5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

No.	Company	Position	Principal Activities
6.	Exotic Ratio Sdn Bhd	Director *(Resigned on 05.03.2015)*	Dormant since May 2009 (previously involved in the trading of windscreen tint for cars)
7.	THC Venture	Director *(Resigned on 05.03.2015)*	Dormant since July 2013 (previously involved in the development of car seats business in Japan)
8.	NTC Leather Manufacturer Sdn Bhd	Director	Dissolved on 11.08.2011
	Past Shareholdings		
1.	Dynivest Progress Sdn Bhd	Shareholder *(Ceased to be a shareholder on 15.12.2015)*	Water work and related infrastructure contractors

(c) Datin Sam Yin Thing

No.	Company	Position	Principal Activities
	Current Directorships and Shareholdings		
1.	KT Universal Venture Sdn Bhd	Director and shareholder	Trading in various kinds of car seat leather cover and windscreen tint
2.	MRZ	Director and shareholder	Investment holding in private equity solely to invest in Pecca
3.	MRZ Car Seat Sdn Bhd	Director and shareholder	Engaged in installation of car seats – ceased operations with effect from 1 February 2015 and will proceed with the lodgement application for the striking off upon liquidation of all assets and liabilities. Further details are disclosed in item no. (2) in Section 7.1.2 of this Prospectus
4.	THC LHoldings	Director and shareholder	Investment holding in properties
5.	Tint Auto (M) Sdn Bhd	Director and shareholder	Trading in various kinds of car windscreen tint and building window tint
6.	Carrestyler (Carr) Sdn Bhd	Director and shareholder	Dormant since its incorporation on 03.05.2011 (intended business in the provision of car tinting film related services)
7.	Seatcoverpro	Director and shareholder	Dormant since its incorporation on 11.02.2009 (intended business is to generate royalty income
	Current Directorships		
1.	Tint Auto Marketing Sdn Bhd	Director	Trading in all kinds of car windscreen tint, spare parts and car accessories
	Past Directorships and Shareholdings		
1.	Hawk View Sdn Bhd	Director and shareholder	Dormant since its incorporation on 03.05.2011 (intended business in property investments – resigned as Director and disposed off to Lo Yu Kang on 05.03.2015 respectively)

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

No.	Company	Position	Principal Activities
2.	Ikrar Edar Sdn Bhd	Director and shareholder *(Resigned as Director and ceased to be a shareholder on 23.03.2015 respectively)*	Dormant since 2015 (previously involved in installation, testing and servicing of power generation from renewable energy, importers, exporter and general merchants in solar panel and related accessories, investment holding)
3.	Pecca World Sdn Bhd	Director and shareholder	Dormant since its incorporation on 06.08.2010 - struck off on 19.03.2015
4.	Senihub Trading Sdn Bhd	Director and shareholder	Dormant since its incorporation on 13.06.2012 - struck off on 29.10.2014
	Past Directorships		
1.	Regamaz Sdn Bhd	Director *(Resigned on 03.07.2012)*	Retail and wholesale of car accessories
2.	THC Auto	Director *(Resigned on 19.03.2015)*	Trading and installing of motor vehicle spare parts and accessories, and providing related services
3.	Exotic Ratio Sdn Bhd	Director *(Resigned on 05.03.2015)*	Dormant since May 2009 (previously involved in the trading of windscreen tint for cars)
4.	THC Venture	Director *(Resigned on 05.03.2015)*	Dormant since July 2013 (previously involved in the development of car seats business in Japan)

(d) Tan Jin Sun

No.	Company	Position	Principal Activities
	Past Directorships		
1.	THC LHoldings	Director *(Resigned on 18.06.2013)*	Investment holding in properties

(e) Sam Chee Keng

No.	Company	Position	Principal Activities
	Current Directorships and Shareholdings		
1.	JM Project Management Sdn Bhd	Director and shareholder	Dormant since incorporation on 28.01.2013 (intended business is in the provision of property management services)
	Current Shareholdings		
1.	Jaya Mapan Sdn Bhd	Shareholder *(Resigned as Director on 11.03.2013)*	Carry on the business activities as properties developer

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

No.	Company	Position	Principal Activities
2.	Ikrar Edar Sdn Bhd	Shareholder *(Resigned as Director on 23.03.2015)*	Dormant since 2015 (previously involved in installation, testing and servicing of power generation from renewable energy, importers, exporter and general merchants in solar panel and related accessories, investment holding) - in the process of being disposed off to Lo Yu Kang
3.	Jaya Mapan Property Sdn Bhd	Shareholder	Dormant since incorporation on 15.07.2013 (intended business is investment holdings in properties and equities)

(f) Dato' Dr Norraesah binti Haji Mohamad

No.	Company	Position	Principal Activities
	<u>Current Directorships and Shareholdings</u>		
1.	Embun Eramas Sdn Bhd	Director and shareholder	General trading and investment holding in equity and property
2.	Embunaz Ventures Sdn Bhd	Director and shareholder	Investment holding and to develop and manage a recreational resort
3.	MY E.G. Payment Sdn Bhd	Director and shareholder	Financial leasing activities. Other credit granting N. E. C. Development financial institutions (without deposits taking functions)
4.	MY E.G. Services Bhd	Director and shareholder	Engaged in the business of development and implementation of the electronic government services project and the provision of other related services for the electronic government services project as well as investment holding in equities
5.	Penaga Sama Jiwa Sdn Bhd	Director and Shareholder	Timber dealers, building contractor and supplier of marine parts and equipment
6.	Harta Restu Sdn Bhd	Director and shareholder	Dormant (intended business in property and equity investment)
7.	Odine Technologies Sdn Bhd	Director and shareholder	Dormant (intended business in the trading of electrical products) – in the process of being struck off via lodgement of application dated 11.11.2015
8.	Pena Fitrah Sdn Bhd	Director and shareholder	Dormant since 2015 (previously involved in commercial trading, property dealing and investment holding in equities)
9.	SRBC (M) Sdn Bhd	Director and shareholder	Dormant (intended business in the manufacturing of plastic items for consumer market)

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

No.	Company	Position	Principal Activities
	Current Directorships		
1.	Adventa Berhad	Director	Investment holding and provision of management services to the subsidiaries, which are primarily involved in the business of medical services and related supplies manufacturing, and providing medical services to hospitals, institutions, clinical centres and patients directly
2.	Dermawani Credo Sdn Bhd	Director	Educational consultants, advisers, trainers and instructors – in the process of being struck off
3.	Malaysian Genomics Resource Centre Berhad	Director	Providing genome sequencing, bioinformatics analysis services and genetic screening services, online access to genomic data and bioinformatics applications, and investment holding in equities
4.	MY E.G. Capital Sdn Bhd	Director	Investment holding in equities
5.	MY EG Ad Networks Sdn Bhd	Director	Information technology and online advertisement
6.	MY EG Sdn Bhd	Director	Engaged in the business of development and implementation of the electronic government services project and the provision of other related services for the electronic government services project
7.	New Malaysian International Construction Sdn Bhd	Alternate Director	Construction and trading of construction related materials
8.	Nobel International School Sdn Bhd	Director	Engaged in the business of private and international education including the management and operation of primary and secondary schools
9.	Sri Nobel Sdn Bhd	Director	Engaged in the business, operation and management of educational institutions
10.	Utusan Melayu (Malaysia) Bhd	Director	Publishing, printing and distribution of newspapers
11.	World Islamic Economic Forum Foundation	Director	To organise annually the World Islamic Economic Forum and other regional meetings and to promote dialogue and cooperation among the muslim business community and non-muslim businessman. To provide platform to identify and promote investments in the Organisation of Islamic Cooperation countries and muslim communities worldwide. To establish a trust fund and to undertake activities for promoting scholarships, internship, international exchange programmes, sharing of knowledge and other business development activities

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

No.	Company	Position	Principal Activities
12.	Institut Kajian Pembangunan Bangsa	Director	Dormant (past business in the research activities on economic, social and to promote interdisciplinary and comparative intellectual)
13.	Premier Hospitality Management Asia (M) Sdn Bhd	Director	Dormant (past business in the provision of hospitality management services for resort)
	Current Shareholdings		
1.	Angkasa Sistematik Sdn Bhd	Shareholder *(Resigned as Director on 14.08.2015)*	Insurance intermediary services
2.	Awesome Productions Sdn Bhd	Shareholder	Dormant (past business in general trading, land and property investment, and investment holding in property and equities)
3.	Structural Comb Building System Sdn Bhd	Shareholder	Dormant (past business in building construction and contracting)
	Past Directorships and Shareholdings		
1.	Embunaz Holdings Sdn Bhd	Director and shareholder	Dissolved on 09.08.2011
2.	Embunaz Industries Sdn Bhd	Director and shareholder	Dissolved on 19.07.2012
	Past Directorships		
1.	Penang Bridge Sdn Bhd	Director *(Resigned on 23.12.2011)*	Dormant (past business as the concessionaire of Penang Bridge)
2.	Protasco Berhad	Director *(Resigned on 29.02.2012)*	Investment holding of companies providing integrated engineering and infrastructure related services such as constructing, design, maintenance and upgrading of roads, bridges and buildings as well as property development. Also provides engineering testing and control, engineering consultancy services and project management services, trading and manufacturing of construction materials, and provision of tertiary education
3.	Pharmasafe Laboratories Sdn Bhd	Director *(Resigned on 24.10.2012)*	Manufacture and sale of contact lens solutions and all types of pharmaceutical products
4.	SBC Corporation Berhad	Director *(Resigned on 25.10.2012)*	Investment holding in construction and property development
5.	SN Energy Sdn Bhd	Director *(Resigned on 29.11.2012)*	Private and international education including all management and operation

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

No.	Company	Position	Principal Activities
6.	KESM Industries Berhad	Director *(Resigned on 31.05.2013)*	Investment holdings in companies providing semiconductor burn-in services primarily in Malaysia and the People's Republic of China. Also offers electrical testing of semiconductor integrated circuit services and tape and reel assembly services, as well as electronic manufacturing services
7.	KESM Test (M) Sdn Bhd	Director *(Resigned on 31.05.2013)*	Testing of semiconductor integrated circuits
8.	Kestronics (M) Sdn Bhd	Director *(Resigned on 31.05.2013)*	Distribution and servicing of electronic components and equipment
9.	Ya Horng Electronic (M) Sdn Bhd	Director *(Resigned on 09.12.2013)*	Manufacturer of audio and electrical products and investment holding company in equities
10.	ICapital.Biz Berhad	Director *(Resigned on 01.01.2014)*	Principally engaged in investing in a diversified portfolio of quoted securities
11.	Redberry Solutions Sdn Bhd	Director *(Resigned on 27.03.2015)*	Marketing of all kinds of credits cards, consultancy services, commission agents, event organiser and other related activities
	Past Shareholdings		
1.	Pelangi Dimensi (M) Sdn Bhd	Shareholder	Dissolved on 09.08.2011
2.	Embunaz Building Resources Sdn Bhd	Shareholder	Dissolved on 09.05.2012

(g) Leong Kam Weng

No.	Company	Position	Principal Activities
	Current Directorships and Shareholdings		
1.	GCF Sdn Bhd	Director and shareholder	Business consultants, wealth and assets planners
2.	Keep Linked Sdn Bhd	Director and shareholder	Investment in properties
3.	Link Coordination Sdn Bhd	Director and shareholder	Office and administrative services
4.	Riang Satria Sdn Bhd	Director and shareholder	Providing management consultancy and property investment holding
5.	Spring Hill Management Sdn Bhd	Director and shareholder	Fund management services
	Current Directorships		
1.	Asian Outreach (Malaysia) Bhd	Director	Non-profit company limited by guarantee
2.	Fame Option Sdn Bhd	Director	Principally engaged in property letting
3.	Pusat Penyayang KSKA	Director	Non-profit company limited by guarantee

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

No.	Company	Position	Principal Activities
4.	Stemtech Malaysia Sdn Bhd	Director	To carry on business direct selling & multi-level marketing, general trading, investment holding
5.	TA Enterprise Berhad	Director	Investment holding company in fund management, properties and property development, hotel and residential management, trading of construction materials, provision of construction services, stockbroking, futures and trustee business, and provision of management services and funding to its subsidiaries
6.	TA Global Berhad	Director	Investment holding company in fund management, properties and property development, hotel and residential management, trading of construction materials and provision of construction services
7.	Tokio Marine Life Insurance Malaysia Bhd	Director	Provision of life insurance services
8.	Xin Hwa Holdings Berhad	Director	Investment holding company engaged in provision of management services, in the area of land transport operations, warehousing and distribution and other integrated logistic services
	<u>Current Shareholdings</u>		
1.	Lai Hoh Realty Sdn Bhd	Shareholder *(Resigned as Director on 03.08.2015)*	Investment holding in properties
	<u>Past Directorships and Shareholdings</u>		
1.	Pangkal Dinamik Sdn Bhd	Director and shareholder	Dissolved on 09.08.2011
2.	Frond Peak Sdn Bhd	Director and shareholder	Dissolved on 12.03.2013
	<u>Past Directorships</u>		
1.	Protasco Berhad	Director *(Resigned on 28.11.2012)*	Investment holding company in road construction, rehabilitation and maintenance, geotechnical and building related technical works, site soil testing, educational and training services, trading of construction and petroleum products, and the provision of construction services

