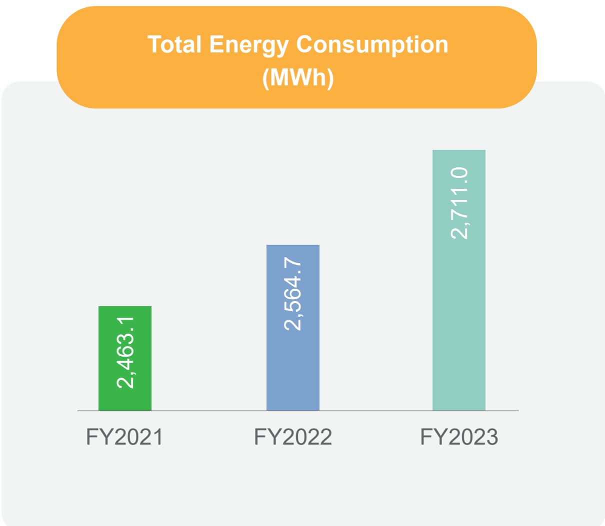
We have installed auto motion sensor lightings in areas such as staircase to save energy and switching off the light automatically when the area is not in use. Additionally, we have implemented solar-powered lightings for our premises' outdoor lightings which utilises solar energy.

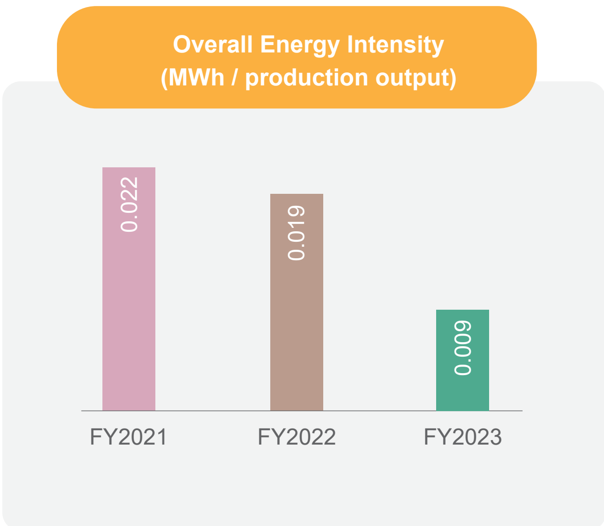
Virtualisation of Servers

Instead of dedicating separate hardware for each server, Pecca leverages virtual machines to run multiple servers on a single hardware platform. This approach significantly reduces our energy consumption by optimising hardware utilisation and minimising the need for additional servers, which in turn lowers electricity usage and cooling requirements. By embracing virtualisation, we not only enhance our operational efficiency but also contribute to our broader sustainability goals by reducing our carbon footprint and energy costs.

Tracking Our Energy Performance

During the financial year, Pecca's total energy consumption increased by 5.7% to 2,711.0 MWh as our production output increased in FY2023. The Group's energy intensity ratio stood at 0.009 MWh / production output, an improvement from 0.019 MWh / production output in FY2022. Note that data from Indonesia's operation is collected from May 2023 onwards, as the Indonesia entity has moved to the existing location in May 2023.





SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)

Energy Consumption (Cont'd)

Tracking Our Energy Performance (Cont'd)

Energy Consumption	Unit	FY2021	FY2022	FY2023
Energy consumption				
Electricity consumption	MWh	2,463.1	2,411.7	2,428.0
Malaysia[5]	MWh	2,463.1	2,411.7	2,428.0
Indonesia[6]	MWh	-	-	0.0 [1]
Solar energy consumption	MWh	-	153.0	283.0
Malaysia	MWh	-	153.0	283.0
Total energy consumption	MWh	2,463.1	2,564.7	2,711.0
Solar energy sold	MWh	-	1.0	7.7
Energy Intensity				
Malaysia	MWh / production output [2]	0.022	0.019	0.014
Indonesia	MWh / production output [3]	-	-	0.000 [4]
Overall energy intensity	MWh / production output	0.022	0.019	0.009

Notes:
1. Figure is less than 0.0.
2. Production output refers to car seat covers.
3. Production output refers to production parts.
4. Figure is less than 0.000.
5. Malaysia side is refering to Pecca.
6. Indonesia side is refering to PT GMK.

Emissions

Consistent with our energy efficiency programme, Pecca is committed to reducing 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.

SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)

Energy Consumption (Cont'd)

Emissions (Cont'd)

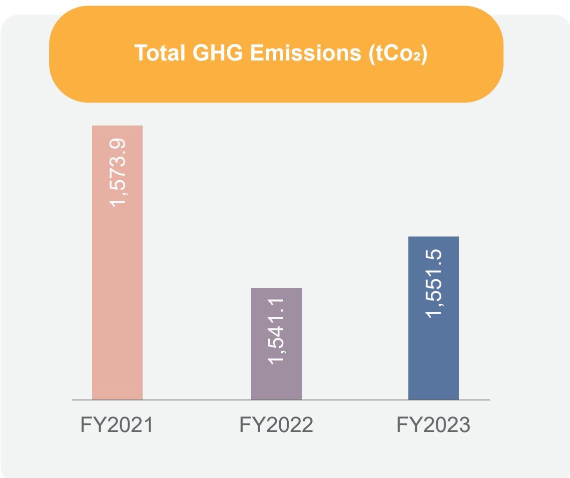
Pecca has been undertaking air emissions inspection as per the Department of Environment ("DOE")'s requirements every year to ensure the air emissions from the Group's operation are under safe levels. In the financial year under review, Pecca has performed relocation of our air ducting system to improve the efficiency of our system. As the relocation is not completed within the financial year, we are not able to carry out the air emissions inspection in FY2023. The relocation has been completed on 26 August 2023, and Pecca shall disclose our air emissions result in the next sustainability report.

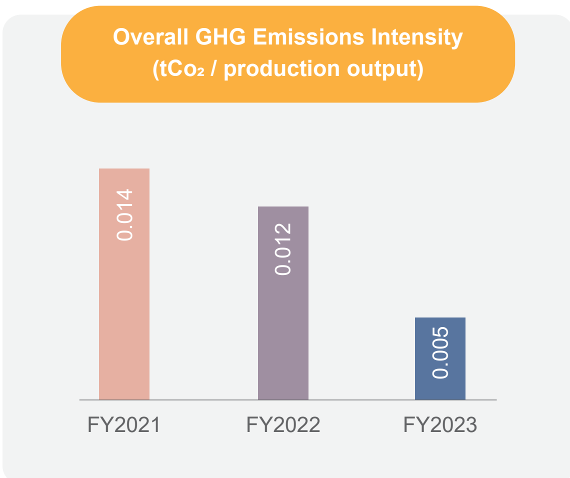
Nonetheless, past air emissions inspections have shown that the Group is in full compliance with the Environmental Quality (Clear Air) Regulation 2014.

Tracking Our Emissions Performance

Our Scope 2 GHG emissions include indirect GHG emissions generated from the consumption of purchased electricity, which accounts for most of the energy consumed in the Group. 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 0.7% increase in FY2023 as production output increased in the financial year. Overall GHG emissions intensity ratio improved by 56.8% in FY2023 as a result of our energy saving initiatives. Note that data from Indonesia's operation is collected from May 2023 onwards, as the Indonesia entity has moved to the existing location in May 2023.





SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)

Energy Consumption (Cont'd)

Tracking Our Emissions Performance (Cont'd)

GHG Emissions	Unit	FY2021[7]	FY2022	FY2023
GHG Emissions				
Scope 2 emissions	tCO_2	1,573.9	1,541.1	1,551.5
Malaysia[1]	tCO_2	1,573.9	1,541.1	1,551.5
Indonesia[2]	tCO_2	-	-	0.0 [3]
Total GHG emissions	tCO_2	1,573.9	1,541.1	1,551.5
GHG Emissions Intensity				
Malaysia	tCO_2 / production output [4]	0.014	0.012	0.008
Indonesia	tCO_2 / production output [5]	-	-	0.000 [6]
Overall energy intensity	tCO_2 / production output	0.014	0.012	0.005
Reduction of GHG emissions from solar energy usage	tCO_2	-	153.8	290.0

Notes:
1. Malaysia (Pecca): The emission factor is obtained from the Sustainable Energy Development Authority ("SEDA") 2016 Baseline CO_2.
2. Indonesia (PT GMK): The emission factor is obtained from 2019 Power Plant Emission Factors, Directorate General of Electricity, Ministry of Energy and Mineral Resources, Indonesia.
3. Figure is less than 0.0.
4. Production output refers to car seat covers.
5. Production output refers to production parts.
6. Figure is less than 0.000.
7. FY2021 was chosen as the base year.

Material Topic: Water Management

Definition of Material Topic

This focuses on the responsible use, conservation, and treatment of water in our leather manufacturing processes.

SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)
Water Management (Cont'd)

Why Is This Topic Material to Us?

As leather treatment can be water-intensive, responsible water management is vital for both environmental sustainability and operational efficiency in our specialised field.

Risks/Challenges

1. Water scarcity could disrupt leather treatment processes, impacting quality.
2. Increasing wastewater treatment standards could incur additional costs.
3. Inefficient water use can result in higher operating costs, affecting profitability.

Opportunities

1. Water recycling technologies can lower costs and enhance environmental stewardship.
2. Responsible water usage can strengthen our brand's reputation for sustainability.
3. Aligning with water conservation standards may make us eligible for environmental grants and incentives.

Management Approach

Water Management

We recognise water is a precious resource, not just to our organisation, but also to all living beings on this planet. Sustainable water and effluent management is critical to protect the water resources of our planet, while simultaneously minimising the impact on our operating costs. The Group monitors responsible water stewardship via our EMS, which adheres to the ISO 14001:2015 standards.

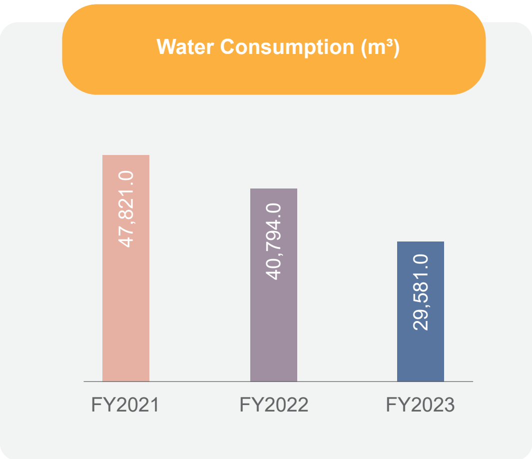
At Pecca, water is mostly consumed for domestic usage, as our manufacturing process does not require water usage. Pecca sources our water from local licensed water service providers, namely Syarikat Air Selangor in Malaysia and Lippo Cikarang Town Management in Indonesia. None of our operations are located in water stress areas.

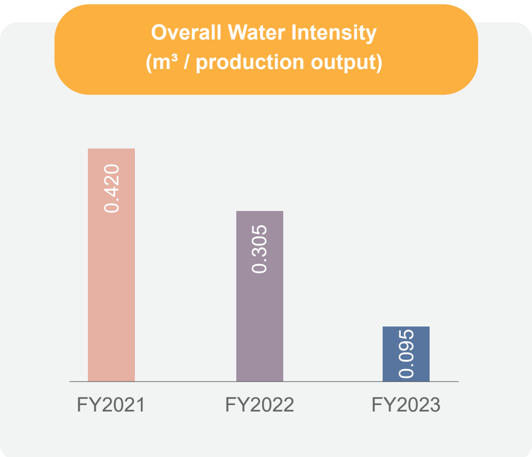
As Pecca's operation does not involve water usage, water is discharged to sewage drainage without water treatment as they are not contaminated with chemicals. As such, the Group is not required to carry out water sampling analysis moving forward as advised by DOE, which the Group has been carrying out every year previously. We aim to continue our strong track record of meeting all regulatory requirements relating to water and effluent discharge in the coming years.

In FY2023, Pecca has recorded 0 incident of non-compliance with environmental laws and regulations regarding water and effluent discharge. On 7 March 2023, DOE visited and inspected Pecca's site, and declared that Pecca is in compliance with the Environmental Quality Act 1974.

SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)
Water Management (Cont'd)





Our Initiatives

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. We have also incorporated auto sensor water taps to limit water wastage when not in use.

Tracking Our Water Performance

To reinforce our commitment to 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 27.5% in FY2023 despite a higher production output. As a result, overall water intensity improved by 68.9% to 0.095 m^3 / production output in FY2023. Looking ahead, we endeavour to continue meeting our water usage reduction targets with the ultimate objective of protecting water as a pristine resource. Note that data from Indonesia's operation is collected from May 2023 onwards, as the Indonesia entity has moved to the existing location in May 2023.

Water Consumption	Unit	FY2021	FY2022	FY2023
Water consumption				
Malaysia	m^3	47,821.0	40,794.0	29,084.0
Indonesia	m^3	-	-	497.0
Total water consumption	m^3	47,821.0	40,794.0	29,581.0
Water Intensity				
Malaysia	m^3 / production output (1)	0.420	0.305	0.148
Indonesia	m^3 / production output (2)	-	-	0.004
Overall water intensity	m^3 / production output	0.420	0.305	0.095

Notes:
1. Production output refers to car seat covers.
2. Production output refers tp production parts.

SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)

Material Topic: Effluent and Waste Management

Definition of Material Topic

This involves the management of waste materials and emissions, particularly from the leather treatment processes.

Why Is This Topic Material to Us?

Effective waste management is crucial for minimising our environmental impact, a key concern given the nature of leather manufacturing.

Risks/Challenges

1. Stricter regulations on waste disposal could necessitate infrastructure upgrades.
2. Mishandling of waste could lead to environmental damage and legal repercussions.
3. Public scrutiny over waste management practices can impact customer perceptions.

Opportunities

1. Waste-to-energy initiatives could turn a challenge into an asset.
2. A robust recycling program can further appeal to eco-conscious consumers.
3. Demonstrating leadership in waste management can enhance our reputation as a responsible business.

Management Approach

Waste Management

Pecca's manufacturing activities such as cutting, trimming and sponging, among others, generate both hazardous (scheduled) and non-hazardous (non-scheduled) wastes. In this regard, responsible waste management can help reduce the environmental impact of our manufacturing processes by ensuring that industrial waste does 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 waste 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%.

In FY2023, Pecca has recorded 0 incident of non-compliance with environmental laws and regulations regarding waste.

SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)

Effluent and Waste Management (Cont'd)

Hazardous Waste

We employed third-party contractors licensed by the DOE for the collection, recycling and disposal of these scheduled waste (hazardous waste) on a semi-annual basis.

There are four 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
SW404	Pathogenic waste, clinical waste or quarantined materials	Use of swab test kits by our employees, to prevent risk of Covid-19 outbreak and disrupting operation	Use of nitric gloves and face mask when handling disposal of the test kits
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 tiple rinse system, which is fully automated

SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)

Effluent and Waste Management (Cont'd)

Hazardous Waste (Cont'd)

Category	Scheduled Waste	Description	Handling Process
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

Non-Hazardous Waste

Non-hazardous (non-scheduled) waste generated from our manufacturing processes includes waste such as scrap leather, scrap PVC, scrap foam, scrap plastic, scrap metal / steel, scrap fabric as well as general office waste (i.e. paper waste and plastics). Such waste do not exhibit any material toxic characteristics, thus they are collected for recycling or disposed of as general waste by licensed third party contractors.

Our Initiatives

In line with our pledge to achieve zero wastage of raw materials, the Group manages waste effectively by implementing the 3Rs Approach: Reduce, Reuse, and Recycle. We strive to minimise waste, maximise reuse opportunities, and promote recycling to reduce the environmental footprint of our operations, while ensuring a greener and more sustainable future for all.

SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)

Effluent and Waste Management (Cont'd)

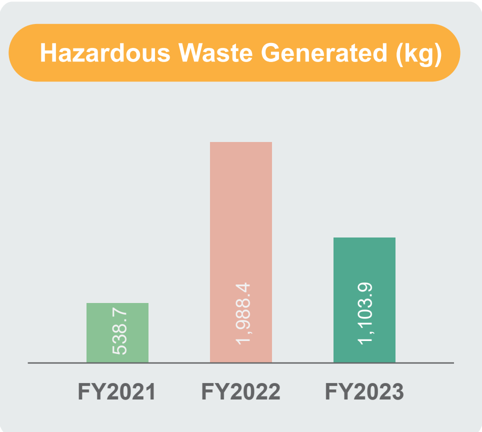
Our Initiatives (Cont'd)

The table below summarises our 3Rs Approach:

3Rs Approach	Description
Reduce	• Fully optimise material's cutting layout to minimise wastage • Go paperless by implementing electronic systems, i.e. e-MTN (manual transfer note for production material request), e-PR (purchase request), e-Announcements etc.
Reuse	• Reuse of packaging materials and carton boxes • Reuse of office supplies and materials wherever possible • Reuse recycled materials in the manufacturing of our products • Unwanted leather cuts are reused to make other car accessories
Recycle	• Broken / malfunction computers and IT hardware / peripherals are disposed to scrap collector for recycling purpose • Recycle excess materials such as scrap foam, scrap metal / steel and scrap plastic

Tracking Our Waste Performance

The chart below illustrates the total weight of waste generated and directed to disposal to the third-party contractors by category for the past three financial years. The hazardous waste generated decreased by 44.5% in FY2023 despite an increase in production output as a result of our effective waste management. Note that data from Indonesia's operation is collected from May 2023 onwards, as the Indonesia entity has moved to the existing location in May 2023.



Waste Generation	Unit	FY2021	FY2022	FY2023
Hazardous Waste				
Malaysia	kg	538.7	1,988.4	1,074.2
SW109	kg	43.0	106.5	99.9
SW404	kg	-	-	18.5
SW409	kg	464.7	1,756.9	863.0
SW410	kg	31.0	125.0	92.8
Indonesia	kg	-	-	29.7
SW409	kg	-	-	29.7
Total hazardous waste generated	kg	538.7	1,988.4	1,103.9

SUSTAINABILITY STATEMENT

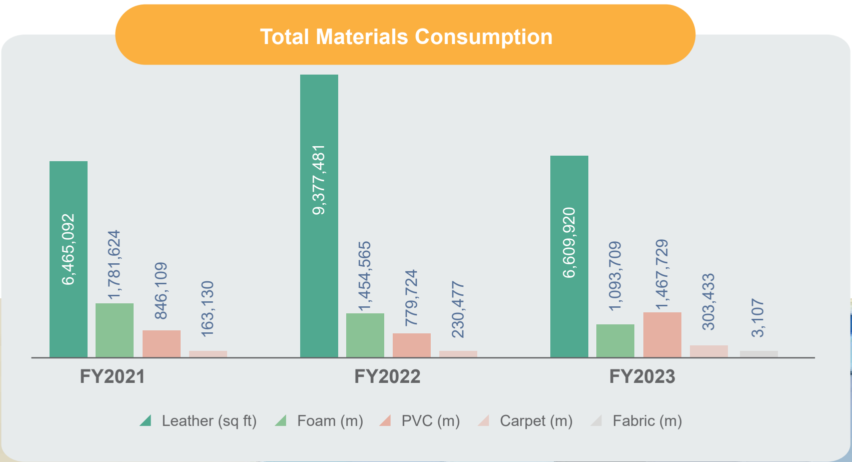
ENVIRONMENT CONSERVATION (CONT'D)
Effluent and Waste Management (Cont'd)

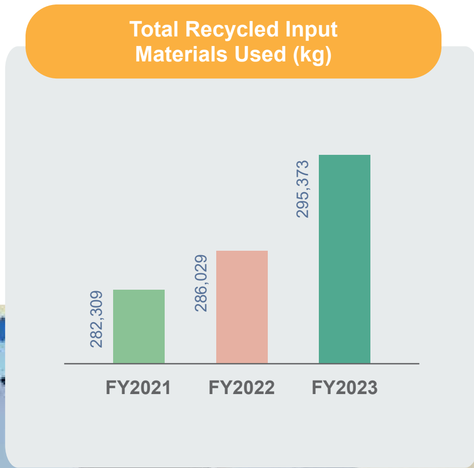
Materials management

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 ensure that the correct amount of materials is used according to each job specification.

Tracking Our Materials Performance

The key non-renewable materials used by Pecca in producing our products are leather, polyvinyl chloride ("PVC"), foam and carpet. In FY2023, our usage of PVC and carpet increased by 88.2% and 31.7% respectively. Meanwhile, Pecca's usage of leather and foam reduced by 29.5% and 24.8% respectively during the fiscal year. Total recycled input materials increased by 3.3% in FY2023 as we advocate for more recycling initiatives. Note that data from Indonesia's operation is collected from May 2023 onwards, as the Indonesia entity has moved to the existing location in May 2023.





SUSTAINABILITY STATEMENT

ENVIRONMENT CONSERVATION (CONT'D)
Effluent and Waste Management (Cont'd)
Tracking Our Materials Performance (Cont'd)

Materials Consumption	Unit	FY2021	FY2022	FY2023
Malaysia				
Leather	sq ft	6,465,092	9,377,481	6,606,594
Foam	m	1,781,624	1,454,565	1,081,111
PVC	m	846,109	779,724	1,456,176
Carpet	m	163,130	230,477	303,231
Indonesia				
Leather	sq ft	-	-	3,326
Foam	m	-	-	12,597
PVC	m	-	-	11,552
Carpet	m	-	-	201
Fabric	m	-	-	3,107
Recycled Input Materials Used				
Malaysia	kg	282,309	286,029	291,801
Recycled carton box	kg	196,024	169,780	172,868
Recycled empty thread cone	kg	801	833	1,168
Wooden pallet	kg	19,890	25,935	32,280
Scrap foam	kg	27,300	28,000	26,250
Scrap metal/steel	kg	4,860	7,097	4,735
Scrap plastic	kg	31,834	49,184	50,580
Scrap leather	kg	1,600	5,200	3,920
Indonesia	kg	-	-	3,572
Recycled carton box	kg	-	-	801
Scrap foam	kg	-	-	153
Scrap plastic	kg	-	-	241
Scrap leather	kg	-	-	38
Scrap PVC	kg	-	-	1,976
Scrap fabric	kg	-	-	363
Total recycled input materials used	kg	282,309	286,029	295,373

SUSTAINABILITY STATEMENT

PEOPLE FIRST

Material Topic: Occupational Health and Safety

Definition of Material Topic

This area centers on maintaining a safe and healthy work environment, particularly within our manufacturing facilities.

Why Is This Topic Material to Us?

Occupational safety is vital for protecting our skilled workforce, whose craftsmanship is central to our business identity.

Risks/Challenges

1. Accidents or safety lapses can lead to downtime and impact employee morale.
2. Legal ramifications from non-compliance can incur costs and reputational damage.
3. Implementing extensive safety measures may require significant investment.

Opportunities

1. A strong safety record can aid in talent retention and recruitment.
2. High safety standards can lower insurance costs and legal liabilities.
3. A well-implemented safety culture enhances overall productivity and job satisfaction.

Management Approach

Prioritise All Workers' Occupational Health and Safety

At Pecca, Occupational Health and Safety ("OHS") is not merely a regulatory requirement but a cornerstone of our corporate responsibility and operational excellence. Our work in styling, manufacturing, and distributing leather upholstery involves specialised craftsmanship, precise machinery, and various materials — all of which come with their unique safety considerations. As such, our commitment to OHS is geared towards creating a culture of safety, accountability, and well-being for everyone involved in bringing our high-quality products to market.

Pecca's OHS management system is certified to the global best practise levels of the standard ISO 45001:2018 for the manufacturing of leather and synthetic leather seat covers and face masks, which is subject to both internal and external audits. We ensure our working practices are in compliance with the Occupational Safety and Health Act 1994 and the Factories and Machineries Act, 1967. We uphold our standards by developing an internal Department of Environmental, Safety, and Health Committee, an Occupational Health & Safety ("OHS") Policy, and an Environmental, Safety, and Health ("ESH") Policy.

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)

Occupational Health and Safety (Cont'd)

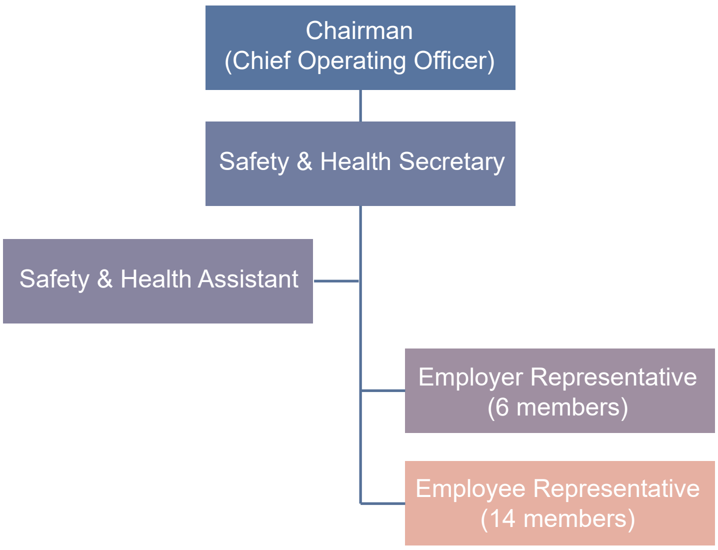
Prioritise All Workers' Occupational Health and Safety (Cont'd)

Our OHS management system and policies cover all Pecca's operations and stakeholders including employees, suppliers, contractors and customers.

In FY2023, Pecca achieved a Grade "A" from the workplace audit conducted by the Department of Occupational Safety and Health ("DOSH"). Pecca aims to continuously improve our OHS performance to maintain the highest standard in health and safety.

Established Environmental, Safety and Health ("ESH") Committee

The ESH committee is responsible in planning, coordinating, and overseeing ESH programmes and monitoring the environment and safety of our Group to ensure that health and safety are maintained within our safe haven. Meetings are held every quarter to discuss ESH-related topics. In order to guarantee the safety of our working spaces, internal workplace inspection audits are also carried out monthly. Additionally, our ESH committee comprises of representatives from our employees to contribute to the development of the ESH Programmes. We offer two-way communication in our ESH exercises to ensure that the policies and guidances are fully understood and followed by all employees.



Implement Occupational Health & Safety ("OHS") Policy

A strong OHS framework is critical for preventing workplace accidents and fostering a culture of safety and consistent productivity. Our OHS policy strives to promote untiring efforts for health and safety improvement through the practice of "Safety is Our Priority". This policy is vital for Pecca as it provides a framework for proactive measures against potential hazards, ensuring the well-being of our skilled workforce. 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 minimise OHS risks

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)

Occupational Health & Safety (Cont'd)

Implement Occupational Health & Safety ("OHS") Policy (Cont'd)

- Provide sufficient education, training and promotion to all employees on OHS risks through continual improvement in awareness and management skills

Implement OHS Health Services and Initiatives

The wellbeing of employees is critical in fostering a successful workplace culture. Pecca understands how crucial it is to safeguard the health and wellbeing of our people in order to reach their full potential. To ensure that all our staff members have access to our efficient occupational health services, Pecca offered and put the following initiatives / measures into place in FY2023:

- Trained & certified first aiders and access to first aid boxes
- Noise boundary
- Audiometric surveillance
- Medical surveillance
- Safety awareness trainings

Pecca offers an internal clinic and external panel clinics that are open to all employees in an effort to promote our employees' health. Confidential information about employees' personal health is kept in their personal files. Pecca does not discriminate workers based on their health condition. To further promote employees' health, Pecca organised sports activities for our employees to address non-work-related health risks.

Increase OHS Awareness and Training Intensity

Pecca recognises that promoting safety begins with education. All new employees will receive a safety induction, which covers a range of topics such as hazard identification and the right of workers to remove themselves from unsafe or hazardous work. We have conducted various trainings amounting to a total of 5,516 training hours, with 514 of our employees involved to increase the health and safety compliance and awareness among our workers. The followings are a part of the ESH-related trainings we had conducted in FY2023:

- Safety awareness training for the maintenance team and giant roller department
- Safety briefing for employees, contractors and security guards
- Schedule waste handling and chemical handling
- Electrical safety in the workplace
- Safety awareness and Covid-19 precaution
- Forklift training
- First aid training
- Hazard Identification, Risk Assessment and Risk Control ("HIRARC") briefing

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)

Occupational Health & Safety (Cont'd)

Increase OHS Awareness and Training Intensity (Cont'd)

Pecca also oversees OHS impacts arising from our external business relationships. The Group has requested suppliers and contractors who do not have their own OHS management system to comply with Pecca's OHS procedure and guidelines as indicated in the respective purchase requisition and purchase order forms.

Safety briefing to facemask workers

Warehouse safety awareness training

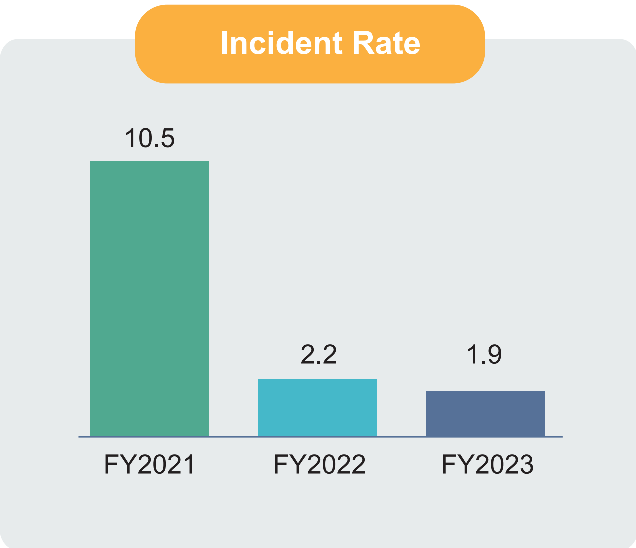
Safety Awareness briefing and training

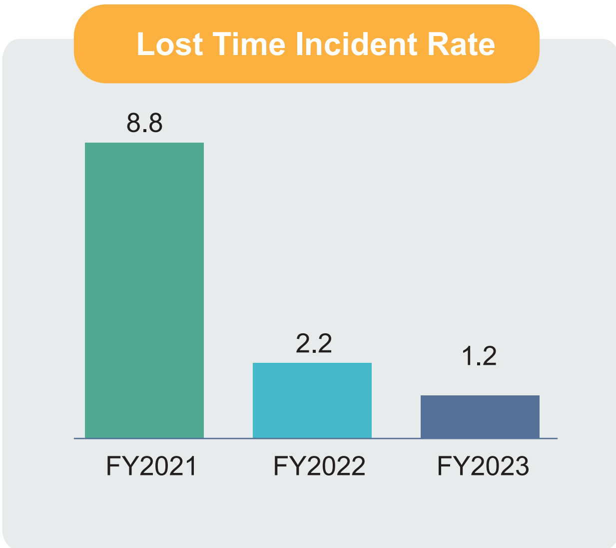
Minimise Workplace Accident

Pecca is consistently aiming to improve our OHS performance and reduce incidents by monitoring the progress on an annual basis. In order to minimise the reoccurrence risk of workplace incidents, the Group had taken subsequent corrective actions to increase the safety of the related processes. To ensure financial help and compensation in the event of unfortunate workplace incidents, all local Group employees are insured under the Group Term Life Insurance and Personal Accident Insurance, while our foreign workers are covered by the Foreign Workers Insurance Guarantee as required by the Malaysian government.

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)
Occupational Health & Safety (Cont'd)
Minimise Workplace Accident (Cont'd)





Work-Related Incident	FY2021	FY2022	FY2023
Work-related Injuries:			
Number of fatalities as a result of work-related injuries	0	0	0
Number of high-consequence work-related injuries	0	0	0
Number of recordable (minor) work-related injuries	13	3	3
Number of lost time injuries	11	3	2
Total lost days	80	21	4
Number of close calls	2	2	0
Incident rate per million hours worked [(1)]:			
Rate of fatalities as a result of work-related injuries	0	0	0
Rate of high-consequence work-related injuries	0	0	0
Rate of recordable (minor) work-related injuries	10.5	2.2	1.9
Lost time injury frequency rate	8.8	2.2	1.2
Work-related ill health:			
Number of fatalities as a result of work-related ill health	0	0	0
Number of recordable work-related ill health	0	0	0

Notes:
1. Rates are calculated based on total hours worked of 1,243,008, 1,347,840 and 1,609,920 hours in FY2021, FY2022 and FY2023, respectively.

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)

Occupational Health & Safety (Cont'd)

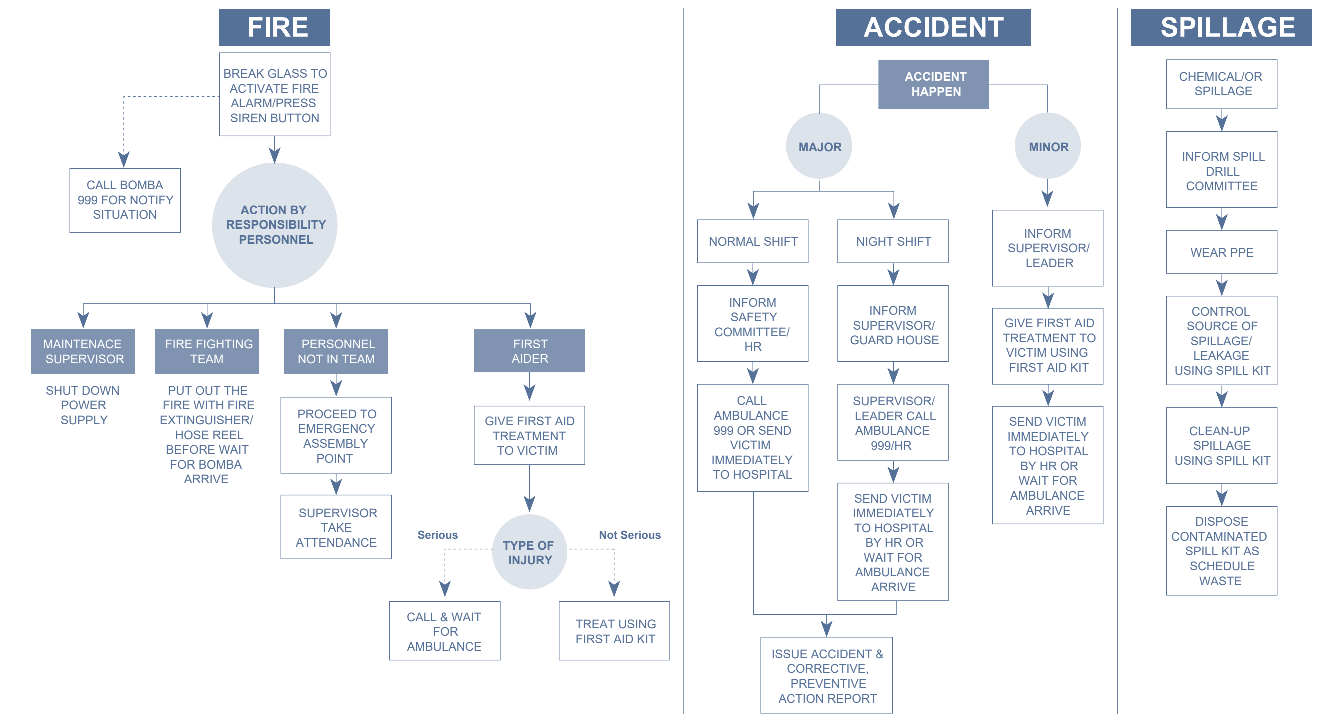
Minimise Workplace Accident (Cont'd)

In FY2023, no fatalities and high-consequence work-related injuries were reported. However, there were a total of three (3) recordable (minor) work-related injuries recorded, in which two (2) of them were work-related lost time injuries ("LTI"). The two LTI cases resulted in a total of 4 lost days in FY2023. This is a huge improvement as compared to the total lost days of 21 days in FY2022. Pecca aims to minimise the risk and to reduce any kind of work-related incidents by following the HIRARC and our work-related incident management protocol.

Below is the summary of incidents and actions taken in FY2023:

Type of Incident	Root Cause	Corrective Action	Preventive Action
Swollen fingernail	Operation tools were not placed rightly	Wear safety hand gloves during maintenance work	Respective team leaders to give daily toolbox safety reminder before operation
Head Injury	Accidental knocked on hard object	Move the object to a safer place	
Finger Burn Injury	Carelessly switched on electric heater unprepared	Wear safety hand gloves during maintenance work	

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



SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)
Occupational Health and Safety (Cont'd)

OHS Hazard Identification and Risk Assessment

Hazard identification and risk assessment are crucial steps in preventing unnecessary hazard situations. Pecca identifies work-related hazards and assesses risks in accordance with Guidelines for Hazard Identification and Risk Assessment and Risk Control ("HIRARC") 2008, published by the 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 reported high risks or hazards are addressed and given prompt corrective responses and will be highlighted as part of the OHS management system improvement programme.

Our workers can report any work-related hazards or hazardous situations using the Initial Accident Report Form, or alternatively communicated during the quarterly ESH committee meeting. All employees are informed of any newly identified hazards and risks, which will be updated in HIRARC. Hierarchy of control is applied at control measures of a hazard. An incident investigation protocol shall be followed in the event of a work-related incident in order to identify the injury and its underlying cause, as well as to implement the appropriate corrective and preventive measures.

Pecca conducts monthly self-assessment on risk management as required by our customers. The area assessed includes safety aspects of our operations such as workplace condition, environmental impact, safety system and hazardous material handling, along with other areas such as cost, quality and delivery. We did not identify any significant areas of high risk within our operation.

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)

Occupational Health and Safety (Cont'd)

Strong Emphasis On Customer Health and Safety

Pecca places a high emphasis on health and safety considerations across its products and services. This commitment is reflected in various processes and measures implemented by the Group to safeguard our customers' health and safety. For instance, Pecca conducts Airbag Deployment tests and ensures the calibration of airbag sewing machines to ascertain the safety and functionality of its products. Additionally, the Group proudly emphasises that its materials are free of Substance of Concern ("SOC"), further underlining its dedication to safety standards. Our dedication to customers' health and safety can be seen from the positive feedback received from our customers, proven by our increasing overall customer satisfaction level of 85% in FY2023, compared to 80% and 84% in FY2021 and FY2022, respectively. (Refer to Prioritise Customer Satisfaction section under Economics Performance material topic)

Furthermore, the company reinforces its commitment by providing clear safety instructions through caution labels on its leather seat covers, ensuring safe use of its products. This multifaceted approach highlights Pecca's unwavering dedication to health, safety, and environmental responsibility throughout its product and service offerings.

Pecca's rigorous adherence to health and safety regulations is evident in its track record, as there have been no reported incidents of non-compliance with regulations concerning the health and safety impacts of our products and services, product and service information and labelling, and marketing communications.

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)

Material Topic: Training and Education

Definition of Material Topic

This encompasses the educational programs aimed at refining and expanding the craftsmanship skills and personal development of our employees.

Why Is This Topic Material to Us?

Investing in employee development ensures that the artisanal quality that has defined our brand for over 25 years continues to evolve and excel.

Risks/Challenges

1. High costs for specialised training programs can be a burden.
2. Rapid technological changes in manufacturing may necessitate frequent retraining.
3. Employee turnover after extensive training can result in a loss of investment.

Opportunities

1. Training programs can attract skilled artisans seeking career growth.
2. A more proficient workforce can introduce innovative leather treatment techniques.
3. Focusing on education can distinguish us as a leader in artisanal craftsmanship within the industry.

Management Approach

Provide Effective Training and Education to All Employees

To ensure the continued excellence of our standards and the competence of our team, we remain steadfast in our commitment to enhance our employees' skills, enabling them to unleash their full potential. We provide regular training sessions to enhance employees' technical abilities and offer abundant career growth opportunities. Furthermore, we have introduced training modules in cutting-edge technologies, ensuring that our employees stay at the forefront of technological advancements within our industry. As Pecca upholds its quality at the highest standards, we have made it mandatory for our employees to undergo specialised training in product quality standards such as ISO 13485:2016, ISO 9001:2015, IATF 16949:2016, 5 CORE TOOLS, and APQP.

In FY2023, we have organised a total of 34 trainings programmes, covering topics such as work-related skills set, safe handling of machineries, proper waste management procedure and personal development programmes among others. The top 10 training courses and workshops by training hours offered in the year is presented below:

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)
Training and Education (Cont'd)
Provide Effective Training and Education to All Employees (Cont'd)

Training Title
Managerial & Executive 2023 Team Building
SLT Member Team Building
Risk Management Mentoring Session
BID Tender Management
ISO 16949:2016 Internal Audit
ISO 16949:2016 Awareness Training
LPS Just in-Time project
Emergency Response Team-Fire Fighting (ERT) Training
Forklift Safety Training
Performance Management & KPIs

We are proud to announce that our commitment to employee development has significantly improved. In FY2023, our training and education hours improved to an impressive 5,516 training hours from 1,217 training hours in FY2022, reflecting our dedication in nurturing our team's growth. Average training hours per employee also increased from 2.41 hours to 5.74 hours per employee, thanks to greater effort by the Group to promote career development. Among the employees involved in the trainings, 66.1% was attended by male employees, and the remaining 33.9% 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. Pecca strives to provide equal opportunity in training and education to address the diverse training needs across its workforce.

Based on employee category, average training hours of executive, middle management and senior management increased in FY2023, reflecting a dedication to leadership and management growth. Nevertheless, we aim to promote continuous learning among all employee categories to maintain our market position and reputation as an employer invested in employee growth and success.

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)

Training and Education (Cont'd)

Provide Effective Training and Education to All Employees (Cont'd)

	FY2021	FY2022	FY2023
Total annual training hours	888	1,217	5,516
Average training hours per employee	1.54	2.41	5.74
Average training hours by gender:			
Female	2.46	2.76	17.20
Male	1.18	2.25	3.75
Average training hours by employee category:			
Non-executive	0.24	0.46	0.38
Executive	8.48	13.36	45.70
Middle management	6.32	6.00	36.00
Senior management	4.00	0.00	32.57

Provide Employee Performance and Career Development Review

At Pecca, we place a strong emphasis on fostering a culture of continuous improvement, and a key component of this commitment is our annual performance and career development review process. Under this system, all employees of Pecca receive regular performance and career development review. This comprehensive system is designed to benefit our entire organisation by assessing and enhancing the performance and growth of every staff member. These reviews involve the implementation of Key Performance Indicators ("KPIs") that are meticulously planned and structured under four important pillars of Financial, Customer, Internal Process and Learning & Growth which are strategically aligned with various critical indicators. These indicators include factors such as the financial year budget, our company's profitability, benchmarking against market and industry standards, and adherence to the bell curve model. As Pecca continues to foster a culture of learning and continuous development, the future holds even more promise for the professional advancement and success of its employees.