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5.3 BOARD PRACTICES

5.3.1 Directors' Term of Office

Our Board is entrusted with the responsibility for the overall direction, strategy, performance and management of our Group. The number of years that our Directors have served in office and the date of expiration of their respective term of office are as follows:-

Name	Designation	Length of Service in Our Group (No. of Years)	Length of Service as Director of Pecca as at LPD (No. of Years)	Date of Expiration of Current Term of Office
Dato' Mohamed Suffian bin Awang	Independent Non-Executive Chairman	1	1	At the annual general meeting in accordance with the M&A
Datuk Teoh Hwa Cheng	Group Managing Director	16	5	At the annual general meeting in accordance with the M&A
Datin Sam Yin Thing	Executive Director	9	4	At the annual general meeting in accordance with the M&A
Tan Jin Sun	Executive Director	5	1	At the annual general meeting in accordance with the M&A
Sam Chee Keng	Executive Director	16	1	At the annual general meeting in accordance with the M&A
Dato' Dr Norraesah binti Haji Mohamad	Independent Non-Executive Director	1	1	At the annual general meeting in accordance with the M&A
Leong Kam Weng	Independent Non-Executive Director	1	1	At the annual general meeting in accordance with the M&A

At the first annual general meeting of our Company, all Directors shall retire from office and at the annual general meeting in every subsequent year, one-third of our Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third with minimum of one (1) shall retire from office provided always that all Directors shall retire from office once at least in every three (3) years and shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

The Directors to retire in every year shall be those who have been longest in office since their last election or appointment, but as between persons who became Directors or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Our Directors shall have power at any time and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an additional Director but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with the M&A of the Company. Any Director so appointed shall hold office only until the next annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

5.3.2 Audit and Risk Management Committee

The Audit and Risk Management Committee of the Company consist of the following members who are appointed by the Board:-

Name	Designation	Directorship
Leong Kam Weng	Chairman	Independent Non-Executive Director
Dato' Mohamed Suffian bin Awang	Member	Independent Non-Executive Chairman
Dato' Dr Norraesah binti Haji Mohamad	Member	Independent Non-Executive Director

The terms of reference of our Audit and Risk Management Committee, amongst others, include the following:-

(a) to oversee our management's activities in managing our Group's critical risks related to strategic, financial, operational, legal and other risks;

(b) to advise our Board on matters related to risk management;

(c) to assist our Board to fulfil its corporate governance, risk management and statutory responsibilities in order to manage the overall risk exposure of our Group;

(d) reviewing and assessing the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks, and the extent to which these are operating effectively;

(e) to review and recommend for our Board's approval, the Internal Audit Charter which defines the independent purpose, authority, scope and responsibility of the internal audit function in our Group;

(f) to review with the external auditors, the audit plan and audit report, their evaluation of system of internal controls as well as issues and reservations arising from audits;

(g) to monitor any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position and our management's response;

(h) to ensure that our quarterly results and financial statements are in compliance with accounting standards, regulatory and other legal requirements; and

(i) to assess any related party transaction, procedure or course of conduct and any potential conflict of interest situation that may arise within our Group.

5.3.3 Remuneration Committee

The Remuneration Committee comprises the following members:-

Name	Designation	Directorship
Dato' Dr Norraesah binti Haji Mohamad	Chairman	Independent Non-Executive Director
Leong Kam Weng	Member	Independent Non-Executive Director
Datuk Teoh Hwa Cheng	Member	Group Managing Director

Our remuneration committee performs, among others, the following functions:-

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

(b) to formulate policies, guidelines and set criteria for remuneration packages for the Executive Directors, Non-Executive Directors and key management;

(c) to ensure that the Executive Directors, Non-Executive Directors and key management are fairly and appropriately remunerated according to the general market sentiments or conditions;

(d) to ensure that all necessary actions are taken expediently by the Board to offer appropriate rewards, benefits, compensation and remuneration to ensure that the Company attracts and retains the individual Executive Directors, Non-Executive Directors and key management needed to run the Company successfully; and

(e) to ensure that all remuneration packages and benefits given to the Executive Directors, Non-Executive Directors and key management are in compliance with all laws, rules, requirements, regulations and guidelines set by the relevant authorities and the Board from time to time.

5.3.4 Nomination Committee

The Nomination Committee comprises the following members:-

Name	Designation	Directorship
Dato' Mohamed Suffian bin Awang	Chairman	Independent Non-Executive Chairman
Dato' Dr Norraesah binti Haji Mohamad	Member	Independent Non-Executive Director
Leong Kam Weng	Member	Independent Non-Executive Director

Our Nomination Committee performs, among others, the following functions:-

(a) to recommend to the Board the nominated Directors to fill the seats on the Board Committees;

(b) to appraise each individual Director, including Independent Non-Executive Directors as well as the Group Managing Director in terms of his experience, knowledge, credibility and credentials, and assess their effectiveness and contribution in carrying out their obligations and duties as a Board member of our Company;

(c) to examine the ability of each Director to contribute to the effective decision making process of the Board and ensure that the Board of our Company is functioning actively, efficiently and effectively in all its decision making; and

(d) to assess the effectiveness of the Board as a whole and the committees of the Board.

5.4 KEY MANAGEMENT

5.4.1 Particulars and Shareholdings of the Key Management

The details of the key management of our Group and their shareholdings in our Group before and after the IPO are as follows:-

Name	Designation	(1) No. of Shares Held Before the IPO				(2) No. of Shares Held After the IPO			
		Direct	%	Indirect	%	Direct	%	Indirect	%
Syed Mohammad Hafiz bin Syed Razlan	Sales and Marketing Director of PLeather	989,724	0.71	-	-	989,724	0.53	-	-
Chan Kok Kee	Chief Financial Officer of PLeather	-	-	-	-	100,000	0.05	-	-
Siah Chee Boon	Financial Controller of PLeather	-	-	-	-	60,000	0.03	-	-
Liew Yoon Fatt	Chief Operating Officer of PLeather	-	-	-	-	100,000	0.05	-	-
K. Karunakaran A/L Karupannan	Plant Manager of PLeather	-	-	-	-	90,000	0.05	-	-
Sam Chee Siong	Operation Manager of PLeather	-	-	-	-	90,000	0.05	-	-
Ooi Eng Huat	Executive Director cum Operation Manager of PAviation	-	-	-	-	100,000	0.05	-	-
Mat Nizam bin Mat Daron	Deputy General Manager, Sales & Marketing of PLeather	-	-	-	-	100,000	0.05	-	-

Notes:-

(1) Based on the issued and paid-up share capital of 140,204,000 Shares after the Dividend Payment, Subdivision, Allotment and Acquisitions.

(2) Includes their entitlements for the Pink Form Shares and based on the enlarged issued and paid-up share capital of 188,000,000 Shares after the Public Issue.

5.4.2 Profiles of the Key Management

(a) **Syed Mohammad Hafiz bin Syed Razlan**, aged 35, a Malaysian, is the Sales & Marketing Director for PLeather. He obtained his Diploma in Business Studies from Universiti Teknologi Mara in 2003. He was appointed as the Marketing Advisor to Juta Specifik Sdn Bhd in 2003. After he left Juta Specifik Sdn Bhd in 2004, he joined PLeather as a Sales Manager. He was subsequently promoted to the present position as the Sales & Marketing Director in 2008 and was appointed to the Board of Directors of PLeather in the same year. His responsibility is to oversee PLeather's OEM and PDI business development and expansion, as well as, to ensure the sustainable growth for the business segments.

He also sits on the board of several private companies.

(b) **Chan Kok Kee,** aged 47, a Malaysian, is the Chief Financial Officer of PLeather. He obtained his Associate membership of the Association of Chartered Certified Accountants (ACCA) in 1997 and was subsequently admitted as the Fellow member in 2002.

He started his accountancy training in 1994 with Keyse Poulter Stern, a Chartered Accounting firm in London as a Trainee Accountant and was promoted to the position of an Audit Senior in 1995. He left the Keyse Poulter Stern in 1996 and returned to Malaysia and joined Hai Ming Holdings Berhad, a paper recycling, paper product manufacturing and trading company as an Accountant from 1996 to 1999. He joined CI Holdings Berhad, a company involved in the manufacturing and trading of concrete and building materials as the Group Accountant from 1999 to 2000. He was the Finance Manager of Formapac Sdn Bhd, a manufacturer of toiletries products from 2000 to 2003. Subsequently, he was the Group Finance Manager of Malayan Flour Mills Berhad, a wheat flour milling and distribution company from 2003 until 2007. His responsibilities as the Accountant/ Group Accountant to Finance Manager/ Group Finance Manager in the aforementioned companies include amongst others, liaising with external auditors, bankers, tax agents, the review of management accounts, preparation of annual budgets as well as quarterly and annual reports.

In 2007, he joined CD Capital Sdn Bhd, a property investment company as the Financial Controller and was responsible for liaising with financial institutions to secure project financing, preparing and advising management on business and project viability until he left in 2008. From 2008 to 2011, he was the Group Financial Controller of Malayan United Industries Berhad, a local conglomerate involved in investments, property development, hotel operations, departmental stores, retail chain stores, food manufacturing and distribution, shares and securities services and general insurance. He joined Pharmaniaga Berhad in 2011, a company involved in the manufacturing and distribution of pharmaceutical products as the Group Financial Controller before he left in 2012. His responsibilities as the Group Financial Controller Malayan United Industries Berhad and Pharmaniaga Berhad include, amongst others, review of management accounts, preparation of annual budgets and quarterly and annual reports, and liaising with external auditors and bankers. He subsequently joined TC Management Services Corporation Sdn Bhd in 2012 as the General Manager for Cost Management, the management services company for Tan Chong Group involved in the assembly and distribution of passenger cars and trucks, as well as manufacturing and supplying automotive parts and components. During his tenure with the company until January 2015, he was responsible to review new business proposals, provide cost analysis, financial analysis and advice on cost savings activities to the operating business units. He joined PLeather as the Chief Financial Officer in February 2015 and is mainly responsible for the financial strategy, financial and risk management, as well as overseeing the financial reporting of our Pecca Group.

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(c) **Siah Chee Boon**, aged 45, a Malaysian, is the Financial Controller of PLeather. He obtained his professional qualifications from the Association of International Accountants in 1999. He started his career with Loh & Co. in 1992 as an Audit Assistant until 1995 when he joined Hew & Tan as an Audit Semi-Senior. He left Hew & Tan in 1997 to join Audrey International (M) Sdn Bhd in the same year as an Assistant Accountant. In 1999, he left Audrey International (M) Sdn Bhd to join KG Pastry Manufacturing Sdn Bhd, a frozen pastry manufacturing company as an Assistant Accountant. Subsequently, he was promoted to the position of Financial Controller in 2001, which he held until he left in 2011. During his tenure with KG Pastry Manufacturing Sdn Bhd, he was instrumental in the listing of its holding company, Kawan Food Berhad in 2005.

In 2011, he joined another listed company, Petrol One Resources Berhad, which is principally involved in the provision of storage facilities and related services for oil and gas products, as a Financial Controller but left within the same year. He assumed his present position as the Financial Controller of PLeather since he joined in 2012. He is responsible for overseeing the overall finance and treasury operations including the preparation of monthly financial statements of our Group, in addition to his advisory role on IT related functions of our Group.

(d) **Liew Yoon Fatt,** aged 52, a Malaysian, is the Chief Operating Officer of PLeather. He obtained his Diploma in Technology from Tunku Abdul Rahman College in 1988 and continued pursuing his studies after he started his career where he obtained his Professional Degree in Mechanical Engineering from the Engineering Council (United Kingdom) in 1993. He is a member of the Institution of Engineers Malaysia since 1996.

He started his career in 1988 when he joined Allied Auto Parts Sdn Bhd, a subsidiary of the Hong Leong Group as a Quality Control Engineer. The company was involved in the manufacturing of metal parts for Yamaha motorcycles. He was responsible to oversee the daily quality control operations which include inspection of incoming materials, quality controls during the production process and the final inspection on finished products. In 1991, he was transferred to the Plating Department as a Production Engineer to oversee the department's production and planning, process improvements and preventive maintenance of the production line. He was seconded to China as an Engineering Manager in Changshu Hong Leong Motorcycle Co. Ltd. in 1994. His responsibilities as the Engineering Manager include overseeing the quality control, maintenance and technical departments. He was transferred back to Malaysia in 1997 as the Senior Project Engineer in Hong Leong Industries Berhad to handle overseas' joint venture projects related to motorcycles, mainly in the area of engine development, as well as, assisting in sourcing engine parts from overseas. In 1998, he was transferred and promoted to the position of Inventory Manager in Hong Leong Yamaha Motorcycle Sdn Bhd, where he was responsible to oversee the operations of the Store Department in handling the incoming raw materials including part and components of motorcycles, and the outgoing finished products. In 2001, he was promoted to the position of Production Manager in the Assembly Department and he was responsible to oversee the production and assembly of motorcycles. During his tenure with Hong Leong Yamaha Motorcycle Sdn Bhd, he implemented various improvement activities which include training of skills, introduction of "Kaizen" process improvement initiatives and the reduction of minor stoppages programme to enhance the quality and productivity of motorcycle assembly process.

He left Hong Leong Yamaha Motor Sdn Bhd in 2007 to join Smith International Co. Ltd. in China which is involved in the manufacturing of chandeliers as the Engineering Manager overseeing the R&D and Quality Control Departments. In the same year in 2007, he left Smith International Co. Ltd. and joined CSR (Guangzhou) Building Material Co. Ltd in China, which is involved in the manufacturing of rock wool panel for the insulation of cold rooms, as the Plant Manager overseeing the Quality Assurance, Production, Logistics, Engineering, Purchasing and Human Resources Departments until he left in 2008. In the same year in 2008, he returned to Malaysia and joined Zeito Plastic Components Sdn Bhd as the Operation Manager overseeing the Quality Assurance, Production, Store, Engineering, Purchasing and Human Resources Departments. The company is involved in the manufacturing of medical products such as catheter and roller for intravenous drips. During his tenure, from 2008 until 2013, he led his team to set up clean room and obtained ISO 13485 certification. He was promoted to Senior Operation Manager in 2012 before he left to join Benelli Keeway Motorcycle Sdn Bhd in 2013 as the Assistant Factory Manager and was responsible to oversee the operations of the Purchasing, Store, Distribution and Production Departments until he left in 2014.

He joined PLeather as the Chief Operating Officer in December 2014 and is responsible for the Planning, Production, Quality Assurance, Warehousing and Engineering Departments. He is also involved in the R&D activities of our Group.

(e) **K. Karunakaran A/L Karuppannan**, aged 49, a Malaysian, is the Plant Manager of PLeather. He obtained his Diploma in Production Engineering from Kolej Teknologi Federal (FIT) in 1993 and subsequently a Diploma in Safety and Occupational Officer from Universiti Malaya in 1998.

He started his career in 1993 as the Quality Assurance Assistant at Heveafil Sdn Bhd, a manufacturer of extruded natural latex threads for textile, medical, scientific and other applications until he left in 1994. He joined Bando Electronics (M) Sdn Bhd in 1994, a company that specialises in the manufacturing of power transformers for audio applications as the Quality Assurance Executive (Electronics) and was elected as the Overall Outstanding Employee for outstanding performance and dedication in 1995. He left Bando Electronics (M) Sdn Bhd in 1996 to join PWA Industries Sdn Bhd in the same year as a Quality Assurance Manager and was instrumental in establishing the Quality System for the company. His achievement during his tenure in PWA Industries Sdn Bhd includes, amongst others, the completion of the Good Manufacturing Practices (GMP) Audit conducted by the Food and Drug Administration (FDA, USA) and obtained EN46002 and ISO9002:1994 certifications for the company. He subsequently held the position of Factory Manager for the Sungai Buloh, Selangor and Kuantan, Pahang plants before he left in 2002.

He joined PLeather as the Plant Manager in 2002 and was one of the key personnel instrumental to the set-up of our Group's operations towards lean management, to support the penetration into OEM (OE Fit), PDI (Smart Fit) and REM export businesses. He left PLeather in 2008 to become a freelance System Auditor until 2010, where he came back to PLeather in the same capacity of Plant Manager. He is instrumental in leading our team to obtain the ISO9001:2000, ISO/TS 16949, EMS ISO14001:2004, OSHAS 18001:2007 and VDA6.3 certifications. He is presently responsible to oversee the overall plant operations, including the supply chain management of our Group.

(f) **Sam Chee Siong**, aged 42, is the Operation Manager of PLeather. After completing his Sijil Pelajaran Malaysia in 1991, he worked with Datuk Teoh Hwa Cheng in a small scale operation in Bangkok, Thailand, which produced small leather goods. He joined Omicrast Manufacturers Sdn Bhd in 1993 upon returning to Malaysia. He left Omicrast Manufacturers Sdn Bhd in 2000 and started his own business by setting up Axex Manufacturing, a sole proprietor company, to produce small leather goods. After Axex Manufacturing ceased operations in 2007, he joined PLeather in the same year as the R&D and Planning Manager, and was involved in the R&D, technical and maintenance activities. He was transferred to his current position as Operation Manager in 2010, where he is responsible for the continuous improvement on product quality and production efficiency. He is also responsible to the outline the skill set development program, as well as the preventive maintenance, safety and health programmes for the benefit of the production workers, in the effort to improve the productivity of the company.

(g) **Ooi Eng Huat,** aged 31, a Malaysian is the Executive Director cum Operation Manager of PAviation. He started his career with Interiors Aeroservices Pte Ltd, Singapore in 2005 as a Trainee Technician and obtained his technical certification in the same year specialising in the Maintenance of Aircraft Passenger Seats and Part 145 Repair Station Procedures and Regulations. He was responsible for the maintenance, repair and overhaul of aircraft passenger seats as well as providing technical support to aircraft passenger seat manufacturers. In 2006, he was transferred to Interiors Aeroservices (M) Sdn Bhd, where he was promoted to the position of Quality Assurance Inspector within the same year where he was mainly responsible to provide technical support for aircraft passenger seats for commercial airlines. He left to join Berjaya Air Sdn Bhd in 2008 and gained his first live aircraft experience and exposure as an Aircraft Technician where he was in charge of daily routine inspections and heavy maintenance of the aircrafts. In 2010, he left Berjaya Air and joined RS Majujaya Sdn Bhd, an office equipment company mainly specialising in the distribution of photocopier machines as the Technical Support Executive until he left in 2011. He joined Cosmo Aviation Sdn Bhd in 2011 as the Senior Manager. During his tenure of service at Cosmo Aviation Sdn Bhd, he was mainly responsible for setting up the operation workshop to service the commercial aircrafts particularly in servicing and maintenance of cabin parts. He was also involved in the application for the DCA's Part 145 approval for the provision of aviation related services. In year 2014, he left Cosmo Aviation Sdn Bhd and co-founded Wohlstand and started his own aviation consultancy and aircraft cleaning services which include, amongst others, the provision of consultancy services in testing of the materials used in the refurbishment of aircrafts cabin and provision of deep cleaning services of the interior of aircrafts cabin and carpets, and exterior washing and polishing for executive jets and helicopters. He joined PAviation in 2014 and is presently responsible for the preparation of all the Quality Manuals to obtain the certification and related approvals from the FAA and the DCA for PAviation. He shall be responsible for the overall operation matters, including the supply and installation of aircraft leather seat covers, provision of maintenance, repair and overhaul services for PAviation. He shall also be overseeing the development of the aviation approved products, as well as, the sales and marketing function of PAviation.

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(h) **Mat Nizam bin Mat Daron**, aged 46, a Malaysian, is the Deputy General Manager, Sales & Marketing of PLeather. He obtained his Certificate of Civil Engineering from Politeknik Sultan Haji Ahmad Shah in 1990. He further obtained both his Executive Bachelors in General Management and Executive Masters in Entrepreneurship from Asia e University in 2013 respectively.

He started his career in 1991 as a Quality Assurance Technical Assistant at Delloyd Industries (M) Sdn Bhd and was promoted to Quality Assurance Executive in 1993. He was later promoted as the Quality Assurance Senior Executive in 1995 where his main role involved the inspection of all incoming parts from suppliers, as well as, conduct audits and provide advisory to suppliers to improve production process and quality systems. He left Delloyd Industries (M) Sdn Bhd in 1996 and joined Tani Industries, a partnership company involved in plastic injection moulding, as the Operation Manager. He left Tani Industries in 1998 to join Alto Rubber Industries Sdn Bhd as Quality Assurance Executive. The company is principally involved in the supply of rubber component parts for automotive applications. He left Alto Rubber Industries Sdn Bhd in 1999 to join Master Approach Sdn Bhd as the Quality Assurance Executive to head the Quality Department. The company is principally involved in the manufacturing of OEM automotive body kits. He was instrumental in obtaining the ISO9001 and QS9000 certification for the company. He was transferred to the position of Assistant Marketing Manager in 2002 and later promoted to Marketing Manager in 2006. He was the driving force responsible for the improvement of the clientele list for the Sales and Marketing Department, securing the first OEM/ PDI contract from Perodua and the penetration of the export market to Ford Motor Company and General Motors in Thailand respectively. He left Master Approach Sdn Bhd in 2013 to join PLeather as the Senior Sales and Marketing Manager. He was promoted to the present position of Deputy General Manager, Sales & Marketing of PLeather in 2014 and is one of the key personnel who handle our OEM/ PDI businesses.

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5.5 INVOLVEMENT OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT IN OTHER BUSINESSES/ CORPORATIONS

As at the LPD, save as disclosed below and Section 5.2.4 of this Prospectus, none of our Executive Directors and key management is involved in the operations of other businesses or corporations.

(a) Datuk Teoh Hwa Cheng

No.	Name of Company/ Business	Position (Director/ Shareholder)	Principal Activities of Company/ Nature of Business
	Directorships and Shareholdings		
1.	KT Universal Venture Sdn Bhd	Director and shareholder	Trading in various kinds of car seat leather cover and windscreen tint
2.	MRZ	Director and shareholder	Investment holding in private equity solely to invest in Pecca
3.	MRZ Car Seat Sdn Bhd	Director and shareholder	Engaged in installation of car seats – ceased operations with effect from 1 February 2015 and will proceed with the lodgement application for the striking off upon liquidation of all assets and liabilities. Further details are disclosed in item no. (2) in Section 7.1.2 of this Prospectus
4.	THC LHoldings	Director and shareholder	Investment holding in properties
5.	Tint Auto (M) Sdn Bhd	Director and shareholder	Trading in various kinds of car windscreen tint and building window tint
6.	Carrestyler (Carr) Sdn Bhd	Director and shareholder	Dormant since its incorporation on 03.05.2011 (intended business in the provision of car tinting film related services)
7.	Gaya Tempo Sdn Bhd	Director and shareholder	Dormant since its incorporation on 14.05.2008 – in the process of being struck off via lodgement of application dated 28.05.2014
8.	MRZ Car Seat (Penang) Sdn Bhd	Director and shareholder	Dormant since October 2010 – in the process of being struck off via lodgement of application dated 14.03.2014
9.	Seatcoverpro	Director and shareholder	Dormant since its incorporation on 11.02.2009 (intended business is to generate royalty income)
10.	Tjoy Synergy Sdn Bhd	Director and shareholder	Dormant since its incorporation on 04.07.2013 – in the process of being struck off via lodgement of application dated 09.01.2015
	Directorships		
1.	Tint Auto Marketing Sdn Bhd	Director	Trading in all kinds of car windscreen tint, spare parts and car accessories
	Shareholdings		
1.	Golden Regal Restaurant Sdn Bhd	Shareholder	Restaurant operator

Datuk Teoh Hwa Cheng's involvement in the above businesses and corporations does not have any impact on his duties in our Group as he had employed competent management teams for the daily operations of these businesses and corporations. As such, he spends the majority of his time in the operations and affairs of our Group.