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)

Material Topic: Employee Welfare

Definition of Material Topic

Refers to the range of benefits and well-being programs provided to our employees, who are crucial in maintaining our standard of craftsmanship.

Why Is This Topic Material to Us?

A comprehensive welfare program ensures employee satisfaction, thereby contributing to higher productivity and quality in our specialised field.

Risks/Challenges

1. High costs associated with welfare programs may impact profitability.
2. Work-life balance challenges can affect employee retention.
3. Competition with other employers offering similar or better benefits.

Opportunities

1. Superior welfare benefits can attract and retain a skilled workforce.
2. Enhanced employee well-being can lead to greater creativity and attention to detail, crucial for our craftsmanship.
3. A happy and engaged workforce serves as a brand ambassador, elevating our reputation.

Management Approach

Broaden Our Workforce

Pecca is dedicated to broadening its talent base, with the aim of ensuring sustained business growth and ongoing success for the Group. The invaluable contributions of Pecca's workforce play a pivotal role in the company's achievements. The company has actively pursued strategies to attract new talent while retaining its current employees. Notably, in FY2023, Pecca's staff count grew to 961 individuals, up from 506 the preceding financial year, marking an 89.9% increase in its workforce. The significant increase in the workforce is in line with the Group's expansion locally and globally, as well as the inclusion of our Indonesia operation from the acquisition of PT Gemilang Maju Kencana in FY2023.

We are committed in overseeing our employees' total working hours as part of our commitment to their well-being. Our overarching objective is to promote a safe working environment with zero accidents, as outlined in our Occupational Health & Safety Policy. In FY2023, our workforce accumulated a total of 1,609,920 working hours.

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)

Employee Welfare (Cont'd)

Improve Diversity and Equality of Our Workforce Without Discrimination

Diversity Policy

Pecca believes in fostering a culture of diversity and inclusion, where every individual's unique contributions are valued and celebrated. We have established a Diversity Policy to further promote diversity in Pecca and its subsidiary companies. As outlined in the policy, Pecca is committed to managing diversity by providing fair and equal opportunity regardless of age, gender, ethnicity, nationality, sexual orientation or cultural background, as a means of enhancing the Group's performance through the diverse skills and talents from its directors, officers and employees. The policy covers all the Group's procedures such as recruitment, remuneration and promotion, as well as trainings.

Our workplace diversity principles are as follow:

- Practising and promoting behaviour consistent with the Company's Code of Ethics
- Respecting different ways of thinking and using our employees' different perspectives to improve business outcomes
- Treat each other with respect and dignity
- Provide a safe, secure and healthy workplace
- Make decisions genuinely based on equity and fairness
- Value the diversity of people
- Take appropriate action to eliminate discrimination

Workplace Diversity

From the total of 961 employees recorded in FY2023, male employees constituted most of the workforce at 85.2%, while female employees represented 14.8%. The higher male contribution in our workforce is mainly due to the manufacturing nature of our business operation. We aim to increase female representation across our employee categories, encouraging women to take on managerial positions. Female representation stood at 52.2%, 30.0% and 33.3% in executive, middle management and senior management roles, respectively.

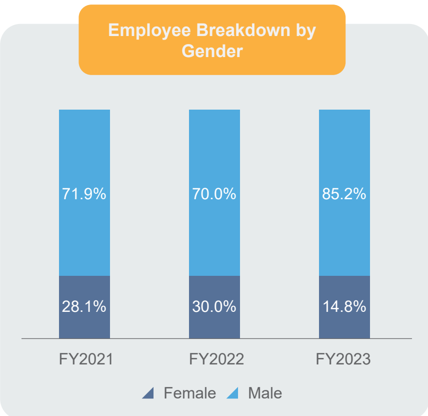
Pecca is committed to supporting local employment through various programmes targeting local talents. In FY2023, the local employee contribution decreased to 26.6% from 42.7% in the preceding year due to more foreign hiring since the application for foreign workers was resumed by the government.

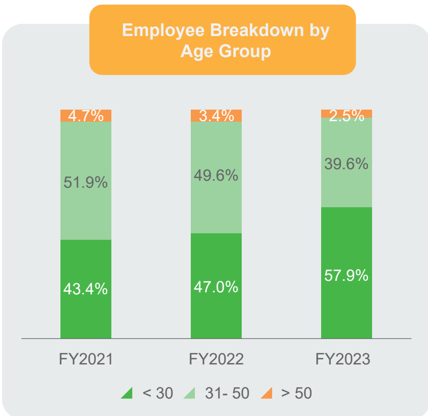
As for the statistics breakdown on employee category, our non-executive staff represents 86.6% of the workforce, which reflects the labour-intensive nature of Pecca's operations in styling, manufacturing, and distribution of leather upholstery.

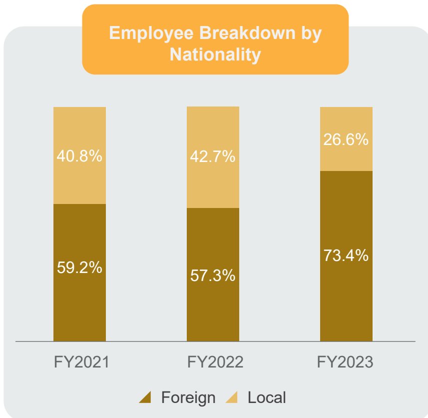
Further breakdown of each employee category according to gender, age group, nationality and region are also depicted in the charts and tables below.

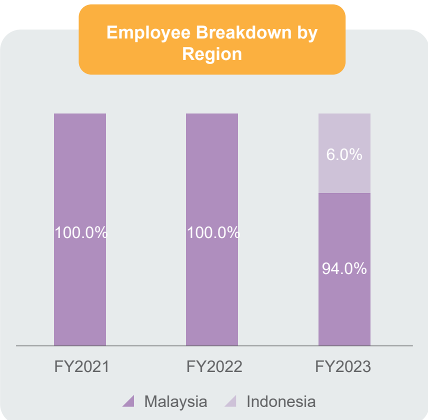
SUSTAINABILITY STATEMENT

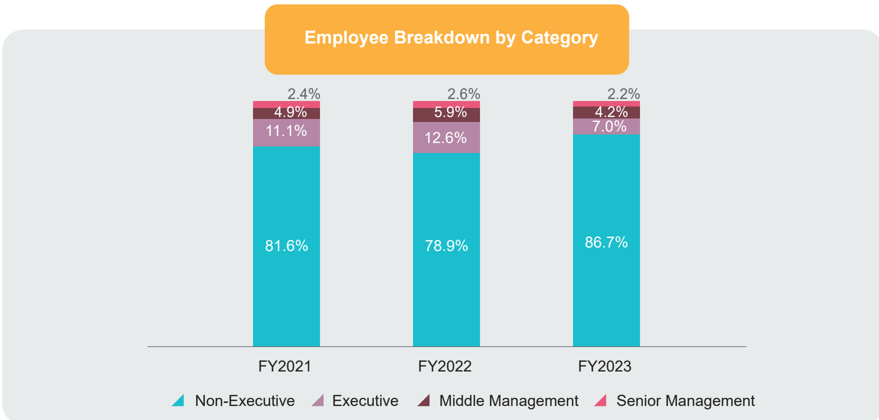
PEOPLE FIRST (CONT'D)
Employee Welfare (Cont'd)

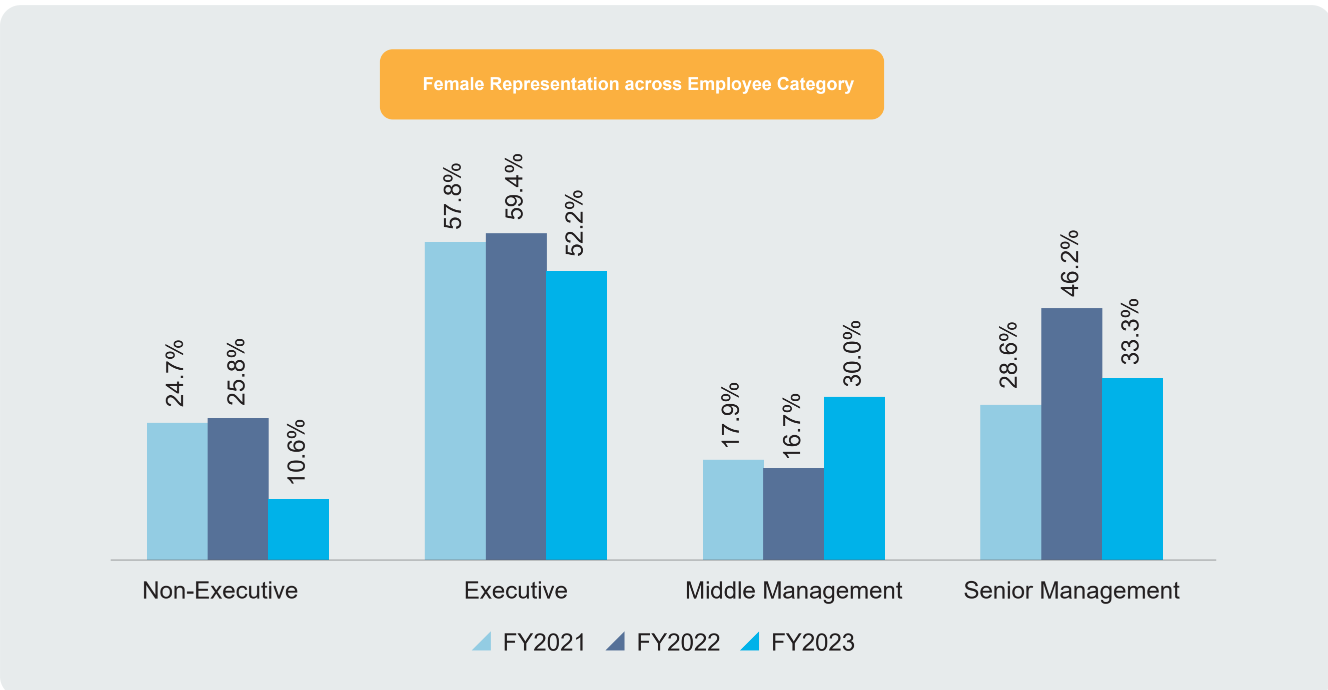












SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)
Employee Welfare (Cont'd)

Employee Category by Gender	FY2021			FY2022			FY2023		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Non-Executive	116	354	470	103	296	399	88	745	833
Executive	37	27	64	38	26	64	35	32	67
Middle Management	5	23	28	5	25	30	12	28	40
Senior Management	4	10	14	6	7	13	7	14	21
Grand Total	162	414	576	152	354	506	142	819	961
Percentage (%)	28.1	71.9	100.0	30.0	70.0	100.0	14.8	85.2	100.0

Employee Category by Age Group	FY2021				FY2022				FY2023			
	<30	31-50	>50	Total	<30	31-50	>50	Total	<30	31-50	>50	Total
Non-Executive	235	228	7	470	219	176	4	399	527	300	6	833
Executive	12	43	9	64	16	43	5	64	18	43	6	67
Middle Management	1	24	3	28	1	27	2	30	8	27	5	40
Senior Management	2	4	8	14	2	5	6	13	3	11	7	21
Grand Total	250	299	27	576	238	251	17	506	556	381	24	961
Percentage (%)	43.4	51.9	4.7	100.0	47.0	49.6	3.4	100.0	57.9	39.6	2.5	100.0

Employee Category by Nationality	FY2021			FY2022			FY2023		
	Foreign	Local	Total	Foreign	Local	Total	Foreign	Local	Total
Non-Executive	341	129	470	290	129	399	704	129	833
Executive	-	64	64	-	64	64	-	67	67
Middle Management	-	28	28	-	30	30	-	40	40
Senior Management	-	14	14	-	13	13	1	20	21
Grand Total	341	235	576	290	216	506	705	256	961
Percentage (%)	59.2	40.8	100.0	57.3	42.7	100.0	73.4	26.6	100.0

Employee Category by Region	FY2021			FY2022			FY2023		
	MY	ID	Total	MY	ID	Total	MY	ID	Total
Non-Executive	470	-	470	399	-	399	796	37	833
Executive	64	-	64	64	-	64	62	5	67
Middle Management	28	-	28	30	-	30	30	10	40
Senior Management	14	-	14	13	-	13	15	6	21
Grand Total	576	-	576	506	-	506	903	58	961
Percentage (%)	100.0	-	100.0	100.0	-	100.0	94.0	6.0	100.0

Notes:
- Senior management refers to employees holding general manager roles and above
- MY: Malaysia, ID: Indonesia

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)
Employee Welfare (Cont'd)

All of our employees in Malaysia operations are permanently contracted, while employees in our Indonesia operations are mostly under temporary terms. The overall employee profile according to employee type are as follow:

Employee Type by Gender	FY2021			FY2022			FY2023		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Permanent	162	414	576	152	354	506	134	775	909
Temporary	-	-	-	-	-	-	8	44	52
Grand Total	162	414	576	152	354	506	142	819	961
Percentage (%)	28.1	71.9	100.0	30.0	70.0	100.0	14.8	85.2	100.0

Employee Type by Region	FY2021			FY2022			FY2023		
	MY	ID	Total	MY	ID	Total	MY	ID	Total
Permanent	576	-	576	506	-	506	903	6	909
Temporary	-	-	-	-	-	-	-	52	52
Grand Total	576	-	576	506	-	506	903	58	961
Percentage (%)	100.0	-	100.0	100.0	-	100.0	94.0	6.0	100.0

Note: MY: Malaysia, ID: Indonesia

Improve Talent Attraction and Retention

New Hires

Since the Malaysian Government implemented a freeze on the recruitment of foreign workers in 2019, Pecca had been facing operational challenges due to a shortage of operators, which subsequently impacted our productivity. In response to this situation, we had outsourced workers to fulfil our production workforce requirements. The government re-opened the application for foreign workers in February 2022, and we began recruiting foreign workers to cater to our production workforce requirements upon receiving approval from the Ministry of Home Affairs ("MOHA"), as seen in the higher new hires rate in FY2023.

Pecca upholds transparency and fairness in its recruitment process without discrimination in age, gender or nationality.

	FY2021	FY2022	FY2023
Total New Hires	187	166	547
New Hires Rate	33.5%	30.7%	74.6%

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)
Employee Welfare (Cont'd)

	FY2021		FY2022		FY2023	
New Hires By Gender:						
Male	121	64.7%	98	59.0%	512	93.6%
Female	66	35.3%	68	41.0%	35	6.4%
By Age Group:						
< 30	90	48.1%	94	56.6%	374	68.4%
30-50	81	43.3%	68	41.0%	170	31.1%
> 50	16	8.6%	4	2.4%	3	0.5%
By Nationality:						
Local	187	100.0%	15	9.0%	76	13.9%
Foreign	-	-	151	91.0%	471	86.1%
By Region:						
Malaysia	187	100.0%	166	100.0%	539	98.5%
Indonesia	-	-	-	-	8	1.5%

Employee Turnover

The Employee turnover rate sees a significant improvement from 43.6% to 20.0% in FY2023. We see a consistent trend in the turnover distribution over the years with higher turnover in male, below 30 years old and local employees categories. Foreign employee turnover is mainly due to work permit expiration which is non-renewable.

Pecca strives to improve our employee retention strategy, particularly local operators who shun dangerous and difficult jobs, as part of its broader human resource management and sustainability goals. Pecca will persist in providing incentives and improving employee engagement to gain deeper insights into their requirements and explore ways to foster mutually advantageous, long-term relationships.

	FY2021	FY2022	FY2023
Total Employee Turnover	136	236	147
Employee Turnover Rate	24.3%	43.6%	20.0%

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)
Employee Welfare (Cont'd)

Employee Turnover	FY2021		FY2022		FY2023	
By Gender:						
Male	92	67.6%	158	66.9%	99	67.3%
Female	44	32.4%	78	33.1%	48	32.7%
By Age Group:						
< 30	72	52.9%	122	51.7%	74	50.3%
30-50	56	41.2%	103	43.6%	72	49.0%
> 50	8	5.9%	11	4.7%	1	0.7%
By Nationality:						
Local	108	79.4%	160	67.8%	95	64.6%
Foreign	28	20.6%	76	32.2%	52	35.4%
By Region:						
Malaysia	136	100.0%	236	100.0%	128	87.1%
Indonesia	-	-	-	-	19	12.9%

Fair Compensation and Benefits to All Workers

Pecca offers competitive compensation and benefits to recognise the valuable contributions of all employees within the organisation. We diligently adhere to applicable regulations governing wages and benefits within the countries we operate in. All our employees are compensated based on the minimum wage law, with a minimum entry level wage to minimum wage ratio of 1.07 : 1 in Malaysia and 1 : 1 in Indonesia.

Our commitment extends to practising fair compensation, ensuring that individuals with equal skills and responsibilities receive fair remuneration without any form of discrimination. This approach is crucial for both retaining our current workforce and attracting prospective talents. In addition to monetary rewards, we also extend various non-monetary benefits to our dedicated staff and employees.

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)
Employee Welfare (Cont'd)

Staff Benefits

- Annual Leave
- Maternity Leave
- Medical Leave
- Hostel
- Exam Leave
- Paternity Leave
- Dental Care
- Time-Off
- Hospitalisation Leave
- Compassionate Leave
- Emergency Disaster Leave
- Medical Coverage (Inpatient & Outpatient)
- Outstation Allowances
- Carpool Vehicles for Business Purpose
- Group Term Life and Personal Accident Insurances
- Mileage Claim
- Travelling Allowances
- Staff Purchase Program
- Funeral Expenses
- Skills Allowance
- Attendance Allowance
- Educational Assistance
- Night Shift Allowance
- In-house Clinic
- Competency Allowance
- Cleanliness Competition Awards
- Replacement Leave
- Marriage Leave
- Subsidised Beverages (Vending Machine)
- Staggered Working Hours
- Annual Dinner
- Professional Fee Subsidy
- Company Trip
- Foreign Workers Gathering Dinner
- Best Attendance Award
- Line Leader Allowance
- Company Car
- Car Allowance
- Subsidised Laundry
- Subsidised Meal
- Team Building
- Best Line of the Month (Production)
- Foreign Workers' Hostel with Cooling System
- Company Phone and Line
- Free Hot Boiling Water & Filtered Drinking Water

Foreign Workers Gathering Dinner

Annual Dinner

Team Building

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)
Employee Welfare (Cont'd)

In house Clinic

Subsidised Laundry

Upgraded Canteen

Parental Benefits

In accordance with local laws and regulations, Pecca provides employees parental leave without discrimination. In FY2023, Pecca has recorded a return to work rate of 100.0% and a retention rate of 80.0%.

Parental Leave	FY2021	FY2022	FY2023
Number of employees entitled to parental leave:			
Male	49	27	125
Female	58	39	68
Total	107	66	193
Number of employees that took parental leave:			
Male	0	2	8
Female	4	3	6
Total	4	5	14
Number of employees that returned to work after parental leave ended:			
Male	0	2	8
Female	4	3	6
Total	4	5	14
Number of employees that were still employed 12 months after returned to work after parental leave ended:			
Male	-	0	2
Female	-	4	2
Total	-	4	4

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)
Employee Welfare (Cont'd)

Parental Leave	FY2021	FY2022	FY2023
Rate of return to work of employees who took parental leave:			
Male	-	100.0%	100.0%
Female	100.0%	100.0%	100.0%
Total	100.0%	100.0%	100.0%
Retention rate of employees that were still employed 12 months after returned to work after parental leave ended:			
Male	-	-	100.0%
Female	-	100.0%	66.7%
Total	-	100.0%	80.0%

Zero Tolerance Policy on Human Rights Violation

At Pecca, we hold human rights as fundamental principles that underpin our commitment to treating every individual with the utmost dignity and respect. Our utmost objective is to cultivate a sustainable and comfortable working environment for all our employees. In alignment with our values, we are unwavering in our dedication to safeguarding the basic human rights of not only our employees but all stakeholders. We pledge to uphold these standards diligently to ensure compliance with both international and local regulations that safeguard the rights and interests of people. Any significant changes in operations or working conditions are communicated to employees at least one month in advance to avoid any potential negative impacts from significant operational changes.

Prohibit Child Labour and Forced Labour
The Group firmly prohibits any form of child labour or forced labour within our operations. We extend this commitment beyond our boundaries by actively encouraging our suppliers and business partners to adopt the same ethical practices. Additionally, the Group has obtained certification for compliance with the Workers' Minimum Standards of Housing and Amenities Act 1990 (Act 446) from JTK for our workers accommodations.

Freedom of Association and Collective Bargaining
The Group respects the the rights of employees to freely participate in trade unions and workers' organisations, as well as collective bargaining.

Grievance Mechanism
At Pecca, we understand the importance of providing channels for our employees to voice any grievances they may have. To this end, we have established comprehensive grievance procedures that are clearly communicated to all employees through our e-Employee Handbook. Additionally, we have made these procedures readily accessible for all employees to report any grievance incidents directly to our Human Resources department or Head of Departments.

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)
Employee Welfare (Cont'd)

In FY2023, we recorded zero incident of human rights and labour standards.

Human Rights	FY2021	FY2022	FY2023
Number of discrimination incidents	0	0	0
Number of child labour incidents	0	0	0
Number of forced labour or compulsory labour incidents	0	0	0

Strengthen Team Building Initiatives

Pecca firmly believes that effective teamwork is the cornerstone of strong employee relationships, increased job satisfaction, and heightened work productivity. To facilitate this, Pecca had organised multiple team-building activities in FY2023. This initiative aims to align, engage, and motivate team members toward achieving our Group, business unit, and departmental goals.