(b) Datin Sam Yin Thing

No.	Name of Company/ Business	Position (Director/ Shareholder)	Principal Activities of Company/ Nature of Business
	Directorships and Shareholdings		
1.	KT Universal Venture Sdn Bhd	Director and shareholder	Trading in various kinds of car seat leather cover and windscreen tint
2.	MRZ	Director and shareholder	Investment holding in private equity solely to invest in Pecca
3.	MRZ Car Seat Sdn Bhd	Director and shareholder	Engaged in installation of car seats – ceased operations with effect from 1 February 2015 and will proceed with the lodgement application for the striking off upon liquidation of all assets and liabilities. Further details are disclosed in item no. (2) in Section 7.1.2 of this Prospectus
4.	THC LHoldings	Director and shareholder	Investment holding in properties
5.	Tint Auto (M) Sdn Bhd	Director and shareholder	Trading in various kinds of car windscreen tint and building window tint
6.	Carrestyler (Carr) Sdn Bhd	Director and shareholder	Dormant since its incorporation on 03.05.2011 (intended business in the provision of car tinting film related services)
7.	Seatcoverpro	Director and shareholder	Dormant since its incorporation on 11.02.2009 (intended business is to generate royalty income)
	Directorships		
1.	Tint Auto Marketing Sdn Bhd	Director	Trading in all kinds of car windscreen tint, spare parts and car accessories

Datin Sam Yin Thing's involvement in the above businesses and corporations does not have any impact on her duties in our Group, as there are competent management teams employed for the daily operations of these businesses and corporations. As such, she spends the majority of her time in the operations and affairs of our Group.

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5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

(c) Sam Chee Keng

No.	Name of Company/ Business	Position (Director/ Shareholder)	Principal Activities of Company/ Nature of Business
	<u>Directorships and Shareholdings</u>		
1.	JM Project Management Sdn Bhd	Director and shareholder	Dormant since incorporation on 28.01.2013 (intended business is in the provision of property management services)
	<u>Shareholdings</u>		
1.	Jaya Mapan Sdn Bhd	Shareholder *(Resigned as Director on 11.03.2015)*	Carry on the business activities as properties developer
2.	Ikrar Edar Sdn Bhd	Shareholder *(Resigned as Director on 23.03.2015)*	Dormant since 2015 (previously involved in installation, testing and servicing of power generation from renewable energy, importers, exporter and general merchants in solar panel and related accessories, investment holding) - in the process of being disposed off to Lo Yu Kang
3.	Jaya Mapan Property Sdn Bhd	Shareholder	Dormant since incorporation on 15.07.2013 (intended business is investment holding in property and equity)

Sam Chee Keng's involvement in the above businesses and corporations do not require much of his time as most of the abovementioned companies are either dormant, inactive or investment holding companies. As such, he allocates all of his time to the affairs of our Group.

(d) Syed Mohammad Hafiz bin Syed Razlan

No.	Name of Company/ Business	Position (Director/ Shareholder)	Principal Activities of Company/ Nature of Business
	<u>Directorships and Shareholdings</u>		
1.	Happy Recipe Sdn Bhd	Director and shareholder	Food caterers, preparers and café operators
2.	Laksamana Resources Sdn Bhd	Director and shareholder	Investment holding, setting up nursery, supplying of the seedlings and property development
3.	SHJ Ventures Sdn Bhd *(formerly known as H&M Liberty Sdn Bhd)*	Director and shareholder	Food consultants and restaurateurs. To act as franchisees and franchisers in all kinds of food and refreshment
4.	Tint Auto Marketing Sdn Bhd	Director and shareholder	Trading in all kinds of car windscreen tint, spare parts and car accessories
5.	Gaya Tempo Sdn Bhd	Director and shareholder	Dormant since its incorporation on 14.05.2008 – in the process of being struck off via lodgement of application dated 28.05.2014
6.	Minda Bumi Sdn Bhd	Director and shareholder	Dormant since November 2008 (intended business is in the trading of fertilizer materials)

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

No.	Name of Company/ Business	Position (Director/ Shareholder)	Principal Activities of Company/ Nature of Business
7.	Putrabay Holdings Sdn Bhd	Director and shareholder	Dormant since November 2014 (previously involved in the provision of marine and ports, parking facilities and import export)
8.	Pristani Sdn Bhd	Director and shareholder	Dormant since November 2011 (previously involved in the logistics and transportation of agriculture goods - in the process of being wound up)
9.	Sepakar Edaran Sdn Bhd	Director and shareholder	Dormant since March 2011 (previously involved in the business of general merchants, traders and suppliers, business of general contractor and contractor, and to acquire and hold investment, lands and houses)
10.	20KHZ Entertainment Sdn Bhd	Director and shareholder	Dormant since Sept 2010 (previously involved in entertainment and production, record label, publishing and events management)
	Directorships		
1.	Dekatku Sdn Bhd	Director	Other management consultancy activities N.E.C, retail sale of security systems, telecommunications resellers
2.	RL Zinean Sdn Bhd	Director	Trading of compost and fertilizer products act as agent of trading in compost and fertilizer products
3.	Tint Auto (M) Sdn Bhd	Director	Trading in various kinds of car windscreen tint and building window tint
4.	Krisana Agarwood Sdn Bhd	Director	Dormant since April 2012 (previously involved in aquaria nursery and supplying, consultation and management of farms and general trading)
5.	Pristek Sdn Bhd	Director	Dormant since November 2011 (previously involved in computer and electronic consultation)

Syed Mohammad Hafiz bin Syed Razlan spends his time substantially in the affairs of our Group. His involvement in the above businesses and corporations are not detrimental to the affairs of our Group as set out below:-

(i) Gaya Tempo Sdn Bhd, Minda Bumi Sdn Bhd, Pristani Sdn Bhd, Putrabay Holdings Sdn Bhd, Sepakar Edaran Sdn Bhd, 20KHZ Entertainment Sdn Bhd, Krisana Agarwood Sdn Bhd and Pristek Sdn Bhd are dormant;

(ii) his involvement in Laksamana Resources Sdn Bhd and SHJ Ventures Sdn Bhd *(formerly known as H&M Liberty Sdn Bhd)* are as an investor as it is his family owned business and the company is being managed by his family members;

(iii) his involvement in Happy Recipe Sdn Bhd, Dekatku Sdn Bhd and RL Zinean Sdn Bhd is on sales and marketing perspective in terms of business contacts referrals and he is not involved in the daily operations of the said companies; and

(iv) his involvement in Tint Auto Marketing Sdn Bhd and Tint Auto (M) Sdn Bhd is on marketing and referrals of business contacts which are complimentary to his role in our Group as he deals with common pool of customers in the automotive industry where our Group also supplies our products.

His main responsibilities, amongst others, are to handle key accounts of our Group and to provide advisory role in steering the overall strategic direction of the sales and marketing functions of PLeather. Furthermore, he is fully supported by a team of senior management personnel in the Sales and Marketing Department of our Group.

(e) K. Karunakaran A/L Karuppannan

	Name of Company/ Business	Position (Director/ Shareholder)	Principal Activities of Company/ Nature of Business
1.	Selayamic Sdn Bhd	Shareholder	Property owners and managers, investors and general traders

K. Karunakaran A/L Karuppannan's is an investor in the above company and is not involved in the daily operations of the business. As such, he allocates his time fully as the Plant Manager of PLeather.

(f) Ooi Eng Huat

	Name of Company/ Business	Position (Director/ Shareholder)	Principal Activities of Company/ Nature of Business
1.	Wohlstand	Director and shareholder	Provision of aircraft maintenance, repairs, overhaul, consultation and other related activities

Ooi Eng Huat's involvement in PAviation as the Executive Director cum Operation Manager of PAviation is by virtue of him being the substantial shareholder of Wohlstand who has 40% equity interest in PAviation.

5.6 DECLARATION OF PROMOTERS, DIRECTORS AND KEY MANAGEMENT

None of our Promoters, Directors and key management is or has been involved in any of the following events:-

(a) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel; or

(b) Disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation; or

(c) Charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding; or

(d) Any judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(e) The subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

5.7 RELATIONSHIPS OR ASSOCIATIONS

Save as disclosed below, there are no family relationships (as defined in Section 122A of the Act) or association between substantial shareholders, Promoters, Directors and key management.

(a) Datin Sam Yin Thing is the spouse of Datuk Teoh Hwa Cheng;

(b) Datin Sam Yin Thing, Sam Chee Keng and Sam Chee Siong are siblings; and

(c) Sam Chee Keng and Sam Chee Siong are the brother-in-laws of Datuk Teoh Hwa Cheng.

5.8 EXISTING OR PROPOSED SERVICE AGREEMENTS

Save as disclosed below, there are no existing or proposed service agreements between the Directors and key management personnel of our Group with our Company and/or our subsidiaries.

(a) **Dato' Mohamed Suffian bin Awang** has entered into an Independent Non-Executive Director's Service Agreement dated 26 December 2014 with our Company ("**DMSA Service Agreement**"). Pursuant thereto, Dato' Mohamed Suffian bin Awang was appointed as the Independent Non-Executive Director of our Company for an initial period of three (3) years with effect from 26 December 2014. Upon expiry of this initial term, Dato' Mohamed Suffian bin Awang shall continue to serve as the Independent Non-Executive Director of our Company until terminated in accordance with the DMSA Service Agreement. If during his appointment under the DMSA Service Agreement, Dato' Mohamed Suffian bin Awang ceases to be a Director of the Company (otherwise than by reason of his death, resignation or disqualification under the Articles of Association or by any applicable law or court order), his appointment shall terminate automatically with immediate effect and he shall have no claim against the Company, save for antecedent claims. The DMSA Service Agreement may be terminated by either party giving the other party three (3) months' notice in writing after which each party's rights and obligations will cease and none of the party will have any claim against each other. Please refer to Section 13.5 (h) of this Prospectus for further details.

(b) **Leong Kam Weng** has entered into an Independent Non-Executive Director's Service Agreement dated 26 December 2014 with our Company ("**LKW Service Agreement**"). Pursuant thereto, Leong Kam Weng was appointed as the Independent Non-Executive Director of our Company for an initial period of three (3) years with effect from 26 December 2014. Upon expiry of this initial term, Leong Kam Weng shall continue to serve as the Independent Non-Executive Director of our Company until terminated in accordance with the LKW Service Agreement. If during his appointment under the LKW Service Agreement, Leong Kam Weng ceases to be a Director of the Company (otherwise than by reason of his death, resignation or disqualification under the Articles of Association or by any applicable law or court order), his appointment shall terminate automatically with immediate effect and he shall have no claim against the Company, save for antecedent claims. The LKW Service Agreement may be terminated by either party giving the other party three (3) months' notice in writing after which each party's rights and obligations will cease and none of the party will have any claim against each other. Please refer to Section 13.5 (i) of this Prospectus for further details.

(c) **Dato' Dr Norraesah binti Haji Mohamad** has entered into an Independent Non-Executive Director's Service Agreement dated 28 October 2015 with our Company ("**DNHM Service Agreement**"). Pursuant thereto, Dato' Dr Norraesah binti Haji Mohamad was appointed as the Independent Non-Executive Director of our Company for an initial period of three (3) years with effect from 1 August 2015. Upon expiry of this initial term, Dato' Dr Norraesah binti Haji Mohamad shall continue to serve as the Independent Non-Executive Director of our Company until terminated in accordance with the DNHM Service Agreement. If during her appointment under the DNHM Service Agreement, Dato' Dr Norraesah binti Haji Mohamad ceases to be a Director of the Company (otherwise than by reason of her death, resignation or disqualification under the Articles of Association or by any applicable law or court order), her appointment shall terminate automatically with immediate effect and she shall have no claim against the Company, save for antecedent claims. The DNHM Service Agreement may be terminated by either party giving the other party three (3) months' notice in writing after which each party's rights and obligations will cease and none of the party will have any claim against each other. Please refer to Section 13.5 (k) of this Prospectus for further details.

5.9 EMPLOYEES

The breakdown of our Group's employees is as follows:-

	Number of Employees					
Category of Employees	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FPE 2015	As at the LPD
Directors and Management	11	11	12	17	17	16
Accounting and Finance	11	10	8	9	9	9
Human Resource and Admin	12	15	16	15	14	14
Sales and Marketing	9	11	10	14	13	14
Information Technology	3	3	3	3	2	3
Purchasing	2	3	4	5	5	6
Design and Styling	4	4	3	5	4	4
Planning	4	5	5	5	6	6
Engineering	3	4	5	8	6	6
Maintenance	5	6	6	9	7	7
Logistics and Warehouse	15	15	20	22	20	19
R&D	36	40	39	49	45	43
Project and Installation	18	10	9	3	3	3
Production	143	246	281	339	287	268
QA/QC	37	44	59	83	72	69
TOTAL	**313**	**427**	**480**	**586**	**510**	**487**

Our Group employees by nationality as at FYE 2012 to FYE 2015, FPE 2015 and the LPD are as follows:-

Country	Number of Employees as at					
	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FPE 2015	As at the LPD
Malaysia	125	147	155	172	159	164
Bangladesh	32	30	33	35	33	32
Nepal	145	239	281	371	311	284
Vietnam	8	8	8	6	5	5
Myanmar	3	3	3	1	1	1
Thailand	-	-	-	1	1	1
TOTAL	313	427	480	586	510	487
	%					
Malaysian	39.94	34.43	32.29	29.35	31.18	33.68
Foreigners	60.06	65.57	67.71	70.65	68.82	66.32
Total	100.00	100.00	100.00	100.00	100.00	100.00

The increase in total number of employees of our Group from FYE 2012 to FYE 2015 was mainly contributed by the increase in the number of employees in the logistics and warehouse, R&D, production and QA/QC as shown above, in tandem with our growth and expansion of our business. The substantial increase in the foreign workers during the FYE 2015 was due to the advance recruitment in order to train and equip the workers with the required skillset in transition for replacement of workers which will go back to their home country after fulfilling their employment contracts. This has subsequently resulted in the reduction in the number of workers for the FPE 2015.