These activities foster collaboration, job satisfaction, and productivity, nurturing an environment where our employees work together seamlessly to drive success.

In FY2023, Pecca has organised the following team building events:

- Three-day Team Engagement Programme for our senior leader team took place from 20 to 23 March 2023, which featured brainstorming sessions and team building exercises

- Three-day Team Building for our managers and executives took place from 2 to 4 June 2023, reinforcing cohesion and leadership skills

Alongside these activities, our townhall events provided opportunities for open communication and alignment of organisational goals. These initiatives underscore Pecca's commitment to nurturing strong internal relationships and enhancing our collective effectiveness.

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)

Employee Welfare (Cont'd)

Increase Community Engagement

Pecca places significant emphasis on giving back to society and contributing to the development of a sustainable community. Pecca is unwavering in its commitment in creating a positive impact on our community through a range of initiatives and corporate social responsibility ("CSR") programmes.

Supporting Local Education

One of our enduring efforts revolve around supporting local talent and education by offering internship programs for undergraduates from nearby colleges and universities. These programmes are designed to foster effective learning and provide high-quality training, equipping our youth with the skills and knowledge necessary to emerge as the future leaders of our society.

Face mask donation for Superkids Ride & Fly event

Promoting Volunteerism

We actively promote a culture of volunteering among our stakeholders, encouraging them to give back to society and find fulfilment in making a difference. As part of our CSR initiatives in FY2023, we continue to organise several meaningful events. Our key CSR initiatives during the year includes:

- Face mask donation for the "Superkids Ride and Fly" event held on 14 January 2023 to contribute to the public health and safety
- Blood donation held on 17 February 2023 to support our country's healthcare needs
- Iftar Program 2023 held on 7 April 2023, sharing an iftar Dinner with Pertubuhan Kebajikan Anak-Anak Yatim & Asnaf at our Pecca building

Blood Donation Drive

IFTAR Program 2023

SUSTAINABILITY STATEMENT

PEOPLE FIRST (CONT'D)
Employee Welfare (Cont'd)

Supporting Local Infrastructures

As a responsible corporate citizen, we are proud to contribute positively to the development and well-being of the regions in which we operate. Our products and services play an important role in supporting two key pillars of infrastructure: transportation and healthcare. Pecca strives to contribute to our communities by providing high quality product and services.

Infrastructure Supported	Description	Impact on Local Communities
Transportation	Our automotive and aviation segment supports the transportation industry by providing and manufacturing car and aircraft seats, along with interior accessories	• Comfortable transportation experience • Protect health and well-being of local community • Reduce reliance on imports • Support economic development through job creation • Enhance skills and knowledge
Healthcare	Our healthcare segment supports the healthcare industry by manufacturing and supplying face masks, face shields, and Personal Protective Equipment ("PPE") garments	

CORPORATE GOVERNANCE

Material Topic: Corporate Governance and Ethics

Definition of Material Topic

This encompasses adherence to relevant laws, regulations, and guidelines that govern our operation either general or industry specific.

Why Is This Topic Material to Us?

Regulations have been expanding to cover wider areas which requires us to ongoingly review our actions to ensure that both internal and external stakeholders' interests are protected.

SUSTAINABILITY STATEMENT

CORPORATE GOVERNANCE (CONT'D)
Corporate Governance and Ethics (Cont'd)

Risks/Challenges

1. Non-compliance can damage our long-standing reputation in the leather industry.
2. Weak corporate governance will signify unhealthy business practices which will weaken investors' confidence in us.

Opportunities

1. A strong track record in compliance solidifies our reputation for quality and reliability.
2. Regulatory adherence can create market differentiation, especially when supplying to internationally renowned brands.
3. It ensures long-term business stability, a key factor given our 25 years of experience in this domain.

Management Approach

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 and Remuneration Policy, among others. These ultimately tie back to recommendations from Malaysia Code of Corporate Governance, related requirements 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 through regular communication and business dealings.

Our governing policies are reviewed and updated as and when required, and may be accessible via our corporate website: https://www.peccaleather.com/investor-relations.php.

In FY2023, we did not record any incident of non-compliance with laws and regulations.

Effective Governance through Certified Management Systems

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. Our formula for our quality standards are summarised through:

- PROVIDING high quality products
- COMMITMENT towards customer satisfaction
- ASSURANCE of continuous improvement to our customers

SUSTAINABILITY STATEMENT

CORPORATE GOVERNANCE (CONT'D)

Corporate Governance and Ethics (Cont'd)

Effective Governance through Certified Management Systems (Cont'd)

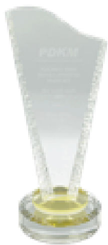
Our ISO-certified system and processes include the following:

- ISO 9001: 2015
- IATF 16949:2016
- ISO 14001:2015
- ISO 45001:2018
- ISO 13485:2016

26th September 2022
The Edge Industries Products and Services Award for Highest Return to Stakeholders Over Three Years

Recognition of our Corporate Practices and Ethics

Our commitment to good corporate ethics and top-tier quality goods and services to all our valued stakeholders can be illustrated through our awards and recognitions. Pecca strives to maintain our high standards in corporate practices and ethics.



29th December 2022
PD Kawamura Kako Manufacturing Sdn Bhd Appreciation Award for Best Vendor Award

15th June 2023
Mitsubishi Quality Appreciation Award for Best Quality (Local Accessories)

27th October 2022
Mitsubishi Quality Appreciation Award for Best Quality - Overall Local Vendor

Compliance to 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 covers all of Pecca's operations. Within the document, clear definitions, responsibilities and escalation methods, among others, are provided. The Board and senior management are committed to executing business functions or performance fairly and transparently to prevent, detect and mitigate the risks of unethical practices. We encourage any such ABAC-related information from stakeholders to be reported to us via our whistle-blowing channel.

In FY2023, all 100% or 961 of our employees, including all 7 of our board of directors, have been communicated on ABAC policies and procedures. The ABAC policy is also accessible to all our suppliers and business partners via our corporate website. We did not record any incidents of corruption in the current financial year.

SUSTAINABILITY STATEMENT

CORPORATE GOVERNANCE (CONT'D)
Corporate Governance and Ethics (Cont'd)

Compliance to 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. Furthermore, 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 FY2023, we are proud to announce that we have received 0 whistle-blowing cases, and we will continuously strive to ensure such the implementation of our ABAC policy is upkept in everything that we do.

Promote 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. In FY2023, female representation stood at 28.6% on the Board of Directors. Pecca aims to increase the female representation in the future as recommended by the MCCG to embrace diversity on the Board level.

Board of Directors	FY2021		FY2022		FY2023	
Total Board of Directors	7		7		7	
By Gender:						
Male	5	71.4%	5	71.4%	5	71.4%
Female	2	28.6%	2	28.6%	2	28.6%
By Age Group:						
< 30	2	28.6%	2	28.6%	1	14.3%
30-50	2	28.6%	-	-	1	14.3%
> 50	3	42.8%	5	71.4%	5	71.4%

SUSTAINABILITY STATEMENT

CORPORATE GOVERNANCE (CONT'D)
Corporate Governance and Ethics (Cont'd)

Policy Commitment

Other than the policies described above, we have also embedded the following set of policies to strengthen investors' confidence and to ensure our stakeholders' interests are well protected and kept informed. All policies are regularly reviewed to ensure our Group practices high standards of governance. The overview of the Group's policies are outlined below.

Board Charter
The Board Charter sets out the roles, responsibilities, and procedures of the Board of Directors, helping maintain governance integrity and outlining how the board can effectively oversee Pecca's specialised leather upholstery business.

Code of Ethics of Directors
This document outlines the ethical standards that directors must adhere to in company affairs. Upholding these ethics is key to maintaining stakeholder trust and ensuring responsible management in our specialised field of leather craftsmanship.

Director & Senior Management Remuneration Policy
Details the compensation structure for directors and senior management, with a fair and transparent remuneration policy that helps attract and retain skilled leadership, crucial for steering Pecca's niche market activities.

Directors' Assessment Policy
Outlines the criteria and process for evaluating the performance of directors, ensuring that our leadership is aligned with Pecca's strategic goals in quality and sustainability.

Diversity Policy
Promotes diversity in hiring, promotion, and corporate governance. A diverse workforce and leadership can offer varied perspectives, enriching Pecca's creative and business strategies.

External Auditors Assessment Policy
Guides the process for evaluating and selecting external auditors, which is crucial for the credibility of our financial reporting.

Terms Of Reference - Audit and Risk Management Committee
Specifies the scope, powers, and functions of the committee responsible for audit and risk oversight. Effective risk management and auditing are vital for maintaining Pecca's reputation for quality and financial stability.

Terms Of Reference - Nomination Committee
Sets the criteria and procedures for nominating directors and other key positions, ensuring that leadership roles are filled by qualified individuals capable of maintaining Pecca's core competencies.

SUSTAINABILITY STATEMENT

CORPORATE GOVERNANCE (CONT'D)
Corporate Governance and Ethics (Cont'd)

Policy Commitment (Cont'd)

Terms Of Reference - Remuneration Committee
Provides the framework for determining remuneration of directors and senior management, ensuring a consistent and transparent approach to compensation that aids in talent retention and satisfaction.

Whistle-blower Policy
Establishes protocols for safely reporting unethical or illegal activities within the company, encouraging an open culture where employees can report concerns without fear, thus safeguarding Pecca's reputation.

Anti-Bribery and Anti-Corruption Policy
Details Pecca's stance and procedures against bribery and corruption, upholding the integrity of our business transactions and preserving stakeholder trust in our specialised industry.

Directors' Fit and Proper Policy
Outlines the qualifications, experience, and suitability criteria for serving as a director, ensuring that the board is competent and aligned with Pecca's strategic focus on quality and craftsmanship.

Personal Data Protection Notice
Describes how Pecca collects, uses, and protects personal data, ensuring compliance with data protection laws and maintaining customer and stakeholder trust. In FY2023, we did not record any incident of identified leaks, thefts, or losses of customer data.

SUSTAINABILITY STATEMENT

GRI Content Index

This report has been prepared in accordance with the GRI Standards for period from 1 July 2022 to 30 June 2023.

GRI-Code	Description	Reference
GRI 2: General Disclosures 2021		
The organisation and its reporting practices		
2-1	Organisational details	About Pecca Group, Pg 2 Corporate Information, Pg 5
2-2	Entities included in the organisation's sustainability reporting	Statement Overview, Pg 37
2-3	Reporting period, frequency and contact point	Statement Overview, Pg 37
2-4	Restatements of information	No significant restatement of information.
2-5	External assurance	Statement Overview, Pg 37
Activities and workers		
2-6	Activities, value chain and other business relationships	About Pecca Group, Pg 2 Corporate Structure Pg 6
2-7	Employees	Employee Welfare, Pg 83
2-8	Workers who are not employees	Pecca does not have any workers who are not employees.
Governance		
2-9	Governance structure and composition	Profile of Directors, Pg 7 Sustainability Governance, Pg 38
2-10	Nomination and selection of the highest governance body	Corporate Governance Overview Statement, Pg 107
2-11	Chair of the highest governance body	Profile of Directors, Pg 7
2-12	Role of the highest governance body in overseeing the management of impacts	Profile of Directors, Pg 7 Sustainability Governance, Pg 38 Corporate Governance Overview Statement, Pg 107
2-13	Delegation of responsibility for managing impacts	Sustainability Governance, Pg 38
2-14	Role of the highest governance body in sustainability reporting	Sustainability Governance, Pg 38
2-15	Conflicts of interest	Profile of Directors, Pg 7 Corporate Governance Overview Statement, Pg 107
2-16	Communication of critical concerns	Audit and Risk Management Committee Report, Pg 130 Statement on Risk Management and Internal Control, Pg 135 Corporate Governance and Ethics, Pg 95
2-17	Collective knowledge of the highest governance body	Corporate Governance Overview Statement, Pg 107
2-18	Evaluation of the performance of the highest governance body	Sustainability Governance, Pg 38 Corporate Governance Overview Statement, Pg 107
2-19	Remuneration policies	Sustainability Governance, Pg 38 Corporate Governance Overview Statement, Pg 107 Corporate Governance and Ethics, Pg 95

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI-Code	Description	Reference
2-20	Process to determine remuneration	Sustainability Governance, Pg 38 Corporate Governance Overview Statement, Pg 107 Corporate Governance and Ethics, Pg 95
2-21	Annual total compensation ratio	To be applied in future.
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	Chairman & Managing Director's Management Discussion & Analysis, Pg 17
2-23	Policy commitments	Corporate Governance Overview Statement, Pg 107 Corporate Governance and Ethics, Pg 95
2-24	Embedding policy commitments	Corporate Governance Overview Statement, Pg 107 Corporate Governance and Ethics, Pg 95
2-25	Processes to remediate negative impacts	Statement on Risk Management and Internal Control, Pg 135 Corporate Governance and Ethics, Pg 95
2-26	Mechanisms for seeking advice and raising concerns	Corporate Governance and Ethics, Pg 95
2-27	Compliance with laws and regulations	Corporate Governance and Ethics, Pg 95
2-28	Membership associations	Corporate Membership and Association, Pg 39
Stakeholder engagement		
2-29	Approach to stakeholder engagement	Stakeholder Engagement, Pg 39
2-30	Collective bargaining agreements	Employee Welfare, Pg 83
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	Materiality Assessment, Pg 40
3-2	List of material topics	Materiality Assessment, Pg 40
3-3	Management of material topics	Sustainability Statement, Pg 37
GRI 201: Economic Performance 2016		
201-1	Direct economic value generated and distributed	Economic Performance, Pg 44 Financial Statements, Pg 157
201-2	Financial implications and other risks and opportunities due to climate change	Economic Performance, Pg 44
201-3	Defined benefit plan obligations and other retirement plans	Financial Statements, Pg 157
201-4	Financial assistance received from government	Financial Statements, Pg 157
GRI 202: Market Presence 2016		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Employee Welfare, Pg 83
202-2	Proportion of senior management hired from the local community	Employee Welfare, Pg 83

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI-Code	Description	Reference
GRI 203: Indirect Economic Impacts 2016		
203-1	Infrastructure investments and services supported	Employee Welfare, Pg 83
203-2	Significant indirect economic impacts	Employee Welfare, Pg 83
GRI 204: Procurement Practices 2016		
204-1	Proportion of spending on local suppliers	Procurement and Supply Chain Management, Pg 49
GRI 205: Anti-corruption 2016		
205-1	Operations assessed for risks related to corruption	Corporate Governance and Ethics, Pg 95
205-2	Communication and training about anti-corruption policies and procedures	Corporate Governance and Ethics, Pg 95
205-3	Confirmed incidents of corruption and actions taken	Corporate Governance and Ethics, Pg 95
GRI 206: Anti-competitive Behavior 2016		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	In FY2023, there were no legal actions for anti-competitive behavior, anti-trust, and monopoly practices.
GRI 207: Tax 2019		
207-1	Approach to tax	Economic Performance, Pg 44
207-2	Tax governance, control, and risk management	Economic Performance, Pg 44
207-3	Stakeholder engagement and management of concerns related to tax	Economic Performance, Pg 44
GRI 301: Materials 2016		
301-1	Materials used by weight or volume	Effluent and Waste Management, Pg 66
301-2	Recycled input materials used	Effluent and Waste Management, Pg 66
301-3	Reclaimed products and their packaging materials	Effluent and Waste Management, Pg 66
GRI 302: Energy 2016		
302-1	Energy consumption within the organisation	Energy Consumption, Pg 57
302-2	Energy consumption outside of the organisation	Energy Consumption, Pg 57
302-3	Energy intensity	Energy Consumption, Pg 57
302-4	Reduction of energy consumption	Energy Consumption, Pg 57
302-5	Reductions in energy requirements of products and services	Energy Consumption, Pg 57
GRI 303: Water and Effluents 2018		
303-1	Interactions with water as a shared resource	Water Management, Pg 63
303-2	Management of water discharge-related impacts	Water Management, Pg 63
303-3	Water withdrawal	Water Management, Pg 63
303-4	Water discharge	Water Management, Pg 63
303-5	Water consumption	Water Management, Pg 63

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI-Code	Description	Reference
GRI 304: Biodiversity 2016		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity, Pg 57
304-2	Significant impacts of activities, products and services on biodiversity	Biodiversity, Pg 57
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.
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	Energy Consumption, Pg 57
305-2	Energy indirect (Scope 2) GHG emissions	Energy Consumption, Pg 57
305-3	Other indirect (Scope 3) GHG emissions	Energy Consumption, Pg 57
305-4	GHG emissions intensity	Energy Consumption, Pg 57
305-5	Reduction of GHG emissions	Energy Consumption, Pg 57
305-6	Emissions of ozone-depleting substances (ODS)	Energy Consumption, Pg 57
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Energy Consumption, Pg 57
GRI 306: Waste 2020		
306-1	Waste generation and significant waste-related impacts	Effluent and Waste Management, Pg 66
306-2	Management of significant waste-related impacts	Effluent and Waste Management, Pg 66
306-3	Waste generated	Effluent and Waste Management, Pg 66
306-4	Waste diverted from disposal	Effluent and Waste Management, Pg 66
306-5	Waste directed to disposal	Effluent and Waste Management, Pg 66
GRI 308: Supplier Environmental Assessment 2016		
308-1	New suppliers that were screened using environmental criteria	Procurement and Supply Chain Management, Pg 49
308-2	Negative environmental impacts in the supply chain and actions taken	Procurement and Supply Chain Management, Pg 49
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	Employee Welfare, Pg 83
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Welfare, Pg 83
401-3	Parental leave	Employee Welfare, Pg 83
GRI 402: Labor/Management Relations 2016		
402-1	Minimum notice periods regarding operational changes	Employee Welfare, Pg 83

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI-Code	Description	Referenc
GRI 403: Occupational Health and Safety 2018		
403-1	Occupational health and safety management system	Occupational Health and Safety, Pg 72
403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety, Pg 72
403-3	Occupational health services	Occupational Health and Safety, Pg 72
403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety, Pg 72
403-5	Worker training on occupational health and safety	Occupational Health and Safety, Pg 72
403-6	Promotion of worker health	Occupational Health and Safety, Pg 72
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety, Pg 72
403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety, Pg 72
403-9	Work-related injuries	Occupational Health and Safety, Pg 72
403-10	Work-related ill health	Occupational Health and Safety, Pg 72
GRI 404: Training and Education 2016		
404-1	Average hours of training per year per employee	Training and Education, Pg 80
404-2	Programs for upgrading employee skills and transition assistance programs	Training and Education, Pg 80
404-3	Percentage of employees receiving regular performance and career development reviews	Training and Education, Pg 80
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	Corporate Governance and Ethics, Pg 95
405-2	Ratio of basic salary and remuneration of women to men	To be applied in future.
GRI 406: Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	Employee Welfare, Pg 83
GRI 407: Freedom of Association and Collective Bargaining 2016		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	We did not identify any operations or of suppliers in which the right to freedom of association and collective bargaining may be at risk.
GRI 408: Child Labor 2016		
408-1	Operations and suppliers at significant risk for incidents of child labour	Employee Welfare, Pg 83
GRI 409: Forced or Compulsory Labor 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Employee Welfare, Pg 83
GRI 411: Rights of Indigenous Peoples 2016		
411-1	Incidents of violations involving rights of indigenous peoples	In FY2023, there were no Incidents of violations involving rights of indigenous peoples.

SUSTAINABILITY STATEMENT

GRI Content Index (cont'd)

GRI-Code	Description	Reference
GRI 413: Local Communities 2016		
413-1	Operations with local community engagement, impact assessments, and development programs	Employee Welfare, Pg 83
413-2	Operations with significant actual and potential negative impacts on local communities	Employee Welfare, Pg 83 We did not identify any operations with significant actual and potential negative impacts on local communities.
GRI 414: Supplier Social Assessment 2016		
414-1	New suppliers that were screened using social criteria	Procurement and Supply Chain Management, Pg 49
414-2	Negative social impacts in the supply chain and actions taken	Procurement and Supply Chain Management, Pg 49
GRI 416: Customer Health and Safety 2016		
416-1	Assessment of the health and safety impacts of product and service categories	Occupational Health and Safety, Pg 72
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Occupational Health and Safety, Pg 72
GRI 417: Marketing and Labeling 2016		
417-1	Requirements for product and service information and labeling	Occupational Health and Safety, Pg 72
417-2	Incidents of non-compliance concerning product and service information and labelling	Occupational Health and Safety, Pg 72
417-3	Incidents of non-compliance concerning marketing communications	Occupational Health and Safety, Pg 72
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Corporate Governance and Ethics, Pg 95

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 2023. 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 2023 is disclosed in the Company's Corporate Governance Report which is available on the Company's website at https://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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

I Board Responsibilities (Cont'd)

1. Establishing clear roles and responsibilities of the Board (Cont'd)

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

I Board Responsibilities (Cont'd)

4. Access to Information and Advice (Cont'd)

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.

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) Corporate Strategic Plans;
(e) Budgets;
(f) Quarterly and annual financial statements for announcements; and
(g) Corporate governance policies.

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 is available on the Company's website at https://www.peccaleather.com.

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 https://www.peccaleather.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

I Board Responsibilities (Cont'd)

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 Whistleblowing Policy is available on the Company's website at https://www.peccaleather.com.

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 https://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 https://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 2023, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

II Board Composition (Cont'd)

1. Board Composition and Balance (Cont'd)

The Nomination Committee reviewed the Board and Board Committees composition in FY2023 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 subjected to annual assessment by the NC, regarding the independence and contributions; and annual shareholders' approval through two-tier voting process in a general meeting, where the Board provides valid justification on the recommendation in the explanatory notes to the resolution in the notice of a general meeting. Notwithstanding the above, the tenure of Independent Director should not exceed a cumulative term of twelve (12) years in compliance with the MMLR of Bursa Securities.

Dato' Mohamed Suffian Bin Awang and Datuk Leong Kam Weng will serve on the Board as an Independent Directors for a cumulative term of nine (9) years on 26 December 2023. The Board, after considering the recommendation of the NC and without the participation of Dato' Mohamed Suffian Bin Awang and Datuk Leong Kam Weng, resolved to retain them as Independent Directors as they bring a wealth of knowledge and experience to the Company. In addition, they provide effective checks and balances in Board proceedings and continue to exercise their independence and objective judgment in Board deliberations and Board Committee meetings.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

II Board Composition (Cont'd)

4. Appointment of Directors

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

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

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 Thirteenth AGM:-

(a) Teoh Zi Yi (Clause 97)
(b) Teoh Zi Yuen (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 Teoh Zi Yi and Teoh Zi Yuen. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

II Board Composition (Cont'd)

6. Directors' Commitment

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

The Board met six (6) 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[(a)] *Independent Non-Executive Chairman*	6/6	5/5	1/1	-
Datuk Teoh Hwa Cheng[(b)] *Group Managing Director*	6/6	-	-	1/1
Datin Sam Yin Thing *Executive Director*	6/6	-	-	-
Teoh Zi Yi *Executive Director*	6/6	-	-	-
Teoh Zi Yuen *Executive Director*	6/6	-	-	-
Datuk Leong Kam Weng *Independent Non-Executive Director*	6/6	5/5	1/1	1/1
Dato' Dr. Norhizan Bin Ismail *Independent Non-Executive Director*	6/6	5/5	1/1	1/1

Remarks:
(a) Appointed as a member of RC on 24 November 2022.
(b) Resigned as a member of RC on 24 November 2022.

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	• Clarification on Implementation dates of the Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes	Boardroom Corporate Services Sdn Bhd	29 August 2022
	• Environmental, Social and Governance & Sustainability	EnVision Tech PLT	20 October 2022
	• Amendments to Main Market Listing Requirements of Bursa Malaysia Securities Berhad in Relation to Enhanced Sustainability Reporting Framework	Boardroom Corporate Services Sdn Bhd	23 November 2022
Datuk Teoh Hwa Cheng	• Clarification on Implementation dates of the Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes	Boardroom Corporate Services Sdn Bhd	29 August 2022
	• Environmental, Social and Governance & Sustainability	EnVision Tech PLT	20 October 2022
	• Amendments to Main Market Listing Requirements of Bursa Malaysia Securities Berhad in Relation to Enhanced Sustainability Reporting Framework	Boardroom Corporate Services Sdn Bhd	23 November 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
Datin Sam Yin Thing	• Clarification on Implementation dates of the Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes	Boardroom Corporate Services Sdn Bhd	29 August 2022
	• Environmental, Social and Governance & Sustainability	EnVision Tech PLT	20 October 2022
	• Amendments to Main Market Listing Requirements of Bursa Malaysia Securities Berhad in Relation to Enhanced Sustainability Reporting Framework	Boardroom Corporate Services Sdn Bhd	23 November 2022
Teoh Zi Yi	• Clarification on Implementation dates of the Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes	Boardroom Corporate Services Sdn Bhd	29 August 2022
	• Environmental, Social and Governance & Sustainability	EnVision Tech PLT	20 October 2022
	• Amendments to Main Market Listing Requirements of Bursa Malaysia Securities Berhad in Relation to Enhanced Sustainability Reporting Framework	Boardroom Corporate Services Sdn Bhd	23 November 2022
Teoh Zi Yuen	• Clarification on Implementation dates of the Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes	Boardroom Corporate Services Sdn Bhd	29 August 2022
	• Environmental, Social and Governance & Sustainability	EnVision Tech PLT	20 October 2022
	• Amendments to Main Market Listing Requirements of Bursa Malaysia Securities Berhad in Relation to Enhanced Sustainability Reporting Framework	Boardroom Corporate Services Sdn Bhd	23 November 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	• Clarification on Implementation dates of the Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes	Boardroom Corporate Services Sdn Bhd	29 August 2022
	• Human Rights Risk Management for Malaysian Companies	KPMG Malaysia	27 September 2022
	• Emerging Giants in Asia Pacific	KPMG Malaysia and HSBC	28 September 2022
	• Environmental, Social and Governance & Sustainability	EnVision Tech PLT	20 October 2022
	• Understanding the requirements in Bursa Malaysia's enhanced sustainability reporting framework	KPMG Malaysia	2 November 2022
	• Audit Oversight Board's Conversation with Audit Committees	Audit Oversight Board, Securities Commission	17 November 2022
	• Amendments to Main Market Listing Requirements of Bursa Malaysia Securities Berhad in Relation to Enhanced Sustainability Reporting Framework	Boardroom Corporate Services Sdn Bhd	23 November 2022
	• Sustainability Awareness for Board Members	MUI Group	21 March 2023
	• Why ESG? A Governance Perspective	The Star Media Group	28 March 2023
	• Rise of the Chatbots: Artificial Intelligence and the Future of Accounting	Malaysian Institute of Accountants	30 March 2023
	• 2023 Budget Proposals & Latest Tax Developments	PCCO Group	7 April 2023

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
	• AI in Accounting: Threat or Opportunity?	Malaysian Institute of Accountants	11 April 2023
	• Sustainability Assurance: Current Landscape and Factors to be Considered in relation of Assurance on Sustainability Related Information	Malaysian Institute of Accountants	18 April 2023
	• B2B Fintech Payment Methods	LAWASIA	21 June 2023
Dato' Dr. Norhizan Bin Ismail	• International Health Webinars on Climate change: Creating a Sustainable Health System	Institute of Health Sciences Bhakti Wiyata Indonesia & MAHSA Universiti Malaysia	31 July 2022
	• Clarification on Implementation dates of the Amendments to the Main Market Listing Requirements in relation to Director Appointment, Independence and Miscellaneous Changes	Boardroom Corporate Services Sdn Bhd	29 August 2022
	• Environmental, Social and Governance & Sustainability	EnVision Tech PLT	20 October 2022
	• Amendments to Main Market Listing Requirements of Bursa Malaysia Securities Berhad in Relation to Enhanced Sustainability Reporting Framework	Boardroom Corporate Services Sdn Bhd	23 November 2022
	• Transformative Leadership in Healthcare Inspiring Excellence and Empowering Change	MAHSA University Malaysia	25 June 2023

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

II Board Composition (Cont'd)

8. Board Committees

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

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

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

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

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

(b) Nomination Committee ("NC")

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

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

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

Dato' Dr. Norhizan Bin Ismail (Member)
Independent Non-Executive Director

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

The NC assists the Board in carrying out the annual assessment of the effectiveness of the Board as a whole, the Board Committees and the contribution or performance of each Director. The NC also assists the Board in assessing the level of independence of the Independent Directors annually.

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)

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.

A copy of the Terms of Reference of the NC, which is published and available for viewing at the Company's website at https://www.peccaleather.com.

Summary of Works

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

(i) Assessed and was satisfied with the effectiveness of the Board as a whole and the Board Committees as a whole, and the contributions of each Director.
(ii) Reviewed and was satisfied with the mix of skills, knowledge, expertise and experience, composition and size of the Board in terms of gender, ethnicity and age, as well as environmental, social and governance issues.
(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, Chief Executive Officer and Chief Financial Officer.
(v) Assess the fit and properness of Directors who are due for retirement by rotation and recommend Directors who are eligible to stand for re-election to the Board for recommendation to the shareholders for approval at the AGM.
(vi) Reviewed the terms of office of the ARMC and the assessment on the performance, effectiveness and financial literacy of the AC and members of the ARMC in discharging their duties and obligation in accordance with the terms of reference.
(vii) Discussed the training programmes for the Directors to enhance their skills and knowledge.
(viii) Recommended the changes of Board Committee members for the Board's approval.

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")

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

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

Dato' Dr. Norhizan Bin Ismail (Member)
Independent Non-Executive Director

Dato' Mohamed Suffian Bin Awang (Member) *(Appointed on 24 November 2022)*
Independent Non-Executive Chairman

Datuk Teoh Hwa Cheng (Member) *(Resigned on 24 November 2022)*
Group Managing Director

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.

A copy of the Terms of Reference of the RC is published and available for viewing at the Company's website at https://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)

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

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 12^{th} AGM until the conclusion of the next AGM and recommended the same to the Board of Directors for approval.
(ii) 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.
(iii) Reviewed the term of reference of the RC to align with the MCCG and MMLR of Bursa Securities and recommended the same to the Board of Directors for approval.
(iv) To note the resignation of DatukTeoh Hwa Cheng as a member of RC and recommended to the Board to appoint Dato' Mohamed Suffian Bin Awang as a member of RC in replacement thereof.

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 members on an annual basis.

The evaluation process is led by the NC Chairman who is an Independent Non-Executive Director and supported by the Company Secretaries. The evaluation process is conducted via questionnaires to review the effectiveness of the Board and its Committees and 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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.

Details of Directors' remuneration for the financial year ended 30 June 2023 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 https://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 the top five (5) senior management's detailed remuneration including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000, the Board would like to provide for an advocacy period in the interim.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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.

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. 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 2023 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

I ARMC (Cont'd)

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

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 2023.

For the financial year ended 30 June 2023, fees paid and payable 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 fee		
- Messrs Crowe Malaysia PLT	50,000	151,000
Non-Audit:		
- Messrs Crowe Malaysia PLT	5,000	12,500
- Local affiliates of Messrs Crowe Malaysia PLT	4,000	23,000
Total	59,000	186,500

*The amount disclosed included non-audit fees incurred for statutory tax compliance advisory services and reviewing the statement on risk management and internal control and other information included in the annual report.

II Risk Management and Internal Control Framework

1. Risk Management and Internal Controls

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

2. Internal Audit Function

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

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

Name	:	Chong Chee Seng
Qualification	:	Certified Internal Auditor ("CIA"), Fellow Certified Practising Accountant with CPA Australia ("FCPA"), 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 https://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

The 12th 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 12th 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 9 October 2023.

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 utilisation 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 and Movement Control Order enforced by the Government in March 2020 until 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 2023 is as follows:

Purposes	Revised Expected Timeframe for Utilisation (from 19 April 2018)	Revised Amount (RM'000)	Actual Utilisation (RM'000)	Utilised (%)
a) Working capital	-	27,859	(27,859)	100
b) Repayment of bank borrowings	-	17,100	(17,100)	100
c) Purchase of new machineries for the production of car leather seat covers	Within 24 months	4,871	(4,871)	100
d) Construction of an additional storey of production floor area on the existing factory building	-	5,000	(5,000)	100
e) Opening of retail outlets	-	-	-	-
f) Establishment of market presence in Thailand	Within 24 months	-	-	-
g) Expansion of aviation business	Within 24 months	834	(834)	100
h) Estimated listing expenses	-	4,111	(4,111)	100
i) Purchase of raw material	-	5,350	(5,350)	100
j) Selling and distribution expenses of:				
- Retail	-	2,000	(40)	2
- Thailand	-	-	-	-
- Aviation	-	745	(196)	26
Total Public Issue Proceeds		67,870	(65,361)	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 2023.

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 2023 are as follows:

Related Parties	Interested Directors/ Substantial Shareholders	Interest in Our Group	Nature of Transaction	Actual Value (RM)
Tint Auto (M) Sdn. Bhd.	Datuk Teoh Hwa Cheng	Director and substantial shareholder of Pecca	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 of Pecca		
	Teoh Zi Yi	Director of Pecca Son of Datuk Teoh Hwa Cheng and Datin Sam Yin Thing		
	Teoh Zi Yuen (Appointed on 3 July 2023)	Director of Pecca Daughter of Datuk Teoh Hwa Cheng and Datin Sam Yin Thing	Management service	360,000
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.	101,472
			Rental of warehouse, No. 7, Jalan KIP 11, Taman Perindustrian KIP, 52200 Sri Damansara, Kuala Lumpur from Pecca Leather Sdn. Bhd. to Rentas Health Sdn. Bhd.	168,000
			Supply of PPE products	3,089,273
			Warehouse management fee from Rentas Health Sdn Bhd to Pecca Leather Sdn. Bhd.	26,300
			Management service	90,000

ADDITIONAL COMPLIANCE INFORMATION

3. **Recurring Related Party Transactions (Cont'd)**

   The Company intends to seek the approval of its shareholders for the proposed shareholders' mandate to enter into RRPT at the forthcoming 13th 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 23rd August 2019.

5. **Audit and Non-Audit Fees**

	Company (RM)	**Group (RM)**
Audit fee paid or payable to the external auditors, Messrs Crowe Malaysia PLT ("Crowe Malaysia")	50,000	151,000
Non-audit fee paid or payable to Crowe Malaysia, or local affiliates to Crowe Malaysia (Note 1)	9,000	35,500

Note 1 The amount disclosed included non-audit fees incurred for statutory tax compliance advisory services and reviewing the statement on risk management and internal control and other information included in the annual report.

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 2023 ("FY2023").

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

**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 FY2023, five (5) ARMC meetings were held and the details of attendance of the meetings are as follows:

Name	Total Meeting Attended	Percentage
Datuk Leong Kam Weng	5/5	100%
Dato' Mohamed Suffian Bin Awang	5/5	100%
Dato' Dr. Norhizan Bin Ismail	5/5	100%

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 key management at least twice a year.

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

The key activities carried out by the ARMC for the financial year ended 30 June 2023 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 2022), Second Quarter (ended 31 December 2022), Third Quarter (ended 31 March 2023), and Fourth Quarter (ended 30 June 2023) 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 ("MFRSs") and other requirements such as the MMLR.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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

ii. Financial Reporting (Cont'd)

b. Reviewed the Company and the Group's annual audited financial statements for the financial year ended 30 June 2023 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 2023 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.

iii. External Audit

a. Reviewed the External Auditor's audit plan for the financial year ended 30 June 2023, 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 2023, 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 Group Managing Director, Executive Directors and Key Management 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 management 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 re-appointment of Messrs Crowe Malaysia PLT as the External Auditors of the Company 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)

iv. 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 Group Managing Director, Executive Directors and Key Management 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.

v. 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.

vi. 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 FY2023.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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

vii. 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.

viii. Others

a. Reviewed and recommended for the Board's approval, the revised ARMC Term of Reference to align with the Malaysia Code on Corporate Governance 2021 and the MMLR of Bursa Securities.

b. 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.

c. 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.

d. Reviewed the actual results for the financial year ended 30 June 2023, and compared it to the budgeted for financial year ended 30 June 2023.

4. SUMMARY OF THE ACTIVITIES OF INTERNAL AUDIT FUNCTIONS

The Group's internal audit function is outsourced to 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 of Pecca 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 FY2023 are 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:
- Planning for Automotive and Medical Division;
- Production for Automotive and Medical Division;
- Sales; and
- Research and Development.

iii. performed follow-up audit on the following areas:
- Warehouse;
- Related Party Transactions ("RPT") Review;
- Planning and Production for Automotive and Medical Division; and
- Sales.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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

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"), Fellow 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 2023 amounted to RM62,000.

This Report is dated 9 October 2023.

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 (“MMLR”) 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 2023 (“FY2023”) 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.

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:

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board's Responsibility and Governance Structure (Cont'd)

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:
  - continued enforcement and monitoring internal controls deployed to address the COVID-19 endemic phase; and
  - compliance with relevant standard operating procedures set by the government to ensure smooth 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, Chief Executive Officer and Chief Financial Officer.

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.

The Group's aviation segment, its wholly-owned subsidiary, Pecca Aviation Services Sdn. Bhd,, is an Approved Maintenance Organisation (AMO) Part 145; Scope C6 and Production Organisation Approval (POA) Part 21 ; Scope C2 certificate holder. As such, the company is subjected to annual surveillance audits by certification bodies, Civil Authority Aviation Malaysia ("CAAM") and European Union Aviation Safety Agency ("EASA") 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 2023, four (4) cycles of internal audit were carried out. Further details on the roles and activities of the internal audit function are set out in the ARMC Report on pages 132 to 134 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 2023.

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.

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)

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.

The monitoring and review will be carried out via the weekly Management Meeting, bi-weekly credit control meeting, monthly Group Management meetings, weekly operation meetings, weekly sales meetings, monthly forecast meetings, annual budgeting meeting and the presentation to the Board for the quarterly results against budget, annual budget and business plan, yearly Environmental, Social, and Governance report.

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 2023, 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 9 October 2023.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

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 2023 and of their financial performance and cash flows for the financial year then ended.

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

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

The Directors are also responsible in ensuring that the Group 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 2023.

FINANCIAL STATEMENTS

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 2023.

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	35,404	19,265
Non-controlling interests	22	-
	35,426	19,265

DIVIDENDS

The dividends declared, proposed and paid by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of financial year ended 30 June 2022:	
Single-tier first interim dividend of 1.40 sen per ordinary share, paid on 16 August 2022	10,525
In respect of financial year ended 30 June 2023:	
Single-tier first interim dividend of 0.68 sen per ordinary share, paid on 7 February 2023	5,112
Single-tier second interim dividend of 0.68 sen per ordinary share, paid on 7 July 2023	5,112
Single-tier third interim dividend of 1.00 sen per ordinary share, paid on 29 September 2023	7,518
	17,742

The directors do not recommend any final dividend to be paid for the financial year ended 30 June 2023.

DIRECTORS' REPORT

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.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

TREASURY SHARES

The Company did not repurchase any of its issued ordinary shares from the open market during the financial year.

As at 30 June 2023, 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 13 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

DIRECTORS' REPORT

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, 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 which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company 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 when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than impairment losses on machineries, write down of inventories and acquisition of a subsidiary as disclosed in Notes 21 and 5 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT

DIRECTORS

The names of directors of the Company 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

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
Herny Pramana
Neo Hwee Leong
K Karunakaran Karuppannan (appointed on 11 April 2023)
Mat Nizam Bin Mat Daron (appointed on 11 April 2023)
Yeo Bee Hwan (appointed on 11 April 2023)

DIRECTORS' REPORT

DIRECTORS' INTERESTS

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 1.7.2022	Bought	Sold	At 30.6.2023
Company				
Direct Interests				
Datuk Teoh Hwa Cheng	24,367,296	-	-	24,367,296
Dato' Mohamed Suffian Bin Awang	435,364	-	-	435,364
Datuk Leong Kam Weng	435,364	-	-	435,364
Datin Sam Yin Thing	51,070,276	791,000	-	51,861,276
Teoh Zi Yi	1,293,032	-	-	1,293,032
Indirect Interests *				
Datuk Teoh Hwa Cheng	373,075,532	-	-	373,075,532
Datin Sam Yin Thing	373,075,532	-	-	373,075,532

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

By virtue of their interest in shares of the Company, Datuk Teoh Hwa Cheng and Datin Sam Yin Thing are 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 2023 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 29 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 is 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 Group and of the Company during the financial year are as follows:-

	Group RM'000	Company RM'000
Fees	312	252
Salaries, bonuses and other benefits	1,773	28
Defined contribution benefits	183	-
	2,268	280

INDEMNITY AND INSURANCE COST

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	
	Premium 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.

SUBSIDIARIES

The details of the subsidiary name, place of incorporation, principal activities and percentage of issued share capital held by the Company in each subsidiary are disclosed in Note 5 to the financial statements.

The available auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 5.1.1 to the financial statements.

HOLDING COMPANY

The holding company is MRZ Leather Holdings Sdn. Bhd., a company incorporated in Malaysia.

DIRECTORS' REPORT

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 are as follows:-

	Group RM'000	**Company** RM'000
Audit fees	208	50
Non-audit fees	98	9
	306	59

Signed in accordance with a resolution of the directors dated 9 October 2023.

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 157 to 228 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 2023 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 9 October 2023.

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 157 to 228 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 9 October 2023

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 2023 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 157 to 228.

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 2023, 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.

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

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.

<table>
<tr><td colspan="2">Valuation of inventories
Refer to Note 8 to the financial statements</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>The Group has significant inventories balance as at 30 June 2023 of RM28,445,000.

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.</td><td>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 effectiveness 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.</td></tr>
</table>

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

Key Audit Matters (Cont'd)

<table>
<tr><td colspan="2">Impairment of healthcare segment's assets
Refer to Note 3, Note 8 and Note 9 to the financial statements</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>The healthcare segment relates to the manufacturing and supply of face masks. The following are the asset classes of healthcare segment of the Group and their approximate carrying amounts after impairment loss and write down as at the end of the financial year:
• Machineries RM2,428,000;
• Inventories RM2,755,000; and
• Receivables RM5,323,000

The management has performed impairment and realisable value assessments on these assets during the financial year and recognised impairment loss and write down totalling RM2,750,000 to the profit or loss.