As at the LPD, our Group has a total of 323 foreign workers from various countries as set out in the table above, of which, nine (9) are contract workers.

None of our employees belong to any labour union. The relationship and cooperation between our management and our employees have always been good and this is expected to continue. As at the LPD, there has been no industrial dispute pertaining to our employees.

Training and Development

We recognise the importance of human resource as a key element to our success. We regard our employees as invaluable and key components to our continued growth and view sound human resource management as one of our critical success factors. Therefore, it is important for them to be skilled in their jobs and constantly kept up-to-date with changes in good business practices, relevant methodologies in the manufacturing industry and important developments in manufacturing and production.

We believe in motivating our employees by providing opportunities for progressive career growth and as such, provide these training opportunities for employees to enhance their work performance in order to assume wider job responsibilities. As training and development is a continuing process, staff training and in-house orientation are conducted by the heads of each respective department. We encourage our employees to continually increase their skills and knowledge through courses covering areas such as work related technical training, design, health and safety training, finance and accounting, and marketing.

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

The staff training and in-house orientation will include newly recruited employees. New personnel in the Production Department will also undergo the competency test. If the competency test is successfully passed, new personnel are provided with training to equip them with necessary working knowledge and skills in order to effectively carry out their job responsibilities. We also provide on-the-job training, where employees are trained under normal working conditions.

In addition, we invest in external training, particularly on programmes related to technical skills, quality and safety. For the past four (4) years and up to the LPD, our employees had participated in the following training programmes:-

Training in Year 2012

Course Title	Training Provider/ Organiser	Category of Attendees
Toyota Production System	Appointed Consultant	Management, Executives and Non-executives
ISO/ TS 16949:2009	Sheffield Consulting Groups Sdn Bhd	Management, Executives and Non-executives
Seminar Perkastaman Dari Perspektif Pematuhan	Jabatan Kastam Diraja Malaysia	Management
How to Develop Effective Safety and Health	Optimum Training Consultant	Management, Executives and Non-executives
Supply Chain and Logistics Summit	Federation of Malaysian Manufacturers (FMM)	Management

Training in Year 2013

Course Title	Training Provider/ Organiser	Category of Attendees
Toyota Production Maintenance	Appointed Consultant	Senior management, Management, Executives and Non-executives
• Verband Der Automobile (VDA) Industries – Basic Introduction • Effective Document Control System	TUV Nord (M) Sdn Bhd	Management and Executives
Safety Tips for Forklift Truck Drivers	Federation of Malaysian Manufacturers (FMM)	Non-executives
Managing Employee Performance and Discipline at Workplace	Malaysian Institute of Human Resource Management (MIHRM)	Management
Seminar Perkastaman dari Sudut Pematuhan	Jabatan Kastam Diraja Malaysia	Executives
• Environmental Management System (EMS) Awareness and ISO 14001 Standard Requirement • ISO 18001 and OHSAS Awareness Training	Gloteq Resources Sdn Bhd	Management, Executives and Non-executives

Training in Year 2014

Course Title	Training Provider/ Organiser	Category of Attendees
Quality Management System (QMS)	Gloteq Resources Sdn Bhd	Management, Executives and Non-executives
Competency Based Human Resource Management	Malaysian Employers Federation	Management
• ISO/ TS 16949:2009 Awareness Training • ISO/ TS 16949:2009 Internal Quality Audit on System, Manufacturing Process and Product Audit • ISO/ TS 16949:2009 APQP & FMEA	ISO Experts	Management, Executives and Non-executives
Documentation in Human Resource Management	Institute of Professional Development (IPD)	Management
• ISO/ TS 16949:2009 • Management Review	ISO Experts	Management, Executives and Non-executives
• EMS ISO14001:2004 – Understanding and Implementing EMS • Environmental, Safety and Health Law and Legal Requirement • EMS and SMP • EMS Internal Auditor Training • OHSAS Internal Auditor Training	Gloteq Resources Sdn Bhd	Management, Executives and Non-executives
Peak Performance through Effective Training Needs Analysis	Malaysian Employers Federation	Executives
• Aspect and Impact Awareness and Evaluation • Scheduled Waste Management • Hazard Identification Risk Assessment and Control (HIRAC) • Chemical Spill Drill and Fire Drill Training	Gloteq Resources Sdn Bhd	Management, Executives and Non-executives
• Personal Protective Equipment (PPE) • Safety in the Use of Chemical • First Aider Training • Emergency Response Plan (ERP)	Gloteq Resources Sdn Bhd	Management, Executives and Non-executives

Training in Year 2015

Course Title	Training Provider/ Organiser	Category of Attendees
• Setting Key Performance Indicators (KPI)	Argi Management Consultants	Management, Managers and Executives
• ISO/TS 16949 : 2009 Automotive Quality Management System	ISO Experts	Managers, Executives and Non-Executive
• 7 QC Tools	SQC Consulting Group	Managers, Executives and Non-Executives
• Supervisory Skills	Trend Training Network	Managers, Executives and Non-Executives
• ISO 14001 : 2004 Environmental Management System • OHSAS 18001 : 2007 Occupational Health & Safety	Gloteq Resources Sdn Bhd	Managers, Executives and Non-Executive
• Simatic S7-300 Service Basic	Siemens Malaysia Sdn Bhd	Executives
• Scheduled Waste Management	Air Waste Water Management Sdn Bhd	Managers
• Ceramah Pencegahan Kebakaran & Demonstrasi Penggunaan Alat Pemadam Kebakaran	Jabatan Bomba, Sungai Buloh	Executives and Non-Executives
• Microsoft Office Excel - Foundation	OSI Technology	Managers, Executives and Non-Executives
• Malaysian Employment Act	Knowledge	Executives
• Effective Production Planning, Scheduling and Control	Vihethi Training & Consultancy	Managers and Executives

Training in Year 2016 (up to the LPD)

Course Title	Training Provider/ Organiser	Category of Attendees
• Microsoft Office Excel – Foundation	OSI Technology	Managers, Executives and Non-Executives

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Management Succession Plans

We seek to ensure continuity in our management team in order to ensure continuity and maintain our competitiveness. It is our policy to groom outstanding low-level employees for more job responsibilities and supervisory roles, and groom exceptional middle-management staff to gradually assume the responsibilities of senior management. As such, there is no over reliance on the Executive Directors to be involved in all the details and aspects of the operational and functional areas, which allows them to focus on strategic matters and on further developing the business for growth and success.

In addition, our middle management are constantly exposed to various aspects of our business activities in order to ensure that they have a full understanding of the responsibilities and the decision making process, and are equipped with the knowledge necessary for them to succeed to senior management positions.

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6. APPROVALS AND CONDITIONS

6.1 APPROVALS AND CONDITIONS

(a) SC

(i) The SC had approved our Listing Scheme under Subsection 214(1) of the CMSA and the equity requirement for public companies via its letter dated 21 October 2015. The conditions imposed by the SC and the status of compliance are as follows:-

Conditions Imposed by the SC	Status of Compliance
AmInvestment Bank Berhad and Pecca to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines - Equity pertaining to the implementation of the Listing.	To be complied

(ii) The SC had via its letter dated 21 October 2015 noted the effects of the Listing on the shareholding structure of Pecca before and after the Listing as follows:-

Category of Shareholders	Before Listing		After Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera				
- Individual *	-	-	989,724	0.53
- To be nominated and approved by MITI	-	-	18,800,000	10.00
- Via public balloting	-	-	4,700,000	2.50
Total Bumiputera	**-**	**-**	**24,489,724**	**13.03**
Non-Bumiputera/ Foreigners	100	100.00	163,510,276	86.97
Total	**100**	**100.00**	**188,000,000**	**100.00**

Note:-

* Held by Syed Mohammad Hafiz bin Syed Razlan pursuant to the Acquisition of PLeather.

(b) MITI

The MITI had via its letter dated 10 March 2015, taken note and has no objection to the listing of our Company on the Main Market of Bursa Securities. There were no conditions imposed by MITI.

(c) SAC

Our Company has voluntarily submitted an application to the SAC for a Shariah compliance review. The SAC, has via its letter dated 23 November 2015, classified our Shares as Shariah-compliant based on our audited financial statements for the FYE 2015.

6. APPROVALS AND CONDITIONS *(Cont'd)*

(d) Bursa Securities

Bursa Securities had via its letter dated 17 November 2015 resolved to approve the admission to the Official List and the listing of and quotation for the entire issued and paid-up share capital of Pecca of RM94,000,000 comprising 188,000,000 Shares on the "Industrial Products" sector of the Main Market of Bursa Securities.

The conditions imposed by Bursa Securities and the status of the compliance with the conditions are as follows:-

No.	Conditions Imposed by Bursa Securities	Status of Compliance
(1)	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of Listing Requirements. In this respect, Pecca is advised to include the Stock Code, Stock Short Name and ISIN Code upon making the announcement on Timetable for IPO; and	To be complied
(2)	Furnish Bursa Securities on the first day of listing a copy of the schedule of distribution showing compliance to the public share spread requirements based on the entire issued and paid-up share capital of Pecca.	To be complied

6.2 MORATORIUM ON SHARES

In accordance with Paragraph 5.29 of the SC Guidelines, our Promoters will not be allowed to sell, transfer or assign their entire shareholdings in our Company for six (6) months from the date of our admission to the Official List of the Main Market of Bursa Securities ("**Moratorium Period**") as set out below:-

Name	No. of Shares Held Upon Admission			
	Direct	%	Indirect	%
Promoters				
MRZ	85,692,420	45.58	-	-
Datuk Teoh Hwa Cheng	10,167,853	5.41	[(a)] 85,692,420	45.58
Datin Sam Yin Thing	24,002	0.01	[(b)] 85,692,420	45.58
Shareholder				
Syed Mohammad Hafiz bin Syed Razlan	989,724	0.53	-	-
Total	96,873,999	51.53		

Notes:-

(a) Deemed interested by virtue of his substantial shareholding in MRZ pursuant to Section 6A of the Act.

(b) Deemed interested by virtue of her substantial shareholding in MRZ pursuant to section 6A of the Act.

MRZ, Datuk Teoh Hwa Cheng and Datin Sam Yin Thing have provided written undertaking that they will not sell, transfer or assign their shareholdings in Pecca which are under moratorium during the Moratorium Period.

6. APPROVALS AND CONDITIONS *(Cont'd)*

In accordance with Paragraph 5.30 of the SC Guidelines, all direct and indirect individual shareholders, up to the ultimate individual shareholders of our Promoter which are not listed, namely MRZ, must give an undertaking to the SC that they will not sell, transfer or assign any of their securities in MRZ for the Moratorium Period.

Consequently based on the above, the moratorium shall also apply to the following shareholders and/or beneficial shareholders of MRZ who have provided their respective written undertakings that they will not sell, transfer or assign their shareholdings in MRZ which are under moratorium during the Moratorium Period:-

Shareholders of MRZ:-

(a) Datuk Teoh Hwa Cheng;

(b) Datin Sam Yin Thing; and

(c) Tan Soo Hiok.

In addition, our shareholder, Syed Mohammad Hafiz bin Syed Razlan has provided written undertaking that he will not sell, transfer or assign his shareholdings in Pecca pursuant to the Acquisition of PLeather (as detailed in Section 4.2(d)(ii) of this Prospectus) which are under moratorium during the Moratorium Period as set out in the above table.

The moratorium is specifically endorsed on the share certificates representing the shareholdings of our Promoters and shareholders to ensure that our registrars do not register any transfer not in compliance with the moratorium restrictions.