We focus on this area as the impairment assessment involves significant judgements and there is inherent uncertainty in the assumptions applied by the management to determine the level of allowance. Hence, we determined this to be a key audit matter.</td><td>Our audit procedures included, amongst others:-

• We have enquired the management on their plan for the healthcare segment;
• We have reviewed the 5-year financial projection prepared by the management to assess if there is any further impairment require on the carrying value of the machineries using the value-in-use ("VIU") method;
• We assessed the reliability of the management's forecast by comparing their past trend results and actual results;
• We assessed the growth rates used by management by comparing to industry trends;
• We checked the discount rates used by comparing the rate used to comparable industry and market information;
• We evaluate whether the inventories have been written down to their net reliasable value for inventory items with net realisable value lower than their cost;
• We have assessed the reasonableness of the future utilisation of the inventories based on the sales volume projected in deriving at the 5-year financial projection; and
• We reviewed the ageing analysis of receivable and the subsequent cash collections for the receivable and overdue amount.</td></tr>
</table>

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

Key Audit Matters (Cont'd)

<table>
<tr><td colspan="2">Valuation of leasehold land and buildings
Refer to Note 3 and Note 4 to the financial statements</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>The Group's policy is to revalue its leasehold land and buildings every five years and at a shorter intervals whenever the fair values of the revalued properties are expected to differ materially from their carrying value. The leasehold land and buildings were previously revalued in the financial year ended 30 June 2021.

We focused on this area as the valuation methodology is subject to significant judgement and involve the use of assumptions and unobservable inputs.</td><td>Our audit procedures included, amongst others:-

• We assessed the objectivity, independence, competence and capabilities of the professional valuers;
• We have obtained the valuation reports and reviewed the methodology adopted by the independent professional valuers in estimating the fair value of the leasehold land and buildings and assessed whether such methodology is consistent with those used in the industry;
• We evaluated the appropriateness of the data used by the professional valuers as input into their valuations;
• We interviewed the professional valuers, discussed and challenged the significant estimates and assumptions applied in their valuation process; and
• We performed audit procedures to assess the integrity of the information provided by the management to the valuer by agreeing that information to the underlying lease agreements.</td></tr>
</table>

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

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 (CONT'D)

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.

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

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

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 (Cont'd):-

- 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.

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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries 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

Kaw Hoong Siang
03379/06/2024 J
Chartered Accountant

Kuala Lumpur

9 October 2023

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Assets					
Property, plant and equipment	3	42,784	38,013	-	-
Right-of-use assets	4	24,469	20,036	-	-
Investments in subsidiaries	5	-	-	103,851	103,850
Other investments	6	419	418	-	-
Goodwill	7	140	-	-	-
Total non-current assets		67,812	58,467	103,851	103,850
Inventories	8	28,445	28,983	-	-
Trade and other receivables	9	54,856	46,544	9,157	15,317
Contract assets	10	130	337	-	-
Prepayments	11	1,526	3,287	10	10
Current tax assets		35	-	29	29
Cash and cash equivalents	12	111,232	86,808	37,386	27,661
Total current assets		196,224	165,959	46,582	43,017
Total assets		264,036	224,426	150,433	146,867
Equity					
Share capital	13	135,702	135,702	135,702	135,702
Reserves	13	77,108	54,163	9,472	10,956
Total equity attributable to owners of the Company		212,810	189,865	145,174	146,658
Non-controlling interests		410	(72)	-	-
Total equity		213,220	189,793	145,174	146,658
Liabilities					
Deferred tax liabilities	14	6,632	5,995	-	-
Lease liabilities	15	478	49	-	-
Employee benefits		30	-	-	-
Borrowings	16	5,040	5,670	-	-
Total non-current liabilities		12,180	11,714	-	-
Trade and other payables	17	19,819	19,383	147	209
Dividend payable	18	5,112	-	5,112	-
Current tax liability		6,341	2	-	-
Lease liabilities	15	534	320	-	-
Borrowings	16	6,830	3,214	-	-
Total current liabilities		38,636	22,919	5,259	209
Total liabilities		50,816	34,633	5,259	209
Total equity and liabilities		264,036	224,426	150,433	146,867

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 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Revenue	19	221,258	164,394	19,000	15,271
Cost of sales		(153,499)	(118,563)	-	-
Gross profit		67,759	45,831	19,000	15,271
Other income		1,002	1,632	-	-
Selling and distribution expenses		(6,226)	(5,417)	-	-
Administrative expenses		(15,523)	(13,857)	(762)	(1,121)
Impairment (loss)/gain on:					
- financial instruments		(120)	96	-	1,437
- non-financial instruments		(2,000)	-	-	-
Results from operating activities		44,892	28,285	18,238	15,587
Finance income	20	2,398	1,034	1,029	652
Finance costs		(343)	(30)	-	-
Profit before tax	21	46,947	29,289	19,267	16,239
Tax expense	22	(11,521)	(6,448)	(2)	(16)
Profit for the financial year		35,426	22,841	19,265	16,223
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of:					
- property, plant and equipment		7,078	-	-	-
- right-of-use assets		3,711	-	-	-
		10,789	-	-	-
Less: Deferred tax		(2,589)	-	-	-
		8,200	-	-	-
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences on foreign operations		110	15	-	-
Actuarial loss on employment benefit		(2)	-	-	-
		108	15	-	-
Other comprehensive income for the financial year, net of tax		8,308	15	-	-
Total comprehensive income for the financial year		43,734	22,856	19,265	16,223

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 2023 (CONT'D)

		Group		Company	
	Note	**2023** RM'000	**2022** RM'000	**2023** RM'000	**2022** RM'000
Profit attributable to:-					
Owners of the Company		35,404	22,852	19,265	16,223
Non-controlling interests		22	(11)	-	-
Profit for the financial year		35,426	22,841	19,265	16,223
Total comprehensive income attributable to:-					
Owners of the Company		43,694	22,859	19,265	16,223
Non-controlling interests		40	(3)	-	-
Total comprehensive income for the financial year		43,734	22,856	19,265	16,223
Basic and diluted earnings per ordinary share (sen)	23				
- basic		4.71	3.07		
- diluted		4.71	3.07		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		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	**Other reserve** RM'000	**Retained earnings** RM'000	**Total** RM'000	**Non-controlling interests** RM'000	**Total equity** RM'000
At 1 July 2022		135,702	(60)	(60,822)	8	10,765	-	104,272	189,865	(72)	189,793
Profit after taxation for the financial year		-	-	-	-	-	-	35,404	35,404	22	35,426
Other comprehensive income for the financial year:											
- actuarial loss on employment benefits		-	-	-	-	-	(2)	-	(2)	-	(2)
- revaluation of land and buildings		-	-	-	-	8,200	-	-	8,200	-	8,200
- foreign currency translation differences on foreign operations		-	-	-	92	-	-	-	92	18	110
Total comprehensive income for the financial year		-	-	-	92	8,200	(2)	35,404	43,694	40	43,734
Dividend distributions to owners of the Company	24	-	-	-	-	-	-	(20,749)	(20,749)	-	(20,749)
Non-controlling interest arising from acquisition of a new subsidiary		-	-	-	-	-	-	-	-	442	442
At 30 June 2023		135,702	(60)	(60,822)	100	18,965	(2)	118,927	212,810	410	213,220

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

		/------ 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 after taxation for the financial year		-	-	-	-	-	22,852	22,852	(11)	22,841
Other comprehensive income for the financial year: - foreign currency translation differences on a foreign operation		-	-	-	7	-	-	7	8	15
Total comprehensive income for the financial year		-	-	-	7	-	22,852	22,859	(3)	22,856
Dividend distributions to owners of the Company	24	-	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 2023 (CONT'D)

		/------------------ Attributable to owners of the Company			---------------/
		/-------- Non-distributable ---------/		Distributable	
	Note	Share capital	Treasury shares	Retained earnings	Total equity
Company		RM'000	RM'000	RM'000	RM'000
At 1 July 2021		135,702	(4,996)	(271)	130,435
Profit and total comprehensive income for the financial year		-	-	16,223	16,223
Dividend distributions to owners of the Company	24	-	4,936	(4,936)	-
At 30 June 2022/1 July 2022		135,702	(60)	11,016	146,658
Profit and total comprehensive income for the financial year		-	-	19,265	19,265
Dividend distributions to owners of the Company	24	-	-	(20,749)	(20,749)
At 30 June 2023		135,702	(60)	9,532	145,174

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Cash flows from/(for) operating activities					
Profit before tax		46,947	29,289	19,267	16,239
Adjustments for:					
Depreciation of:					
- property, plant and equipment	3	4,223	4,639	-	-
- right-of-use assets	4	636	483	-	-
Dividend income		-	-	(19,000)	(15,271)
Finance income	20	(2,398)	(1,034)	(1,029)	(652)
Finance costs		343	30	-	-
Gain on disposal of plant and equipment		(30)	(20)	-	-
Inventories:	8				
- written down/written off		750	32	-	-
- reversal of write-down		-	(55)	-	-
Impairment loss/(gain) on:					
- plant and machineries		2,000	-	-	-
- trade receivables		120	(96)	-	-
- amount due from a subsidiary		-	-	-	(1,437)
Loss on derecognition of lease liabilities		11	-	-	-
Plant and equipment written off	21	151	-	-	-
Unrealised gain on foreign exchange	21	(349)	(56)	-	-
Operating profit/(loss) before changes in working capital		52,404	33,212	(762)	(1,121)
Change in inventories		360	(602)	-	-
Change in trade and other receivables		(6,951)	(15,353)	(1,111)	1,403
Change in contract assets		207	(337)	-	-
Change in prepayments		1,761	1,842	-	-
Change in trade and other payables		(115)	(2,383)	(62)	(89)
Change in contract liabilities		-	(69)	-	-
Change in post-employment benefits		5	-	-	-
Cash generated from/(for) operations		47,671	16,310	(1,935)	193
Income tax paid		(7,668)	(5,255)	(2)	(16)
Interest paid		(343)	(30)	-	-
Net cash from/(for) operating activities		39,660	11,025	(1,937)	177
Cash flows (for)/from investing activities					
Acquisition of property, plant and equipment	3	(4,086)	(3,198)	-	-
Acquisition of a right-of-use assets	4	-	(8,448)	-	-
Net cash on acquisition of a subsidiary		(995)	-	-	-
Subscription for shares in a new subsidiary		-	-	(1)	-
Purchase of additional shares in subsidiaries		-	-	-	(27,500)
Proceeds from disposal of plant and equipment		337	70	-	-
Dividends received		-	-	26,271	-
Interests received		2,398	1,034	1,029	652
Net cash (for)/from investing activities		(2,346)	(10,542)	27,299	(26,848)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Cash flows (for)/from financing activities					
Dividends paid		(15,637)	-	(15,637)	-
Payment of lease liabilities		(716)	(354)	-	-
Net proceeds from borrowings		2,986	8,884	-	-
Repayment to a director		-	(270)	-	-
Net cash (for)/from financing activities		(13,367)	8,260	(15,637)	-
Net increase/(decrease) in cash and cash equivalents		23,947	8,743	9,725	(26,671)
Effect of exchange rate fluctuations on cash held		477	(67)	-	-
Cash and cash equivalents at the beginning of financial year		86,808	78,132	27,661	54,332
Cash and cash equivalents at the end of financial year	12	111,232	86,808	37,386	27,661

Cash outflows for leases as a lessee

Group	2023 RM'000	2022 RM'000
Included in net cash from operating activities:		
Interest paid in relation to lease liabilities	13	16
Included in net cash from financing activities:		
Payment of lease liabilities	716	354
Total cash outflows for leases	729	370

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

Group	At 1 July 2022 RM'000	Acquisition of new lease RM'000	Derecongition due to lease modification RM'000	Net changes from financing cash flows RM'000	At 30 June 2023 RM'000
Lease liabilities	369	1,370	(11)	(716)	1,012

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

Group	At 1 July 2022 RM'000	(Repayment)/ Drawdown RM'000	At 30 June 2023 RM'000
Term loan	6,300	(630)	5,670
Trade financing	2,584	3,616	6,200

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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

Holding company
The holding company is MRZ Leather Holdings Sdn. Bhd., a company incorporated in Malaysia.

The consolidated financial statements of the Group and of the Company as at and for the financial year ended 30 June 2023 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 2023 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 9 October 2023.

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)

Amendments to MFRS 3: Reference to the Conceptual Framework
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 – 2020

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
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
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: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
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 112: International Tax Reform – Pillar Two Model Rules	1 January 2023
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

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 their initial application.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Critical Accounting Estimates and Judgements (Cont'd)

Key Sources of Estimation Uncertainty (Cont'd)

(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 8 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 receivables, trade balances owing by third parties and a subsidiary and contract assets as at the reporting date are disclosed in Note 9 and Note 10 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 are disclosed in Note 9 to the financial statements.

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 other than as disclosed below:-

Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of Consolidation (Cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

In respect of equity-accounted joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted joint ventures.

2.4 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
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(i) Amortised Cost (Cont'd)

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
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 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).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial Instruments (Cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial Instruments (Cont'd)

(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.

2.6 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.

2.7 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.

Land and buildings are subsequently measured at valuation less any accumulated depreciation and any accumulated impairment losses. Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Property, Plant and Equipment (Cont'd)

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.

Depreciation on 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	3 - 10 years
Motor vehicles	5 years
Office equipment	4 - 10 years
Furniture and fittings	10 years
Computer	2 - 5 years
Renovation	3 - 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Inventories

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

Cost incurred in bringing the inventories to their present location and condition are accounted for as follows:-

- Raw materials: purchase costs of leather and centain non-leather materials purchased in batches are on first-in first-out basis while other materials are on weighted average basis.

- Finished goods: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

2.10 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: Financial Instruments.

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.

2.11 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.

2.12 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
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 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
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 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.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Income Taxes (Cont'd)

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.

2.15 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.

2.16 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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 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.

2.19 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 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.

2.21 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
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

3. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Plant and machineries	Motor vehicles	Office equipment	Furniture and fittings	Computers	Renovation	Construction work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation									
At 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 2022/1 July 2022	19,121	25,175	3,988	1,810	4,089	4,664	11,665	501	71,013
Acquisition of a new subsidiary	-	965	-	81	-	-	-	-	1,046
Additions	-	2,470	-	140	203	649	453	171	4,086
Disposals	-	(1,151)	-	-	-	(65)	-	-	(1,216)
Written off	-	(2,545)	-	(1)	-	(2,945)	-	-	(5,491)
Reclassification	-	323	-	-	-	-	-	(323)	-
Adjustment on revaluation	6,229	-	-	-	-	-	-	-	6,229
Exchange rate	-	55	-	3	-	-	-	-	58
At 30 June 2023	25,350	25,292	3,988	2,033	4,292	2,303	12,118	349	75,725

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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 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 2022/1 July 2022	468	15,260	3,025	1,455	3,130	4,167	5,495	-	33,000
Acquisition of a new subsidiary	-	698	-	74	-	-	-	-	772
Depreciation for the financial year	381	2,004	301	109	190	395	843	-	4,223
Disposals	-	(844)	-	-	-	(65)	-	-	(909)
Written off	-	(2,401)	-	(1)	-	(2,938)	-	-	(5,340)
Adjustment on revaluation	(849)	-	-	-	-	-	-	-	(849)
Exchange rate	-	41	-	3	-	-	-	-	44
At 30 June 2023	-	14,758	3,326	1,640	3,320	1,559	6,338	-	30,941
Impairment loss									
At 1 July 2022	-	-	-	-	-	-	-	-	-
Addition	-	2,000	-	-	-	-	-	-	2,000
At 30 June 2023	-	2,000	-	-	-	-	-	-	2,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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
Carrying amounts									
At 30 June 2022	18,653	9,915	963	355	959	497	6,170	501	38,013
At 30 June 2023	25,350	8,534	662	393	972	744	5,780	349	42,784

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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

The buildings have been revalued by an independent professional valuer in June 2023. 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 surplus of RM5,380,000 arising from the revaluation, net of deferred tax, has been credited to other comprehensive income and accumulated in equity under the revaluation reserve.

Had the 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	2023 RM'000	2022 RM'000
Buildings		
At cost	17,161	17,161
Accumulated depreciation	(4,677)	(4,341)
	12,484	12,820

Fair Value Information

Fair value of the buildings are categorised as follows:

	Level 3	
Group	2023 RM'000	2022 RM'000
Buildings	25,350	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
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

4. RIGHT-OF-USE ASSETS

Group	Leasehold land RM'000	Buildings RM'000	Storage RM'000	Motor Vehicle RM'000	Total RM'000
At 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 2022/1 July 2022	19,716	-	320	-	20,036
Addition	-	1,018	324	28	1,370
Depreciation for the financial year	(227)	(59)	(347)	(3)	(636)
Adjustment for revaluation	3,711	-	-	-	3,711
Derecognition due to lease modification	-	-	(11)	-	(11)
Exchange differences	-	(1)	-	-	(1)
At 30 June 2023	23,200	958	286	25	24,469

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 was revalued by an independent professional valuer on 30 June 2023. 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 RM2,820,000 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	2023 RM'000	2022 RM'000
Leasehold land		
At cost	13,352	13,352
Accumulated depreciation	(804)	(653)
	12,548	12,699

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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

Fair Value Information

Fair value of the leasehold land is categorised as follows:

	Level 3	
	2023	**2022**
Group	RM'000	RM'000
Leasehold land	23,200	19,848

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	
	2023	**2022**
	RM'000	RM'000
Cost of investment	103,961	76,461
Subscription for shares in a new subsidiary	1	-
Subscribed for additional shares in existing subsidiaries	-	27,500
	103,962	103,961
Less: Impairment losses	(111)	(111)
	103,851	103,850

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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 2023 %	2022 %
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.	100.00	100.00
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.	100.00	100.00
Pecca Plus Sdn. Bhd.	Malaysia	Dormant.	100.00	100.00
PT Gemilang Maju Kencana ("PT Gemilang")*	Indonesia	Manufacturing & supply of upholstery leather car seat wrapping & seat cover.	80.02	-
Pecca Leather (Thailand) Limited ("PThailand")*#	Thailand	Dormant.	49.00/ 82.77	49.00/ 82.77
Pecca EV Sdn Bhd ("Pecca EV")	Malaysia	Dormant.	100.00	-

* 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 this 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
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

5.1 Significant changes to investments in subsidiaries:-

5.1.1 During the financial year:-

(a) On 1 July 2022, the Company subscribed for 1,000 ordinary shares of RM1 each representing 100% equity interest in a newly incorporated subsidiary, Pecca EV for a total consideration of RM1,000. The intended principal activities of the Pecca EV is importation, distribution and trading of electric motor vehicles and related Electric Vehicle ("EV") chargers, EV charging stations, spare parts and accessories, as well as the provision of after sales services.

(b) On 1 April 2023, PLeather, a wholly owned subsidiary of the Company acquired 2,876 shares, representing an approximately 80.02% equity interest in PT Gemilang, for a total cash consideration of approximately RM1,906,000. PT Gemilang operates in the business of manufacturing and supply of upholstery leather car seat wrapping and seat cover as its core business and is incorporated and domiciled in Indonesia. In determining and recognising the fair value of assets acquired and liabilities assumed, the Group has performed an internal purchase price allocation assessment on the acquisition during the financial year.

(i) Fair value of identifiable assets acquired and liabilities assumed are as follows:-

	Group 2023 RM'000
Assets	
Property, plant and equipment	274
Deferred tax asset	5
Other assets	1
Inventories	572
Trade and other receivables	1,487
Cash and cash equivalents	911
Total assets	3,250
Liabilities	
Trade and other payables	(513)
Current tax liabilities	(504)
Employee benefits	(25)
Total liabilities	(1,042)
Total identifiable net assets acquired	2,208
Goodwill arising from acquisition	140
Non-controlling interest at fair value	(442)
Fair value of consideration transferred	1,906

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

5.1 Significant changes to investments in subsidiaries (cont'd):-

5.1.1 During the financial year (cont'd):-

(b) (ii) Effects of acquisition on cash flows:-

	2023 RM'000
Fair value consideration transferred	1,906
Less: cash and cash equivalents of the acquired subsidiary	(911)
Net cash used in acquisition	995

5.1.2 In the previous financial year:-

(a) 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

(b) 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 interests in PThailand and PT Gemilang have not been presented as the related information is not individually material to the Group.

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

	Number of equity shares			
	At 1.7.2022	**Bought**	**Sold**	**At 30.6.2023**
Interest held by the Company:-				
PThailand	2,450	-	-	2,450
Interests held via PLeather:-				
PT Gemilang	-	2,876	-	2,876

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

6. OTHER INVESTMENTS

	Group	
	2023 RM'000	**2022** RM'000
Non-current		
Financial assets at fair value through profit:		
- club memberships	418	418
Unquoted shares in Malaysia	*	-
Others	1	-
	419	418

* Amount less than RM1,000

The club memberships include an amount of RM367,500 (2022: RM367,500) of a club membership registered in the name of a director of the Company.

7. GOODWILL

	Group	
	2023 RM'000	**2022** RM'000
Cost:-		
At 1 July	-	-
Acquisition of a subsidiary	140	-
	140	-

The carrying amounts of goodwill is allocated to the subsidiary in Indonesia, PT Gemilang as the cash generating unit ("CGU").

The goodwill arose from the Group's acquisition of approximately 80.02% equity interest by PLeather in PT Gemilang, an indirect subsidiary of the Company. The impairment test for goodwill was assessed using the value-in-use ("VIU") method. Cash flow projection used in this calculation was based on financial budget approved by the management. The cash flow projection covers a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rate stated below.

The budgeted gross margin is 15.74% for the CGU and the key assumptions used in the VIU calculation for 2023 include an estimated growth rate of 5% and a discount rate of 10.1%, respectively.