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7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

7.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

7.1.1 Recurrent Related Party Transactions

Save as disclosed below, our Group does not have any other existing and/or proposed material related party transactions or other subsisting contracts or arrangement entered into by our Group which involved the interest, direct or indirect, of the Directors, substantial shareholders of our Company and/or key management and/or persons connected to them as defined under the Listing Requirements of Bursa Securities for the past four (4) FYE 2012 to FYE 2015, FPE 2015 and up to the LPD:-

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM'000)					
						FYE 2012	FYE 2013	FYE 2014	FYE 2015	FPE 2015	LPD
1.	Tint Auto (M) Sdn Bhd	Datuk Teoh Hwa Cheng	Promoter, Director and substantial shareholder	Director and substantial shareholder	Renting of partial production area located at 3rd floor, No. 1 Jalan Perindustrian Desa Aman 1A, Industri Desa Aman, Kepong, 52200 Kuala Lumpur from PLeather to Tint Auto (M) Sdn Bhd	-	-	99	218	91	144
		Datin Sam Yin Thing	Promoter, Director and substantial shareholder	Director and substantial shareholder							
		Syed Mohammad Hafiz bin Syed Razlan	Director of PLeather, shareholder and key management personnel	Director							

The Directors of our Company are of the opinion that all business transactions as disclosed above between our Group and the Directors and substantial shareholders of our Company and/or persons connected to them are at arm's length and on terms not more favourable to the related parties than those generally available to the public. The Audit Committee will supervise the terms of related party transactions and the Directors of our Company will report related party transactions, if any, annually in our Company's annual report.

Further, the Advisers for the IPO (save for Hong Leong Investment Bank as Joint Underwriter and Joint Placement Agent) as disclosed in Section 7.7 of this Prospectus are of the opinion that all business transactions as disclosed in this Section 7.1.1 of the Prospectus between the Group and the Directors and substantial shareholders of the Company and/or persons connected to them are at arm's length and on terms not more favourable to the related parties than those generally available to the public.

Save as disclosed above, our Directors and substantial shareholders have no direct and indirect interests in:-

(a) other businesses and corporations carrying on a similar trade as our Group; and

(b) other businesses and corporations which are the customers or suppliers of our Group.

7.1.2 Non-Recurrent Related Party Transactions

Save as disclosed below, our Group does not have any other existing and/or proposed non-recurrent related party transactions or other subsisting contracts or arrangements entered into by our Group which involve the interest, direct or indirect, of our Directors and substantial shareholders and/or key management and/or persons connected to them as defined under the Listing Requirements of Bursa Securities for the past four (4) FYE 2012 to FYE 2015, FPE 2015 and up to the LPD:-

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM'000)					
						FYE 2012	FYE 2013	FYE 2014	FYE 2015	FPE 2015	LPD
1.	KT Universal Venture Sdn Bhd	Datuk Teoh Hwa Cheng	Promoter, Director and substantial shareholder	Director and substantial shareholder	Sales of REM (Quick Fit) automotive seat cover by PLeather to KT Universal Venture Sdn Bhd	252	25	13	1	-	-
		Datin Sam Yin Thing	Promoter, Director and substantial shareholder	Director and substantial shareholder	KT Universal Venture Sdn Bhd has ceased new purchase of car seat covers since 1 January 2015 and will cease the distribution of car seat covers upon depleting its available stock of car seat covers						
		Teoh Zi Yi	Teoh Zi Yi is the son of Datuk Teoh Hwa Cheng and Datin Sam Yin Thing. Hence, Datuk Teoh Hwa Cheng, Datin Sam Yin Thing and Teoh Zi Yi are persons connected with each other	Substantial shareholder							

7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM'000)					
						FYE 2012	FYE 2013	FYE 2014	FYE 2015	FPE 2015	LPD
2.	MRZ Car Seat Sdn Bhd	Datuk Teoh Hwa Cheng	Promoter, Director and substantial shareholder	Director and substantial shareholder	Sales of REM automotive seat cover by PLeather to MRZ Car Seat Sdn Bhd	1,546	2,518	2,765	1,610	-	-
		Datin Sam Yin Thing	Promoter, Director and substantial shareholder	Director and substantial shareholder	MRZ Car Seat Sdn Bhd has ceased operations with effect from 1 February 2015 and will proceed with the lodgement application for the striking off upon obtaining the tax refund from Inland Revenue Board. The audited NTA of MRZ Car Seat Sdn Bhd as at 30 June 2015 was approximately RM1.53 million comprised mainly amount due from Directors (RM1.10 million), cash and bank balance (RM0.41 million), tax refundable (RM0.03 million) and other payable (RM0.01 million)						
3.	THC LHoldings [(a)(i)]	Datuk Teoh Hwa Cheng	Promoter, Director and substantial shareholder	Director and substantial shareholder	(a) Sales of REM automotive seat cover, sewing of fabric seat cover and supply of raw materials by PLeather to Coöperatie Leder Inbouw Nederland U.A	5,823	4,499	5,213	4,040	2,172	[(a)(iv)] 2,976
	(THC LHoldings was a substantial shareholder of Coöperatie Leder Inbouw Nederland U.A)	Datin Sam Yin Thing	Promoter, Director and substantial shareholder	Director and substantial shareholder	(b) Provision of management and accounting services by PLeather to Coöperatie Leder Inbouw Nederland U.A	-	-	19	-	-	-
					THC LHoldings has sold and transferred its 5% equity interest in Coöperatie Leder Inbouw Nederland U.A. to PLeather which was completed on 30 June 2015 [(a)(iii)]						

7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM'000) FYE 2012	FYE 2013	FYE 2014	FYE 2015	FPE 2015	LPD
4.	THC LHoldings [(a)(i)] (Pecca Leather Inc (US) is a wholly owned subsidiary of THC LHoldings)	Datuk Teoh Hwa Cheng Datin Sam Yin Thing	Promoter, Director and substantial shareholder Promoter, Director and substantial shareholder	Director and substantial shareholder Director and substantial shareholder	(a) Sales of REM automotive seat cover and supply of raw materials by PLeather to Pecca Leather Inc (US)	7,197	4,796	1,229	-	-	-
					(b) Provision of management and accounting services by PLeather to Pecca Leather Inc (US) Since October 2013, our sales to the USA market is via our distribution partner as disclosed in 4.5.4.1 (c) of this Prospectus. As at the LPD, Pecca Leather Inc (US) has ceased operations. Further details are disclosed in note (e) in Section 7.1.2 of this Prospectus. Since FYE 2014, PLeather has ceased to provide management and accounting services to Pecca Leather Inc (US)	-	74	-	-	-	-
5.	THC LHoldings [(a)(i)] (THC Venture is a wholly owned subsidiary of THC LHoldings)	Datuk Teoh Hwa Cheng Datin Sam Yin Thing	Promoter, Director and substantial shareholder Promoter, Director and substantial shareholder	Director and substantial shareholder Director and substantial shareholder	Payment of sales commission by PLeather to THC Venture for securing sales of PDI (Smart Fit) automotive seat cover in Japan market. THC Venture is dormant since July 2013 (previously involved in the development of car seats business in Japan-disposed off to Chiam Boon Chong and Lo Yu Kang on 19.03.2015)	119	-	-	-	-	-

7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM'000)					
						FYE 2012	FYE 2013	FYE 2014	FYE 2015	FPE 2015	LPD
6.	Jaya Mapan Sdn Bhd	Sam Chee Keng	Director	Substantial shareholder	Provision of management and accounting services by PLeather to Jaya Mapan Sdn Bhd. Since May 2014, PLeather has ceased to provide management and accounting services to Jaya Mapan Sdn Bhd	-	7	25	-	-	-
7.	THC LHoldings [(a)(i)] (THC LHoldings was a substantial shareholder of Coöperatie Leder Inbouw Nederland U.A)	Datuk Teoh Hwa Cheng Datin Sam Yin Thing	Promoter, Director and substantial shareholder Promoter, Director and substantial shareholder	Director and substantial shareholder Director and substantial shareholder	Sale and transfer of 51% membership interest held in Coöperatie Leder Inbouw Nederland U.A by PLeather to THC LHoldings The purchase consideration was arrived at based on the 51% equity interest of the issued and paid-up share capital of Coöperatie Leder Inbouw Nederland U.A. of EUR485,713 based on the exchange rate of EUR1:RM4.1929	[(b)] 991	-	-	-	-	-
8.	PLeather	Tan Jin Sun	Director	Chief Executive Officer of PLeather	Purchase of a motor vehicle by PLeather from Tan Jin Sun	-	295	-	-	-	-
9.	MRZ, Datuk Teoh Hwa Cheng and Datin Sam Yin Thing	MRZ Datuk Teoh Hwa Cheng Datin Sam Yin Thing	Promoter and substantial shareholder Promoter, Director and substantial shareholder Promoter, Director and substantial shareholder	Substantial shareholder Director and substantial shareholder Director and substantial shareholder	Deed of Assignment entered into between MRZ and PLeather in relation to the registered trademarks set out therein Please refer to Section 13.5(b) of this Prospectus for further details	-	-	-	(c) (d)	-	-

7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM'000) FYE 2012	FYE 2013	FYE 2014	FYE 2015	FPE 2015	LPD
10.	Seatcoverpro	Datuk Teoh Hwa Cheng Datin Sam Yin Thing	Promoter, Director and substantial shareholder Promoter, Director and substantial shareholder	Director and substantial shareholder Director and substantial shareholder	Deed of Assignment entered into between Seatcoverpro and PLeather in relation to the registered trademarks and trademarks pending registration set out therein Please refer to Section 13.5(c) of this Prospectus for further details	-	-	-	(c) (d)	-	-
11.	Seatcoverpro	Datuk Teoh Hwa Cheng Datin Sam Yin Thing	Promoter, Director and substantial shareholder Promoter, Director and substantial shareholder	Director and substantial shareholder Director and substantial shareholder	Deed of Assignment entered into between Seatcoverpro and PLeather in relation to the registered patents and patents pending registration set out therein Please refer to Section 13.5(d) of this Prospectus for further details	-	-	-	(c) (d)	-	-
12.	PLeather	MRZ Datuk Teoh Hwa Cheng Syed Mohammad Hafiz bin Syed Razlan Datin Sam Yin Thing	Promoter and substantial shareholder Promoter, Director and substantial shareholder Director of PLeather, shareholder and key management personnel Promoter, Director and substantial shareholder	Substantial shareholder Director and substantial shareholder Shareholder Director and substantial shareholder of MRZ	Acquisition of EEmpire. Please refer to Sections 4.2(d)(i) and 13.5(e) of this Prospectus for further details	-	-	-	(c) 5,980	-	-

7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM'000)					
						FYE 2012	FYE 2013	FYE 2014	FYE 2015	FPE 2015	LPD
13.	MRZ, Datuk Teoh Hwa Cheng, Syed Mohammad Hafiz bin Syed Razlan and Datin Sam Yin Thing	MRZ	Promoter and substantial shareholder	Substantial shareholder	Acquisition of PLeather. Please refer to Sections 4.2(d)(ii) and 13.5(f) of this Prospectus for further details	-	-	-	(c) 70,042	-	-
		Datuk Teoh Hwa Cheng	Promoter, Director and substantial shareholder	Director and substantial shareholder							
		Syed Mohammad Hafiz bin Syed Razlan	Director of PLeather, shareholder and key management personnel	Shareholder							
		Datin Sam Yin Thing	Promoter, Director and substantial shareholder	Director and substantial shareholder of MRZ							
14.	Datuk Teoh Hwa Cheng and Datin Sam Yin Thing	Datuk Teoh Hwa Cheng	Promoter, Director and substantial shareholder	Director and substantial shareholder	Acquisition of PAviation. Please refer to Sections 4.2(d)(iii) and 13.5(g) of this Prospectus for further details	-	-	-	(c) 60	-	-
		Datin Sam Yin Thing	Promoter, Director and substantial shareholder	Director and substantial shareholder							
15.	THC LHoldings (a)(i) (THC LHoldings was a substantial shareholder of Coöperatie Leder Inbouw Nederland U.A)	Datuk Teoh Hwa Cheng	Promoter, Director and substantial shareholder	Director and substantial shareholder	Sale and transfer of 5% membership interest held in Coöperatie Leder Inbouw Nederland U.A by THC LHoldings to PLeather (a)(iii)	-	-		(a)(iii) 102	-	-
		Datin Sam Yin Thing	Promoter, Director and substantial shareholder	Director and substantial shareholder							