Based on the assessment made by the managenent, there is no indication of impairment on goodwill attributed to the CGU as the CGU has already been making reasonable profit. A reasonable possible change in any key assumptions used by management in assessing the indication of impairment on goodwill would not alter the outcome of the assessment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

8. INVENTORIES

	Group	
	2023	**2022**
	RM'000	RM'000
At cost:		
- raw materials	22,941	25,239
- finished goods	2,897	1,389
- work-in-progress	1,871	1,619
	27,709	28,247
At net realisable value:		
- raw materials	736	736
	28,445	28,983
Recognised in profit or loss:-		
Inventories recognised as cost of sales	152,749	118,586
Inventories written down	750	-
Inventories written off	-	32
Reversal of inventories written down to net realisable value	-	(55)

9. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	**2023**	**2022**	**2023**	**2022**
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade receivables	9.1	54,041	45,597	-	-
Less: Allowance for impairment losses		(1,038)	(912)	-	-
		53,003	44,685	-	-
Non-trade					
Other receivables and deposits	9.2	1,853	1,859	500	-
Amounts due from subsidiaries:	9.3				
- advances		-	-	857	246
- dividend receivable from a subsidiary		-	-	8,000	15,271
		-	-	8,857	15,517
Less: Allowance for impairment losses		-	-	(200)	(200)
		-	-	8,657	15,317
		54,856	46,544	9,157	15,317

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

9. TRADE AND OTHER RECEIVABLES (CONT'D)

Movement in allowance for impairment losses:-

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	RM'000	RM'000	RM'000
Trade				
At 1 July	912	1,161	-	-
Acquisition of a subsidiary	6	-	-	-
Addition during the financial year	136	-	-	-
Reversal of impairment losses	(16)	(96)	-	-
Impairment losses written off	-	(153)	-	-
Non-trade				
At 1 July	-	-	200	1,637
Reversal on impairment losses	-	-	-	(1,437)
At 30 June	1,038	912	200	200

9.1 The Group's normal trade credit terms range from 60 to 90 (2022: 60 to 90) days.

Included in trade receivables is an amount of RM5,291,000 (2022: RM6,907,000) due from companies substantially owned by certain directors of the Company. The amounts due from these related parties are subject to normal credit terms.

9.2 Included in other receivables and deposits of the Group is an amount of RM414,000 (2022: RM955,000) due from companies substantially owned by certain directors of the Company, while the other receivable of the Company is due from a company in which the Company has financial interest. The amounts due from other receivables are unsecured, interest-free and repayable on demand.

9.3 The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

10. CONTRACT ASSETS

	Group	
	2023	**2022**
	RM'000	RM'000
At 1 July	337	-
(Completed)/Uncompleted performance obligations	(207)	337
At 30 June	130	337

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

10. CONTRACT ASSETS (CONT'D)

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.

11. PREPAYMENTS

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

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2023 RM'000	**2022** RM'000	**2023** RM'000	**2022** RM'000
Cash and bank balances	48,148	27,213	5,485	255
Liquid investments	63,084	59,595	31,901	27,406
	111,232	86,808	37,386	27,661

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

13. SHARE CAPITAL AND RESERVES

Share Capital

	Group and Company			
	2023	**2022**	**2023**	**2022**
	Number of shares ('000)		RM'000	
Issued and fully paid ordinary shares with no par value classified as equity instruments:-				
At 1 July	752,000	188,000	135,702	135,702
Issuance of bonus shares	-	564,000	-	-
At 30 June	752,000	752,000	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.

In the previous 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

13. SHARE CAPITAL AND RESERVES (CONT'D)

Treasury Shares

The shareholders of the Company, by a special resolution passed at the annual general meeting held on 23 November 2022, approved to renew the authority for the Company 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.

As at 30 June 2023, the Company held as treasury shares a total of 216,868 (2022: 216,868) of its issued fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM60,173.

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 subsidiaries 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.

14. DEFERRED TAX LIABILITIES

Recognised Deferred Tax Assets/(Liabilities)

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

	Assets		Liabilities		Net	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revaluation surplus of leasehold land and buildings	-	-	(5,619)	(3,083)	(5,619)	(3,083)
Property, plant and equipment	-	-	(2,638)	(3,320)	(2,638)	(3,320)
Provisions	1,656	425	-	-	1,656	425
Other temporary differences	53	-	(84)	(17)	(31)	(17)
Tax assets/(liabilities)	1,709	425	(8,341)	(6,420)	(6,632)	(5,995)
Set off of tax	(1,709)	(425)	1,709	425	-	-
Net tax liabilities	-	-	(6,632)	(5,995)	(6,632)	(5,995)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

14. DEFERRED TAX LIABILITIES (CONT'D)

Movement in temporary differences during the financial year

	At 1.7.2021 RM'000	**Recognised in profit or loss (Note 22)** RM'000	**At 30.6.2022/ 1.7.2022** RM'000	**Acquisition of a new subsidiary** RM'000	**Recognised in profit or loss (Note 22)** RM'000	**Recognised in other comprehensive income** RM'000	**Exchange rate** RM'000	**At 30.6.2023** RM'000
Revaluation surplus of leasehold land and buildings	(3,136)	53	(3,083)	-	53	(2,589)	-	(5,619)
Property and equipment	(3,482)	162	(3,320)	-	682	-	*	(2,638)
Provisions	564	(139)	425	5	1,226	-	-	1,656
Others	85	(102)	(17)	-	(14)	-	-	(31)
	(5,969)	(26)	(5,995)	5	1,947	(2,589)	*	(6,632)

* Amount less than RM1,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

14. DEFERRED TAX LIABILITIES (CONT'D)

Unrecognised Deferred Tax Assets

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

Group	**2023** RM'000	**2022** RM'000
Unutilised tax losses	2,720	2,017
Unabsorbed capital allowances	77	44
Other taxable temporary differences	(81)	(74)
	2,716	1,987

The unutilised tax losses from a Year of Assessment ("YA") can only be carried forward up to 10 (2022: 10) YA's whilst the unabsorbed capital allowances do not expire under the current tax legislation. The unutilised tax losses of RM2,720,000 (2022: RM2,017,000) expire between 2029 to 2032 (2022: expire between 2029 to 2032). 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.

15. LEASE LIABILITIES

	Group	
	2023 RM'000	**2022** RM'000
At 1 July	369	325
Additions	1,370	398
Derecognition due to lease modification	(11)	-
Interest expenses recognised in profit or loss	13	16
Repayment of principal	(716)	(354)
Payment of interest expenses	(13)	(16)
At 30 June	1,012	369
Analysed by:-		
Current liabilities	534	320
Non-current liabilities	478	49
	1,012	369

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

16. BORROWINGS

	Group	
	2023 RM'000	**2022** RM'000
Non-current		
Term loan	5,040	5,670
Current		
Trade financing	6,200	2,584
Term loan	630	630
	6,830	3,214
	11,870	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 26.5 to the financial statements.

All the borrowings of the Group are secured by corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2023 RM'000	**2022** RM'000	**2023** RM'000	**2022** RM'000
Trade				
Trade payables	11,636	14,045	-	-
Non-trade				
Other payables and accruals	8,183	5,338	147	209
	19,819	19,383	147	209

The normal credit term granted by the trade payables of the Group range from 30 - 90 (2022: 30 - 90) days.

18. DIVIDEND PAYABLE

	Group and Company	
	2023 RM'000	**2022** RM'000
Single-tier second interim dividend of 0.68 sen per ordinary share	5,112	-

19. REVENUE

	Group		Company	
	2023 RM'000	**2022** RM'000	**2023** RM'000	**2022** RM'000
Revenue from contracts with customers	221,258	164,394	-	-
Other revenue				
Dividend income	-	-	19,000	15,271
	221,258	164,394	19,000	15,271

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

19. REVENUE (CONT'D)

19.1 Disaggregation of Revenue

	Reportable segment				Other non-reportable segment		Total	
	Automotive		Healthcare					
Group	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary geographical markets								
Malaysia	206,894	133,317	3,088	16,388	806	514	210,788	150,219
Asia Pacific	3,298	5,794	-	-	-	-	3,298	5,794
Europe	4,612	4,900	-	-	-	-	4,612	4,900
North America	1,665	1,808	-	-	-	-	1,665	1,808
Oceania	895	1,673	-	-	-	-	895	1,673
	217,364	147,492	3,088	16,388	806	514	221,258	164,394
Revenue from car seat covers:								
- original equipment manufacturer	166,354	104,958	-	-	-	-	166,354	104,958
- replacement equipment manufacturer	7,457	9,279	-	-	-	-	7,457	9,279
- pre-delivery inspection	20,375	12,932	-	-	-	-	20,375	12,932
Revenue from healthcare products	-	-	3,088	16,388	-	-	3,088	16,388
Other sales	7,603	5,097	-	-	-	-	7,603	5,097
Leather cut pieces supply	5,667	10,830	-	-	-	-	5,667	10,830
Other services	9,908	4,396	-	-	806	514	10,714	4,910
	217,364	147,492	3,088	16,388	806	514	221,258	164,394
Timing and recognition								
At a point in time	217,364	147,492	3,088	16,388	806	514	221,258	164,394

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

19. REVENUE (CONT'D)

19.2 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 (2022: 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 of 60 days (2022: 60 days) 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 (2022: 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 (2022: 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 (2022: 30 to 90 days) from invoice date.	Not applicable.	Not applicable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

20. FINANCE INCOME

	Group		Company	
	2023 RM'000	**2022** RM'000	**2023** RM'000	**2022** RM'000
Interest income from money market unit trust investments	2,028	902	1,016	611
Interest income on financial assets at amortised costs, calculated using effective interest method	370	132	13	41
	2,398	1,034	1,029	652

21. PROFIT BEFORE TAX

	Group		Company	
	2023 RM'000	**2022** RM'000	**2023** RM'000	**2022** RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration				
Audit fees:				
- auditors of the Company	151	153	50	45
- other auditors	57	2	-	-
Non-audit fees:				
- auditors of the Company	13	5	5	5
- member firm of the auditors of the Company	23	42	4	24
- non-member	62	-	-	-
Material expenses/(income)				
Depreciation of:				
- property, plant and equipment	4,223	4,639	-	-
- right-of-use assets	636	483	-	-
Gain on disposal of plant and equipment	(30)	(20)	-	-
Dividend income from a subsidiary	-	-	(19,000)	(15,271)
Interest expense of financial liabilities not fair value through profit and loss:				
- term loan	249	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

21. PROFIT BEFORE TAX (CONT'D)

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting) (cont'd):				
Material expenses/(income) (cont'd)				
Loss/(Gain) on foreign exchange:				
- realised	329	201	-	-
- unrealised	(349)	(56)	-	-
Plant and equipment written off	151	-	-	-
Impairment loss on plant and machineries	2,000	-	-	-
Inventories written down	750	-	-	-
Rental income	(486)	(418)	-	-
Reversal of inventories written down to net realisable value	-	(55)	-	-
Staff costs:				
- defined contribution benefits	2,401	2,114	-	-
- wages, salaries and others	33,486	28,668	11	4
Expenses arising from leases				
Expenses relating to short-term leases	241	-	-	-
Net loss/(gain) on impairment of financial instruments				
Financial assets at amortised costs	120	(96)	-	(1,437)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

22. TAX EXPENSE

Recognised in Profit or Loss

	Group		Company	
	2023 RM'000	**2022** RM'000	**2023** RM'000	**2022** RM'000
Current tax expense				
Current year	13,180	6,951	2	9
Under/(Over)provision in prior years	288	(529)	-	7
	13,468	6,422	2	16
Deferred tax expense (Note 14)				
Origination and reversal of temporary differences	(1,960)	537	-	-
Under/(Over)provision in prior years	13	(511)	-	-
	(1,947)	26	-	-
Income tax expense	11,521	6,448	2	16
Reconciliation of tax expense				
Profit before tax	46,947	29,289	19,267	16,239
Income tax calculated using Malaysian tax rate of 24% (2022: 24%)	11,267	7,029	4,624	3,897
Non-deductible expenses	542	928	182	256
Utilisation of reinvestment allowances	-	(16)	-	-
Non-taxable income	(486)	(531)	(4,804)	(4,144)
Deferred tax assets not recognised during the financial year	175	78	-	-
Differential in tax rates of foreign jurisdiction	(84)	-	-	-
Utilisation of tax incentives	(194)	-	-	-
Under/(Over)provision of tax expense in prior years:				
- current tax	288	(529)	-	7
- deferred tax	13	(511)	-	-
	11,521	6,448	2	16

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

23. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share at 30 June 2023 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2023	**2022**
	RM'000	RM'000
Profit attributable to ordinary shareholders		
Continuing operations	35,404	22,852

Weighted average number of ordinary shares outstanding

	Group	
	2023	**2022**
	'000	'000
Issued ordinary shares at the beginning of the financial year	752,000	188,000
Issuance of bonus shares	-	564,000
Effect of treasury shares held	(217)	(6,640)
Weighted average number of shares (basic)	751,783	745,360

	Group	
	2023	**2022**
Basic earnings per ordinary share	Sen	Sen
From continuing operations	4.71	3.07

Diluted Earnings per Ordinary Share

The Group has no dilution in its earnings per ordinary shares at 30 June 2023 and 30 June 2022, accordingly no diluted earning per share has been presented.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

24. DIVIDENDS

Dividends recognised by the Company are:

	RM per share	Total amount RM'000	Date of payment
2023			
Interim 2022 ordinary (single-tier)	0.0140	10,525	16 August 2022
Interim 2023 ordinary (single-tier)	0.0068	5,112	7 February 2023
Second interim 2023 ordinary (single-tier)	0.0068	5,112	7 July 2023
		20,749	
2022			
Interim 2022 ordinary (single-tier)	Note (a)	4,936	8 November 2021

(a) This was the share dividend distributed out of treasury shares on the basis of one (1) treasury share for every forty-one (41) existing ordinary shares held.

(b) On 29 August 2023, the Company declared the following single-tier interim dividend in respect of the current financial year, which was paid on 29 September 2023:-

	RM per share	Total amount RM'000
2024		
Third interim 2023 ordinary (single-tier)	0.0100	7,518

The above dividend will be recognised in the financial year ending 30 June 2024.

The directors do not recommend any final dividend to be paid for the financial year ended 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

25. 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 2023 and 2022.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

25. OPERATING SEGMENT (CONT'D)

	Automotive	
	2023	**2022**
	RM'000	RM'000
Revenue from car seat covers:-		
Original Equipment Manufacturer	166,354	104,958
Replacement Equipment Manufacturer	7,457	9,279
Pre-Delivery Inspection	20,375	12,932
	194,186	127,169
Leather cut pieces supply	5,667	10,830
Others	17,511	9,493
	217,364	147,492
Segment profit before tax	48,400	26,611
Included in the measurement of segment profit before tax are:-		
Depreciation and amortisation	3,388	3,607
Net impairment loss/(gain) on trade receivables	120	(96)
Not included in the measurement of segment profit before tax but provided to Managing Director:-		
Tax expense	(11,519)	(5,569)

	Healthcare	
	2023	**2022**
	RM'000	RM'000
Revenue from sales of facemasks	3,088	16,388
Segment (loss)/profit before tax	(2,309)	3,112
Included in the measurement of segment profit before tax are:-		
Depreciation and amortisation	1,446	1,494
Impairment of plant and machineries	2,000	-
Inventories written down	750	-
Not included in the measurement of segment profit before tax but provided to Managing Director:-		
Tax expense	-	(863)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

25. OPERATING SEGMENT (CONT'D)

Geographical Segments

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

	Automotive		Healthcare		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	206,894	133,317	3,088	16,388	209,982	149,705
Asia Pacific	3,298	5,794	-	-	3,298	5,794
Europe	4,612	4,900	-	-	4,612	4,900
North America	1,665	1,808	-	-	1,665	1,808
Oceania	895	1,673	-	-	895	1,673
	217,364	147,492	3,088	16,388	220,452	163,880

Major Customers

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

	Revenue		Segment
	2023	**2022**	
	RM'000	RM'000	
Customer A	106,427	82,769	Automotive
Customer B	47,631	-*	Automotive
Customer C	-*	16,388	Healthcare
	154,058	99,157	

* Below 10% of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

25. OPERATING SEGMENT (CONT'D)

Reconciliations of Reportable Segment Revenues and Profit or Loss

	Group	
	2023	**2022**
	RM'000	RM'000
Revenue		
Total revenue for reportable segments	220,452	163,880
Other non-reportable segment	806	514
Consolidated revenue	221,258	164,394
Profit or loss		
Total profit or loss for reportable segments	46,091	29,723
Other non-reportable segment	856	(434)
Consolidated profit before tax	46,947	29,289

26. FINANCIAL INSTRUMENTS

26.1 Categories of Financial Instruments

	Group		Company	
	2023	**2022**	**2023**	**2022**
Financial Assets	RM'000	RM'000	RM'000	RM'000
Fair Value Through Profit or Loss				
Other investments	418	418	-	-
Liquid investments	63,084	59,595	31,901	27,406
	63,502	60,013	31,901	27,406
Amortised Cost				
Trade and other receivables	54,856	46,544	9,157	15,317
Cash and bank balances	48,148	27,213	5,485	255
	103,004	73,757	14,642	15,572
Financial Liabilities				
Amortised Cost				
Trade and other payables	(19,819)	(19,383)	(147)	(209)
Borrowings	(11,870)	(8,884)	-	-
Dividend payable	(5,112)	-	(5,112)	-
	(36,801)	(28,267)	(5,259)	(209)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

26. FINANCIAL INSTRUMENTS (CONT'D)

26.2 Net Gains and Losses Arising from Financial Instruments

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Fair Value Through Profit or Loss				
Net gains recognised in profit or loss by:				
- mandatorily required by MFRS 9	2,028	902	1,016	611
Amortised Cost				
Net gains recognised in profit or loss	646	240	13	1,477
	2,674	1,142	1,029	2,088
Financial Liability				
Amortised Cost				
Net losses recognised in profit or loss	(687)	(140)	-	-

26.3 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

26.4 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 subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to one of the subsidiaries. The Company monitors the results of the subsidiaries regularly and repayments made by the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Credit Risk (Cont'd)

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to amount owing by 3 customers (2022: 2) which constituted approximately 62% (2022: 57%) of its trade receivables (including a related party) 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	2023 RM'000	2022 RM'000
Malaysia	51,010	41,187
Asia Pacific	1,438	2,437
Europe	723	1,145
North America	902	1,056
Oceania	98	109
	54,171	45,934

(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 a subsidiary amounting to RM11,870,000 (2022 - RM8,884,000), 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 ongoing 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
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 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 and contract assets 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 related parties) 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
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 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
2023				
Current (not past due)	45,241	-	(2)	45,239
1 - 30 days past due	2,739	-	(1)	2,738
31 - 60 days past due	791	-	-	791
61 - 90 days past due	317	-	-	317
More than 90 days past due	3,997	-	(79)	3,918
	53,085	-	(82)	53,003
Credit impaired				
Individually impaired	956	(956)	-	-
Trade receivables	54,041	(956)	(82)	53,003
Contract assets	130	-	-	130
	54,171	(956)	(82)	53,133
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

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 9 and 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Credit Risk (Cont'd)

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

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.

Amount Owing by Subsidiaries

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. As the Company is able to determine the timing of payments of the loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Credit Risk (Cont'd)

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

Amount Owing by Subsidiaries (Cont'd)

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 **2023**	**Gross carrying amount** RM'000	**12-month loss allowance** RM'000	**Lifetime loss allowance** RM'000	**Carrying amount** RM'000
Low credit risk	8,657	-	-	8,657
Credit impaired	200	-	(200)	-
	8,857	-	(200)	8,657
2022				
Low credit risk	15,317	-	-	15,317
Credit impaired	200	-	(200)	-
	15,517	-	(200)	15,317

The movements in the loss allowances are disclosed in Note 9 to the financial statements.

(iv) Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 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
2023						
Non-derivative financial liabilities						
Lease liabilities	2.63 - 3.50	1,012	1,026	544	482	-
Term loan	3.66	5,670	6,646	834	3,097	2,715
Trade financing	3.10 - 4.85	6,200	6,222	6,222	-	-
Trade and other payables	-	19,819	19,819	19,819	-	-
Dividend payable	-	5,112	5,112	5,112	-	-
		37,813	38,825	32,531	3,579	2,715
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 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					
2023					
Non-derivative financial liabilities					
Other payables	-	147	147	147	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary:					
- term loan	3.66	5,670	6,646	834	5,812
- trade financing	3.10 - 4.85	6,200	6,222	6,222	-
Dividend payable	-	5,112	5,112	5,112	-
		17,129	18,127	12,315	5,812
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

26.6 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 of entities within the Group. 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
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 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 entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

	Denominated in			
	USD	**SGD**	**EURO**	**Total**
Group	RM'000	RM'000	RM'000	RM'000
2023				
Balances recognised in the statements of financial position				
Trade receivables	907	119	717	1,743
Cash and cash equivalents	1,243	297	417	1,957
Trade payables	(3,583)	-	-	(3,583)
Net financial (liabilities)/assets	(1,433)	416	1,134	117
Less: Forward foreign currency contracts (contracted notional principal)	1,433	-	-	1,433
Net exposure	-	416	1,134	1,550
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

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Group 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 Market Risk (Cont'd)

(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 cash flows will fluctuate because of a change in market interest rates.