7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM'000) FYE 2012	FYE 2013	FYE 2014	FYE 2015	FPE 2015	LPD
16.	Tint Auto (M) Sdn Bhd	Datuk Teoh Hwa Cheng	Promoter, Director and substantial shareholder	Director and substantial shareholder	Interest income for advances granted by PLeather to Tint Auto (M) Sdn Bhd	-	-	107	67	-	-
		Datin Sam Yin Thing	Promoter, Director and substantial shareholder	Director and substantial shareholder							
		Syed Mohammad Hafiz bin Syed Razlan	Director of PLeather, shareholder and key management personnel	Director							

Notes:-

(a) (i) The subsidiaries of THC LHoldings as at the LPD are as follows:-

No.	Company	Date/ Place of Incorporation	Issued and Paid-Up Share Capital	Effective Equity Interest (%)	Principal Activities
1.	THC Venture	20.01.2010/ Malaysia	RM100	100.0	Dormant since July 2013 (previously involved in the development of car seats business in Japan - disposed off to Chiam Boon Chong and Lo Yu Kang on 19.03.2015)
2.	Pecca Leather Inc (US)	08.11.2004/ US	USD30,000	100.0	Distribution and installation of automotive seat covers [(e)]
3.	Coöperatie Leder Inbouw Nederland U.A *	27.10.2009/ Netherlands	EUR485,713	[(a)(ii)] -	Distribution and installation of automotive seat covers

(ii) THC LHoldings has 51% equity interest in Coöperatie Leder Inbouw Nederland U.A. THC LHoldings has entered into a Sale and Purchase Agreement in August 2013 to dispose 46% of its equity interest in Coöperatie Leder Inbouw Nederland U.A to M.A.S. Management Services B.V ("**Leder Inbouw Disposal SPA**") and to remain as a substantial shareholder of Coöperatie Leder Inbouw Nederland U.A with 5% equity interest. The said disposal was undertaken in tranches with the payment pursuant to the Leder Inbouw Disposal SPA fully settled on 30 November 2015 whilst the transfer of the ownership was completed on 18 January 2016. Subsequently, THC LHoldings has sold and transferred its 5% equity interest in Coöperatie Leder Inbouw Nederland U.A. to PLeather which was completed on 30 June 2015 as disclosed in item (15) in Section 7.1.2 and Section 13.5(k) of this Prospectus respectively.

(iii) THC LHoldings has sold and transferred its 5% equity interest in Coöperatie Leder Inbouw Nederland U.A. to PLeather which was completed on 30 June 2015. The purchase consideration was arrived at based on the issued and paid-up share capital of Coöperatie Leder Inbouw Nederland U.A. (i.e. 5% of the issued and paid-up share capital of Coöperatie Leder Inbouw Nederland U.A. of EUR485,713) which is the same basis for the previous purchase consideration for the disposal of 51% equity interest of Coöperatie Leder Inbouw Nederland U.A. (i.e. 51% of the issued and paid-up share capital of Coöperatie Leder Inbouw

Nederland U.A. of EUR485,713) by PLeather to THC LHoldings as disclosed in item (7) in Section 7.1.2 of this Prospectus. The derived purchase consideration for the sale and transfer of an equivalent 5% equity interest in Coöperatie Leder Inbouw Nederland U.A. was EUR24,285 based on the exchange rate of EUR1:RM4.2039 as at 30 June 2015.

(iv) Sales for the period from 1 July 2015 to 18 January 2016 upon completion of the Leder Inbouw Disposal SPA as disclosed in note (a)(ii) in Section 7.1.2 of this Prospectus.

(b) EUR247,716 at an exchange rate of RM4.00:EUR 1 as at FYE 2012.

(c) Dated 24 December 2014.

(d) Consideration price at RM1.00.

(e) Pecca Leather Inc (US) was incorporated to distribute and install automotive seat covers in the USA market. However, due to low sales volume and high operating cost, our Group has decided to progressively scale down our operations in the USA. Subsequently, we have identified a distribution partner in the USA and it has the exclusive distribution rights to distribute and install Pecca Group's products in the USA. Further, our Group is not allowed to sell our products directly to the USA market. Since October 2013, our sales to the USA market is via our distribution partner as disclosed in 4.5.4.1 (c) of this Prospectus and as at the LPD, Pecca Leather Inc (US) has ceased operations.

The NTA of Pecca Leather Inc (US) as at 31 January 2015 is USD0.10 million comprised mainly of trade receivables. Pecca Leather Inc (US) will be liquidated upon the completion of the liquidation process of all its assets and liabilities.

Further, the Advisers for the IPO (save for Hong Leong Investment Bank as Joint Underwriter and Joint Placement Agent) as disclosed in Section 7.7 of this Prospectus are of the opinion that all business transactions as disclosed in this Section 7.1.2 of the Prospectus between the Group and the Directors and substantial shareholders of the Company and/or persons connected to them are at arm's length and on terms not more favourable to the related parties than those generally available to the public.

7.1.3 Recurrent Related Party Transactions of A Revenue or Trading Nature

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a mandate from its shareholders for related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations of a listed issuer or its subsidiaries, subject to, *inter-alia*, the following:-

(a) the 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;

(b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements; and

(c) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Save as disclosed in Section 7.1.1 of this Prospectus, there are no other existing and/or proposed recurrent related party transactions entered into between our Group and our related parties which are necessary for our day-to-day operations. Our Group would in the ordinary course of our business enter into transactions, including but not limited to the transactions described in related party transactions set out in Section 7.1 of this Prospectus, with persons which are considered "related party" as defined in Chapter 10 of the Listing Requirements. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Due to the time-sensitive nature of commercial transactions, the shareholders' mandate will enable us, in our normal course of business, to enter into the categories of related party transactions, provided such transactions involving the interested person are made at arm's length and on normal commercial terms.

Transactions that do not fall within the ambit of the shareholders' mandate shall be subject to the relevant provisions of the Listing Requirements.

Upon Listing, our Audit Committee will supervise the terms of related party transactions and our Directors will report related party transactions, if any, annually in our Company's annual report. In the event there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the details of the nature and extent of his interest, including all matters in relation to the proposed related-party transactions that he is aware or should reasonably be aware of, which is not in our best interests. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related-party transactions.

In the event there are any proposed related party transactions that require the prior approval of shareholders, the Directors, major shareholders and/or persons connected with a Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

7.2 TRANSACTIONS UNUSUAL IN THEIR NATURE OR CONDITIONS

Save as disclosed in Section 7.1 of this Prospectus, our Directors have confirmed that to the best of their knowledge and belief, there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our subsidiaries was a party in respect of the past four (4) FYE 2012 to FYE 2015, FPE 2015 and the subsequent financial period up to the LPD.

7.3 OUTSTANDING LOANS MADE BY CORPORATION OR ANY OF ITS PARENT OR SUBSIDIARIES TO/FOR THE BENEFIT OF RELATED PARTIES

Save as disclosed below, the Directors of our Company have confirmed that to the best of their knowledge and belief, there are no outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to or for the benefit of our related parties in respect of the past four (4) FYE 2012 to FYE 2015, FPE 2015 and the subsequent financial period up to the LPD.

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM'000)					
						FYE 2012	FYE 2013	FYE 2014	FYE 2015	FPE 2015	LPD
1.	Tint Auto Marketing Sdn Bhd	Datuk Teoh Hwa Cheng	Promoter, Director and substantial shareholder	Director and substantial shareholder	Advances made by PLeather to Tint Auto Marketing Sdn Bhd for working capital purposes	-	79	-	-	-	-
		Datin Sam Yin Thing	Promoter, Director and substantial shareholder	Director and substantial shareholder							
		Syed Mohammad Hafiz bin Syed Razlan	Director of PLeather and key management personnel	Director and substantial shareholder							
2.	MRZ	Datuk Teoh Hwa Cheng	Promoter, Director and substantial shareholder	Director and substantial shareholder	Advances made by PLeather to MRZ for working capital purposes	9,001	6,380	-	-	-	-
		Datin Sam Yin Thing	Promoter, Director and substantial shareholder	Director and substantial shareholder	The advances were unsecured, interest-free and do not have a fixed term of repayment						

As at the LPD, all the advances to the related parties as tabulated in the table above had been fully settled. Accordingly, going forward, the Group will not enter into any transactions of the above nature.

7.4 INTEREST IN SIMILAR BUSINESS

As at the LPD, none of the Directors or substantial shareholders of our Company are interested, directly or indirectly in any business carrying on a similar or competing trade as our Group which would give rise to a conflict of interest situation.

7.5 INTEREST IN OTHER BUSINESS OR CORPORATIONS WHICH ARE CUSTOMERS OR SUPPLIERS OF OUR GROUP

As at the LPD, none of our Directors and/or substantial shareholders has any interest, direct and/or indirect in other businesses and/or corporations which are the customers or suppliers of our Group.

7.6 CONTRACTS OR ARRANGEMENTS IN WHICH THE DIRECTORS OR SUBSTANTIAL SHAREHOLDERS ARE INTERESTED AND WHICH IS SIGNIFICANT IN RELATION TO THE BUSINESS OF OUR GROUP

Save as disclosed in Section 7.1 of this Prospectus, none of our Directors and/or substantial shareholders of our Company have interest in any contracts or arrangements, which is significant in relation to the business of our Group.

7.7 DECLARATION BY ADVISERS

AmInvestment Bank hereby confirms that there are no existing or potential conflicts of interest in its capacity as the Principal Adviser, Joint Underwriter and Joint Placement Agent for the IPO.

Hong Leong Investment Bank is of the view that there is no existing or potential conflicts of interest in respect of its capacity as the Joint Underwriter and Joint Placement Agent for the IPO.

Messrs Crowe Horwath hereby confirms that there are no existing or potential conflicts of interest in their capacity as the Reporting Accountants and Auditors for the IPO.

Messrs Jeff Leong Poon & Wong hereby confirms that there are no existing or potential conflicts of interest in their capacity as Solicitors for the IPO.

PPC International Sdn Bhd hereby confirms that there are no existing or potential conflicts of interest in its capacity as the Independent Valuer for the IPO.

Frost & Sullivan GIC Malaysia Sdn Bhd hereby confirms that there are no existing or potential conflicts of interest in its capacity as the Independent Business and Market Research Consultants for the IPO.

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8. FINANCIAL INFORMATION

8.1 REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Prepared for inclusion in the Prospectus)

Crowe Horwath™

Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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www.crowehorwath.com.my
info@crowehorwath.com.my

14 March 2016

The Board of Directors
Pecca Group Berhad
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs/Madam

PECCA GROUP BERHAD ("PECCA" OR "THE COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of Pecca and its subsidiaries, namely Pecca Leather Sdn. Bhd. ("PLeather"), Pecca Leather Aviation Services Sdn. Bhd. ("PAviation") and Everest Empire Sdn. Bhd. ("EEmpire") (hereinafter referred to as 'Pecca Group' or 'the Group') as at 30 November 2015 and the related notes (as set out in Appendix A which have been stamped for the purpose of identification) prepared by the Board of Directors for inclusion in the Prospectus of Pecca to be issued in connection with the listing of Pecca on the Main Market of Bursa Malaysia Securities Berhad ("the Listing").

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Consolidated Statements of Financial Position are set out in Note 2 of Appendix A, and those specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board of Directors to illustrate the impact of the event or transactions set out in Appendix A of this letter on the Group's financial position as at 30 November 2015.