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 16 to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

26. FINANCIAL INSTRUMENTS (CONT'D)

26.7 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**	**Level 2**		
	RM'000	RM'000	RM'000	RM'000
2023				
Financial assets				
Liquid investments	63,084	-	63,084	63,084
Club memberships	-	418	418	418
	63,084	418	63,502	63,502
2022				
Financial assets				
Liquid investments	59,595	-	59,595	59,595
Club memberships	-	418	418	418
	59,595	418	60,013	60,013
Company				
2023				
Financial asset				
Liquid investments	31,901	-	31,901	31,901
2022				
Financial asset				
Liquid investments	27,406	-	27,406	27,406

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

26. FINANCIAL INSTRUMENTS (CONT'D)

26.7 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.

27. 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.

28. CAPITAL AND OTHER COMMITMENTS

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

	2023	**2022**
Group	RM'000	RM'000
Capital expenditure commitments		
Purchase of equipment:		
- contracted but not provided for	178	749

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

29. 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.

(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 9 to the financial statements.

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	RM'000	RM'000	RM'000
(i) Subsidiaries				
Dividend distributed by a subsidiary	-	-	19,000	15,271
Interest charged to a subsidiary	-	-	4	21
(ii) With companies substantially owned by certain directors				
Sales to related parties	3,089	16,388	-	-
Purchases from a related party	-	(116)	-	-
Rental charged to related parties	485	416	-	-
Management fees charged to related parties	462	970	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

29. RELATED PARTIES DISCLOSURE (CONT'D)

(b) Significant Related Party Transactions (Cont'd)

	Group		Company	
	2023 RM'000	**2022** RM'000	**2023** RM'000	**2022** RM'000
(iii) Key management personnel				
Directors				
- fees	312	372	252	252
- remuneration	1,773	1,822	28	49
- defined contribution plan	183	174	-	-
	2,268	2,368	280	301
Other key management personnel				
- salaries, allowances and bonus	2,914	1,684	-	-
- defined contribution plan	324	199	-	-
	3,238	1,883	-	-
	5,506	4,251	280	301

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.

LIST OF PROPERTIES
AS AT 30 JUNE 2023

	Location	Tenure	Year lease expiring	Approximate area (Sq Ft)	Description / existing use	Age / Year of Acquisition / Certificate of Completion	Net Book Value as at 30.06.2023 (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	12 years / 5 January 2011 (for 5-storey office and 5-storey factory) 21 June 2011 (for 6-storey hostel)	38,800,000	38,800,000 / 30.06.2023
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	22 years/ 2 December 2010	350,000	350,000 / 30.06.2023

LIST OF PROPERTIES
AS AT 30 JUNE 2023 (CONT'D)

	Location	Tenure	Year lease expiring	Approximate area (Sq Ft)	Description / existing use	Age / Year of Acquisition / Certificate of Completion	Net Book Value as at 30.06.2023 (RM)	Market Value / Last Revaluation Date (RM)
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	1 year	9,400,000	9,400,000 / 30.06.2023

ANALYSIS OF SHAREHOLDINGS

Analysis of Shareholdings as at 15 September 2023

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	449	18.22	22,118	0.00
100 – 1,000	468	18.99	200,467	0.03
1,001 – 10,000	751	30.48	3,805,458	0.50
10,001 – 100,000	544	22.08	19,410,941	2.58
100,001 to less than 5% of issued shares	250	10.15	355,268,616	47.26
5% and above of issued shares	2	0.08	373,075,532	49.63
Total	**2,464**	**100.00**	**751,783,132**	**100.00**

***** *Excluding a total of 216,868 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 15 September 2023.*

Substantial Shareholders
(as per Register of Substantial Shareholders as at 15 September 2023)

Name	No. of shares held			
	Direct	%(2)	Indirect	%(2)
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

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 15 September 2023.*

ANALYSIS OF SHAREHOLDINGS

Directors' Shareholdings
(as per Register of Directors' Shareholdings as at 15 September 2023)

Name	No. of shares held			
	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 15 September 2023.

ANALYSIS OF SHAREHOLDINGS

List of Thirty Largest Shareholders as at 15 September 2023

No.	Name	No. of shares	Percentage holding (%)*
1.	MRZ LEATHER HOLDINGS SDN. BHD.	198,929,192	26.46
2.	MRZ LEATHER HOLDINGS SDN. BHD.	174,146,340	23.16
3.	HUAREN HOLDINGS SDN BHD	34,686,772	4.61
4.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAM YIN THING (MY4369)	27,992,000	3.72
5.	TEOH HWA CHENG	24,367,296	3.24
6.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAM YIN THING (MY4178)	20,753,644	2.76
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING	14,561,948	1.94
8.	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD	14,150,000	1.88
9.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE EU JIN	13,936,980	1.85
10.	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	12,849,300	1.71
11.	LEE YEE SUM	11,177,584	1.49
12.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING (MY3731)	10,232,924	1.36
13.	CHAN WAH KIANG	8,000,000	1.06
14.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR USAHA IMPRESIF SDN BHD (E-KKU/LDO)	6,976,916	0.93
15.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG NYOK YOONG	6,137,496	0.82
16.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING	5,659,756	0.75
17.	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH AGGRESSIVE FUND	5,550,000	0.74

ANALYSIS OF SHAREHOLDINGS

No.	Name	No. of shares	Percentage holding (%)*
18.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIM PIAU (MY2525)	4,675,048	0.62
19.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIN TEONG	4,443,432	0.59
20.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM BOON HUA (MY4548)	4,289,928	0.57
21.	TAN SOON KAR	3,876,648	0.52
22.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHENG LING	3,500,000	0.47
23.	TAN LEE HONG	3,461,380	0.46
24.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIM PIAU (7007611)	3,411,044	0.45
25.	SAM CHEE SIONG	3,402,656	0.45
26.	WONG YOONG JED	3,147,500	0.42
27.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM BOON HUA	3,000,000	0.40
28.	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	2,392,400	0.32
29.	LEE NGA JING	2,300,136	0.31
30.	RHB INVESTMENT BANK BERHAD IVT (SW BOOK 1)	2,236,000	0.30
Total		**634,244,320**	**84.36**

* *Excluding a total of 216,868 shares bought back by the Company and retained as treasury shares as per Record of Depositors as at 15 September 2023.*

NOTICE OF ANNUAL GENERAL MEETING

PECCA GROUP BERHAD

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting ("13th AGM") of Pecca Group Berhad ("PECCA" or the "Company") will be held at Greens III, Sports Wing, Level 1, Tropicana Golf & Country Resorts, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on 16 November 2023 at 10.00 a.m. for the following purposes:

A G E N D A

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 30 June 2023 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 17 November 2023 until the conclusion of the next AGM of the Company.

Ordinary Resolution 1

3. To re-elect Teoh Zi Yi 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 Teoh Zi Yuen 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. **Continuing in Office as an Independent Non-Executive Director – Dato' Mohamed Suffian Bin Awang**

"**THAT** the authority be and is hereby given to Dato' Mohamed Suffian Bin Awang, who will serve as an Independent Non-Executive Director for a cumulative term of nine (9) years on 26 December 2023, to continue to act as an Independent Non-Executive Director of the Company."

Ordinary Resolution 5

7. **Continuing in Office as an Independent Non-Executive Director – Datuk Leong Kam Weng**

"**THAT** the authority be and is hereby given to Datuk Leong Kam Weng, who will serve as an Independent Non-Executive Director for a cumulative term of nine (9) years on 26 December 2023, to continue to act as an Independent Non-Executive Director of the Company."

Ordinary Resolution 6

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

"**THAT** pursuant to Section 75 and 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next AGM of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at the time of issue, subject to the Constitution of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue.

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."

Ordinary Resolution 7

NOTICE OF ANNUAL GENERAL MEETING

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

"**THAT** subject to the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits as at 30 June 2023 to purchase such amount of ordinary shares in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company.

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

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

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

i. the conclusion of the next AGM of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;

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

iii. revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

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

NOTICE OF ANNUAL GENERAL MEETING

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

Ordinary Resolution 8

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

"**THAT** approval be and is hereby given to the Company, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with the related party as stated in Section 2.3 of the Circular to Shareholders dated 18 October 2023 which are necessary for the Company's day-to-day operations subject further to the following:

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

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

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

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

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

whichever is the earlier; and

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

a. the type of Recurrent Transactions entered into; and

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

NOTICE OF ANNUAL GENERAL MEETING

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

Ordinary Resolution 9

11. 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

Selangor Darul Ehsan

Date: 18 October 2023

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.

NOTICE OF ANNUAL GENERAL MEETING

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

5) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote.

   a. In hard copy form
   In the case of an appointment made in hard copy form, the original proxy form must be deposited with the Share Registrar's office, Boardroom Share Registrars Sdn Bhd ("Boardroom") of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

   b. By electronic means
   The proxy form can be electronically lodged with Boardroom via Boardroom Smart Investor Portal at https://investor.boardroomlimited.com. Please follow the procedures set out in the Administrative Details for such lodgement. Alternatively, the proxy form can be emailed to Boardroom at bsr.helpdesk@boardroomlimited.com.

6) Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

7) Last date and time for lodging the proxy form is Tuesday, 14 November 2023 at 10.00 a.m.

8) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

9) For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

   a. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

NOTICE OF ANNUAL GENERAL MEETING

b. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:
   i. at least two (2) authorised officers, of whom one shall be a director; or
   ii. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

10) 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 **9 November 2023** 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.

11) 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 Resolutions 5 & 6 on the Continuing in Office as an Independent Non-Executive Directors – Dato' Mohamed Suffian Bin Awang and Datuk Leong Kam Weng

The proposed Resolutions 5 & 6 are to seek shareholders' approval by way of a two-tier voting process on the retention of Dato' Mohamed Suffian Bin Awang and Datuk Leong Kam Weng who will serve as Independent Directors in the Company for a cumulative term of nine (9) years on 26 December 2023.

The Board has assessed the independence of Dato' Mohamed Suffian Bin Awang and Datuk Leong Kam Weng and recommended both of them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

a. They fulfilled the criteria under the definition of Independent Directors as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they would be able to provide check and balance and bring an element of objectivity to the Board;

b. They are familiar with the Company's business operations and is able to advise the Board diligently on business matters;

c. They have devoted sufficient time and attention to their professional obligations for informed and balanced decision making by actively participating in board discussion and provided an independent voice to the Board; and

d. They have exercised their due care during their tenure as an Independent Non-Executive Directors of the Company and carried out their professional duties in the best interest of the Company and shareholders.

NOTICE OF ANNUAL GENERAL MEETING

The Board considered Dato' Mohamed Suffian Bin Awang and Datuk Leong Kam Weng to be independent based on the above justifications and recommended both of them to be retained as Independent Non-Executive Directors of the Company.

3. Ordinary Resolution 7 on the Authority under Section 75 and 76 of the Act for the Directors to allot and issue shares

The Ordinary Resolution 7 proposed under item 8 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.

4. Ordinary Resolution 8 on Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 8, 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 8 please refer to the Statement to Shareholders dated 18 October 2023 accompanying the Annual Report of the Company for the financial year ended 30 June 2023.

5. Ordinary Resolution 9 on Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature

The proposed Ordinary Resolution 9 , if passed, will empower the Directors from the date of the 13th 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.

NOTICE OF ANNUAL GENERAL MEETING

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 9, please refer to the Circular to Shareholders dated 18 October 2023 accompanying the Annual Report of the Company for the financial year ended 30 June 2023.

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 13TH ANNUAL GENERAL MEETING ("AGM")

Administrative Details for the Thirteenth Annual General Meeting ("13th AGM") of Pecca Group Berhad

Day and Date	:	**Thursday, 16 November 2023**
Time	:	**10.00 a.m.**
Meeting Venue	:	**Greens III, Sports Wing Level 1, Tropicana Golf & Country Resorts Jalan Kelab Tropicana 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia**

Dear Valued Shareholders,

1. **REGISTRATION**
   - Registration will start at **9.00 a.m.** at the Meeting Venue and will end at a time directed by the Chairman of the AGM.
   - Please produce your original MyKad/Passport (for foreigners) at the registration counter for verification and registration.
   - Please ensure to collect your MyKad/Passport thereafter.
   - Please note that no person will be allowed to register on behalf of another person even with the original MyKad/Passport of that person.
   - Upon completion of the registration process, you will be given an identification barcode wristband to enter the meeting hall. **Please be reminded that there will be no replacement in the event that you lose or misplace the barcode wristband.**
   - Please vacate the registration area immediately after registration and proceed to the meeting hall.
   - Please note that you will not be allowed to enter the meeting hall without wearing the barcode wristband.
   - The registration counter will handle only verification of identity and registration. If you have any enquiries, please proceed to the Help Desk.

2. **HELP DESK**
   - Please proceed to the Help Desk located in front of the Meeting Venue entrance for any clarification or enquiries.
   - The Help Desk will also handle the revocation of proxy appointments.

3. **ENTITLEMENT TO PARTICIPATE IN THE AGM**
   - Only members whose names appear on the Register of Members or General Meeting Record of Depositors as at **9 November 2023** will be entitled to attend, speak and vote at the AGM or appoint a proxy to attend, speak and vote on his/her behalf.

4. **ANNUAL REPORT 2023**
   - The Company's Annual Report 2023 is available at the websites of the Company, https://www.peccaleather.com/investor-relations.php and Bursa Malaysia Securities Berhad, www.bursamalaysia.com.

ADMINISTRATIVE GUIDE OF THE 13TH ANNUAL GENERAL MEETING ("AGM")

- Printed copies will be available for collection on a first-come, first-served basis at the registration counter on the day of the AGM.
- If you wish to request a printed copy of the Annual Report 2023 prior to the AGM, please forward your request by completing the Request Form provided. However, we hope you would consider the environmental and sustainability concerns, and refrain from requesting a printed copy of the Annual Report 2023.

5. APPOINTMENT OF PROXY, CORPORATE SHAREHOLDERS, AUTHORISED NOMINEE AND EXEMPT AUTHORISED NOMINEE

- A member of the Company entitled to attend and vote at the AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
- A Member shall be entitled to appoint not more than two (2) proxies to exercise all or any of his/her rights to attend, speak and vote at the same AGM on his/her behalf. If you are unable to attend the AGM and wish to appoint a proxy/ attorney/ authorized representative to vote on your behalf, please submit your proxy form in accordance with the notes and instructions stated in the notice of AGM.

APPOINTMENT OF PROXY

- You may submit your original proxy form to the office of the Share Registrar of our Company, **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 by email to bsr.helpdesk@boardroomlimited.com, not less than **forty-eight (48) hours** before the time appointed for holding of meeting or adjourned meeting and in default the instrument of proxy shall not be treated as valid.
- The proxy form may also be lodged electronically via **Boardroom Smart Investor Portal ("BSIP")** at https://investor.boardroomlimited.com. For further information, kindly refer to **Table 1** below for proxy appointment via BSIP.

APPOINTMENT OF CORPORATE SHAREHOLDERS, AUTHORISED NOMINEE AND EXEMPT AUTHORISED NOMINEE

- For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at **11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia**. The certificate of appointment of authorised representative should be executed in the following manner:
  (a) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

ADMINISTRATIVE GUIDE OF THE 13TH ANNUAL GENERAL MEETING ("AGM")

(b) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:
   (i) at least two (2) authorised officers, of whom one shall be a director; or
   (ii) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

- You may write in to bsr.helpdesk@boardroomlimited.com by providing the name of member, CDS account number accompanied with the certificate of appointment of corporate representative or proxy form (as the case may be) to submit the request latest by **14 November 2023** at **10.00 a.m.**
- Please provide a copy of the corporate representative's or proxy's NRIC (front and back) or passport, as well as his/her email address.

Table 1 – Proxy Appointment via BSIP:

Step 1 – Register Online with BSIP (for first-time registration only)	***Note: If you have already signed up with BSIP, you are not required to register again. You may proceed to Step 2.*** • Access the website at https://investor.boardroomlimited.com. • Click "**Register**" to sign up as a user. • Complete registration with all the required information. Upload and attach a softcopy of your Identity Card ("NRIC") (front and back) or Passport. Click "**Register**". • You will receive an email from BSIP Online for email address verification. Click on "**Verify Email Address**" from the email received to continue with the registration. • Once your email address is verified, you will be re-directed to BSIP Online for verification of your mobile number. • Click on "**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. • Once your mobile number is verified, registration of your new BSIP account will be pending for final verification. • An email will be sent to you to inform the approval of your BSIP account within one (1) business day. Subsequently, you can log in at https://investor.boardroomlimited.com with the email address and password filled up by you during the registration to proceed.
Step 2 – Appointment of Proxy	**<u>For Individual and Corporate holders</u>** • Log in to https://investor.boardroomlimited.com using your user ID and password from Step 1 above. • Click "**Meeting Event**" and select from the list of companies "**Pecca Group Berhad Thirteenth (13th) Annual General Meeting**" and click "**Enter**". • Click "**Submit eProxy form**".

ADMINISTRATIVE GUIDE OF THE 13TH ANNUAL GENERAL MEETING ("AGM")

	• For Corporate holders, please select the companies (if you are representing more than 1 company). • Enter your CDS account number and the number of shares held. • Select your proxy — either the Chairman of the meeting or an individual named proxy(ies). • Read and accept the General Terms and Conditions and click "**Next**". • Enter the particulars of your proxy(ies) and click "**Next**". • Indicate your voting instructions — **FOR** or **AGAINST** or **ABSTAIN**. If you wish to have your proxy(ies) to act upon his/her discretion, please indicate **DISCRETIONARY**. • Review and confirm your proxy appointment. Click "**Apply**". Download or print the eProxy form as an acknowledgement. **For Authorised Nominee and Exempt Authorised Nominee** • Log in to https://investor.boardroomlimited.com using your user ID and password from Step 1 above. • Click "**Meeting Event**" and select from the list of companies "**Pecca Group Berhad Thirteenth (13th) Annual General Meeting**" and click "**Enter**". • Click "**Submit eProxy form**". • Select the nominee(s)/company(ies) that you represent. • Download the file format for "**Submission of Proxy Form**". • Prepare the file for appointment of proxy(ies) by inserting the required data. • Upload the duly completed proxy appointment file • Review and confirm your proxy appointment. • Download or print the eProxy form as an acknowledgement.

- If you wish to attend the AGM yourself, please do not submit any proxy form. You will not be allowed to attend the AGM together with a proxy appointed by you.
- If you have submitted your proxy form prior to the AGM and subsequently decided to attend the AGM yourself, please proceed to the Help Desk located in front of the Meeting Venue entrance to revoke the appointment of your proxy.

6. POLL VOTING

The voting will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. All resolutions set out in the Notice of the 13th AGM will be put to a vote by way of poll. A Poll Administrator will be appointed to conduct the polling process and Independent Scrutineers will be appointed to verify the results of the poll.

7. DOOR GIFT/FOOD VOUCHER

- There will be distribution of voucher or door gift to members/proxies who participate in the AGM.

ADMINISTRATIVE GUIDE OF THE 13TH ANNUAL GENERAL MEETING ("AGM")

8. ENQUIRIES

- If you have any queries prior to the AGM, please contact Boardroom during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

  Share Registrar
  Boardroom Share Registrars Sdn. Bhd.
  Tel : +603-7890 4700
  Fax : +603-7890 4670
  Email : bsr.helpdesk@boardroomlimited.com

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

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

I/We, ____ (name of shareholder as per NRIC/Passport, in capital letters)
NRIC No./ Passport No./Company 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 Thirteenth Annual General Meeting of the Company will be held at Greens III, Sports Wing, Level 1, Tropicana Golf & Country Resorts, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on **Thursday, 16 November 2023, 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 2023 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 17 November 2023 until the conclusion of the next Annual General Meeting of the Company.	Ordinary Resolution 1		
3.	To re-elect Teoh Zi Yi 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 Teoh Zi Yuen 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.	Continuing in Office as an Independent Non-Executive Director – Dato' Mohamed Suffian Bin Awang.	Ordinary Resolution 5		
7.	Continuing in Office as an Independent Non-Executive Director – Datuk Leong Kam Weng.	Ordinary Resolution 6		
8.	Authority under Section 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares.	Ordinary Resolution 7		
9.	Proposed Renewal of Authority to the Company to Purchase its own Ordinary Shares.	Ordinary Resolution 8		
10.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary Resolution 9		

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

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

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

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

____
Signature/Common Seal of Shareholder

Number of shares held: __________
Date:

Fold this flap for sealing

NOTES:-

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

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

3) For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

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

5) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote.
   a. In hard copy form
      In the case of an appointment made in hard copy form, the original proxy form must be deposited with the Share Registrar's office, Boardroom Share Registrars Sdn Bhd ("Boardroom") of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

   b. By electronic means
      The proxy form can be electronically lodged with Boardroom via Boardroom Smart Investor Portal at https://investor.boardroomlimited.com. Please follow the procedures set out in the Administrative Details for such lodgement. Alternatively, the proxy form can be emailed to Boardroom at bsr.helpdesk@boardroomlimited.com.

6) Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

7) Last date and time for lodging the proxy form is Tuesday, 14 November 2023 at 10.00 a.m.

8) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

9) For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

   a. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
   b. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:
      i. at least two (2) authorised officers, of whom one shall be a director; or
      ii. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

10) 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 9 November 2023 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.

11) 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 18 October 2023.

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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

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PECCA
GROUP BERHAD

PECCA GROUP BERHAD
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