As part of this process, information about the Group's financial position has been extracted by the Board of Directors from the Company's and its subsidiaries' audited financial statements for the financial period from 1 July 2015 to 30 November 2015.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Board of Directors of Pecca is solely responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis as set out in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

Crowe Horwath™

Our Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, by the Board of Directors on the basis as set out in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, Assurance Engagements to Report on the Compilation of Pro Forma Consolidated Statement of Financial Position included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis as set out in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial position used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of Pro Forma Consolidated Statements of Financial Position included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 November 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, on the basis as set out in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines involve performing procedures to assess whether the applicable criteria on the basis used by the Board of Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Crowe Horwath™

Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis as set out in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

We understand that this letter will be used solely for the purpose of inclusion in the Prospectus of Pecca in connection with the Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

Crowe Horwath
Firm No : AF 1018
Chartered Accountants

Ooi Song Wan
Approval No : 2901/10/16 (J)
Chartered Accountant

Kuala Lumpur

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AF 1018

APPENDIX A

PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015

1. ABBREVIATION

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:-

Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
EEmpire	:	Everest Empire Sdn Bhd (956220-V)
FPE 2015	:	Financial period from 1 July 2015 to 30 November 2015
FYE	:	Financial year ended
IPO	:	Initial public offering comprising the Public Issue and Offer for Sale collectively
IPO Price	:	RM1.42 per IPO Share, being the price payable by investors under the Public Issue/ Offer for Sale
IPO Share	:	Collectively, the Public Issue Shares and Offer Shares
MITI	:	Ministry of International Trade and Industry
MRZ	:	MRZ Leather Holdings Sdn Bhd (623330-M)
NA	:	Net assets
N/A	:	Not applicable
NBV	:	Net book value
NL	:	Net liabilities
NTA	:	Net tangible assets
Offerors or Selling Shareholders	:	Collectively, MRZ and Datuk Teoh Hwa Cheng.
Offer for Sale	:	The invitation by the Offerors to selected investors to purchase the Offer Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
PAviation	:	Pecca Leather Aviation Services Sdn Bhd (862902-W)

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PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015

1. ABBREVIATION (CONT'D)

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report (Cont'd):-

Pecca or the Company	:	Pecca Group Berhad (909531-D)
Pecca Group or the Group	:	Pecca, PLeather, PAviation and EEmpire collectively
Pecca Share(s) or Share(s)	:	Ordinary share(s) of RM0.50 each in Pecca
PLeather	:	Pecca Leather Sdn. Bhd. (518370-H)
Prospectus	:	This Prospectus dated 29 March 2016 issued by our Company in respect of the IPO
Public Issue Shares	:	The 47,796,000 new Shares, which are the subject of the Public Issue
Public Issue	:	The invitation by the Company to the public to subscribe for the Public Issue Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of the Prospectus
RM and sen	:	Ringgit Malaysia and sen respectively
Vendors of PAviation	:	Datuk Teoh Hwa Cheng and Datin Sam Yin Thing collectively
Vendors of PLeather	:	MRZ, Datuk Teoh Hwa Cheng and Syed Mohammad Hafiz Bin Syed Razlan collectively

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APPENDIX A

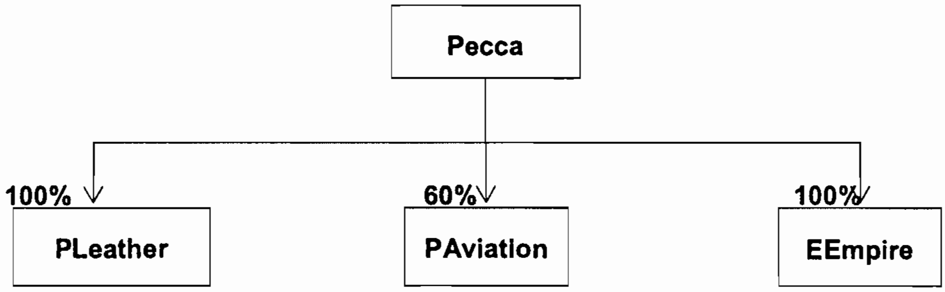
PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015

2. PRO FORMA GROUP AND BASIS OF PREPARATION

2.1 Pro forma Group

The pro forma structure of Pecca Group is as follows:-



2.2 Basis of Preparation

The Pro Forma Consolidated Statements of Financial Position for the financial period ended 30 November 2015 have been prepared on the basis stated in the notes described below using the audited financial statements of the Company, PLeather, PAviation and EEmpire as at 30 November 2015 which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"), and in a manner consistent with the accounting policies of the Company, PLeather, PAviation and EEmpire together with the adoption of the following new accounting policies for FPE 2015:-

(a) Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial period.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

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APPENDIX A

PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015

2. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

2.2 Basis of Preparation (Cont'd)

(a) Merger Accounting for Common Control Business Combinations (Cont'd)

When the merger method is used, the cost of investment in the Company's accounts is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year/period.

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statements 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.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(c) 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 consideration paid or received is recognised directly in the equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises 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 and liabilities of the former subsidiary and any non-controlling interests.

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PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015 (CONT'D)

2. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

2.2 Basis of Preparation (Cont'd)

(d) Loss of Control (Cont'd)

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 on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Accordingly, the Pro Forma Consolidated Statements of Financial Position of Pecca is compiled based on the audited financial statements of the Company, PLeather, PAviation and EEmpire after incorporating adjustments that are appropriate for the preparation of the Pro Forma Consolidated Statements of Financial Position.

The financial statements of the Company, PLeather, PAviation and EEmpire for the FPE 2015 were not subject to any audit qualification or modification. All amounts are presented in RM.

The Pro Forma Consolidated Statements of Financial Position are compiled using the audited financial statements prepared in accordance with MFRSs as well as in a manner consistent with both the format of the audited financial statements and accounting policies of the Company, PLeather, PAviation and EEmpire respectively for the FPE 2015.

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PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015 (CONT'D)

2. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

2.2 Basis of Preparation (Cont'd)

The financial position of Pecca Group were consolidated using the merger method as all the companies in the Group were under common control by the same parties both before and after the Acquisition of PLeather, EEmpire and PAviation and control is not transitory. When the merger method is used, the difference between the cost of investments recorded by Pecca and the nominal value of the shares acquired in PLeather, EEmpire and PAviation are accounted for as merger deficit in the Pro Forma Consolidated Statements of Financial Position, as follows:-

	RM'000
Cost of investments:	
- PLeather	70,042
- EEmpire	5,980
- PAviation	60
	76,082
Less: Nominal value of shares acquired in:	
- PLeather	(9,200)
- EEmpire	(6,000)
- PAviation	(60)
Merger deficit	60,822

The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes thereto, have been prepared solely for illustrative purposes, to show the effects of the IPO and inter-related transactions, had they been implemented and completed on 30 November 2015, for inclusion in the prospectus of Pecca Group in connection with the listing of Pecca on the Main Market of Bursa Malaysia Securities Berhad.

The Pro Forma Consolidated Statements of Financial Position, because of its nature, may not be reflective of Pecca Group's actual financial position. Furthermore, such information does not purport to predict the future financial position of Pecca Group.

APPENDIX A

PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015 (CONT'D)

2. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

2.3 The Acquisitions and Listing Scheme

The acquisitions and listing scheme comprise the following:-

(a) Acquisitions

(i) Acquisition of EEmpire

Pecca had entered into a conditional sale and purchase agreement with PLeather to acquire 100% of the issued and paid-up share capital of EEmpire comprising 6,000,000 ordinary shares of RM1.00 each for a cash consideration of RM5,980,000. The purchase consideration of EEmpire was based on the audited NTA of EEmpire as at 30 June 2014 of RM5,980,165 and was satisfied via internally generated funds. The acquisition was completed on 1 December 2015.

(ii) Acquisition of PLeather

Pecca had entered into a conditional sale and purchase agreement with the Vendors of PLeather, to acquire the entire issued and paid-up share capital of PLeather comprising 9,200,002 ordinary shares of RM1.00 each for a purchase consideration of RM70,041,997 satisfied wholly by the issuance of 140,083,994 new Shares at an issue price of RM0.50 per share. The purchase consideration of PLeather was based on the adjusted audited NTA of PLeather as at 30 June 2014 after adjusting for the fair value (net of deferred taxation) of the property of PLeather of RM9,933,682 as set out below:

	RM'000
Audited NTA of PLeather as at 30 June 2014	60,109
Fair value adjustment to the property of the PLeather (net of deferred taxation)[#]	9,934
Adjusted audited NTA of PLeather as at 30 June 2014	70,043

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PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015 (CONT'D)

2. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

2.3 The Acquisition and Listing Scheme (Cont'd)

The acquisition and listing scheme comprise the following (Cont'd):-

(a) Acquisitions (Cont'd)

(ii) Acquisitions of PLeather (Cont'd)

Notes:

\# *The fair value adjustment arising from the revaluation of the property of PLeather is as set out below:*

(A) Market Value RM'000*	*(B) NBV as at 30.6.2014 RM'000*	*(C = A - B) Gross Surplus RM'000*	*(D) Deferred Taxation RM'000*	*(E = C – D) Net Surplus RM'000*	*(F) Equity Interest %*	*(G = E x F) Amount of Surplus RM'000*
36,320	*23,075*	*13,245*	*3,311*	*9,934*	*100.00*	*9,934*

* *The revaluation of the property is based on market value as appraised by the Independent Registered Valuer.*

(iii) Acquisition of 60% PAviation

Pecca had entered into a conditional sale and purchase agreement with the Vendors of PAviation, to acquire 60% of the issued and paid-up share capital of PAviation comprising 60,000 ordinary shares of RM1.00 each for a purchase consideration of RM60,000 satisfied wholly by the issuance of 120,000 new Shares at an issue price of RM0.50 per share.

The Acquisitions of PLeather and PAviation were completed on 1 December 2015 and have resulted in the increase in the issued and paid-up share capital of Pecca from six (6) Pecca Shares to 140,204,000 Pecca Shares.

The new Pecca Shares issued pursuant to the Acquisitions of PLeather and PAviation ranked *pari passu* in all respects with the existing Pecca Shares, except that the new Pecca Shares will not be entitled to any dividends, rights, allotment or other distributions declared, made or paid prior to the date of allotment and issuance of the said Pecca Shares.

The Acquisitions of PLeather, EEmpire and PAviation are collectively referred to as the "**Acquisitions**".

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PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015 (CONT'D)

2. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

2.3 The Acquisition and Listing Scheme (Cont'd)

The acquisitions and listing scheme comprise the following (Cont'd):-

(b) Initial Public Offering ("IPO")

Subsequent to the acquisitions, Pecca will undertake an IPO, the details of which are set out as follows:

The Public Issue of 47,796,000 new Shares and Offer for Sale of 43,330,000 Shares are issued / offered at the IPO Price payable in full on Application and will be allocated and allotted in the following manner:

(i) Public Issue

The Public Issue of 47,796,000 Shares at the issue price of RM1.42 per Share representing approximately 25.42% of Pecca's enlarged issued and paid-up share capital will be made available for Application in the following manner:

- **Malaysian Public (via Balloting)**

  9,400,000 Public Issue Shares, representing 5.00% of the enlarged issued and paid-up share capital, to be allocated via balloting will be made available for application by the Malaysian Public of which at least 50.0% shall be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

- **Eligible Directors, Employees and Business Associates of Pecca Group**

  9,400,000 Public Issue Shares representing approximately 5.00% of the enlarged issued and paid-up share capital, will be made available for Application by the eligible Directors, employees and business associates of the Group.

- **Private Placement**

  28,996,000 Public Issue Shares representing 15.42% of the enlarged issued and paid-up share capital will be made available by way of private placement to selected investors.

The Public Issue will increase the issued and fully paid-up share capital from RM70,102,000 comprising 140,204,000 Shares to RM94,000,000 comprising 188,000,000 Shares.

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PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015 (CONT'D)

2. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

2.3 The Acquisition and Listing Scheme (Cont'd)

The acquisitions and listing scheme comprise the following (Cont'd):-

(b) Initial Public Offering ("IPO")(Cont'd)

(ii) Offer for Sale

Concurrent with the Public Issue, the Offerors will offer for sale 43,330,000 Shares at the IPO price representing approximately 23.05% of the enlarged issued and paid-up share capital. Such Offer Shares will be made available in the following manner:

- **Private Placement**

  24,530,000 Offer Shares representing approximately 13.05% of the enlarged issued and paid-up share capital will be made available by way of private placement to selected investors.

- **Bumiputera Investors (via Placement)**

  18,800,000 Offer Shares representing 10.00% of the enlarged issued and paid-up share capital will be made available by way of private placement to Bumiputera investors approved by MITI.

The Public Issue and Offer for Sale are collectively referred to as the "IPO".

(c) Listing of and Quotation for Pecca Shares

Upon completion of the abovementioned IPO, Pecca will seek the admission of its Shares into the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities.

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PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015 (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF PECCA GROUP AS AT 30 NOVEMBER 2015

	Audited As at 30 November 2015	Statements of Financial Position of			Acquisition Adjustments	Pro Forma I After Acquistions	Public Issue	After Public Issue	Utilisation of IPO Proceeds	Pro Forma II After Pro Forma I, Public Issue and Utilisation of IPO Proceeds
		PLeather	PAviation	EEmpire						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS										
NON-CURRENT ASSETS										
Investment in a subsidiary	-	6,000	-	-	(6,000)	-	-	-	-	-
Property, plant and equipment	-	35,450	88	-	14,341	49,879	-	49,879	17,300	67,179
Other investments	-	269	-	-	-	269	-	269	-	269
TOTAL NON-CURRENT ASSTES	-	41,719	88	-	-	50,148		50,148		67,448
CURRENT ASSETS										
Inventories	-	17,578	-	-	-	17,578	-	17,578	-	17,578
Trade receivables	-	23,236	-	-	-	23,236	-	23,236	-	23,236
Other receivables, deposits and prepayments	-	3,039	40	-	-	3,079	-	3,079	-	3,079
Amount owing by holding company	-	-	-	5,973	(5,973)	-	-	-	-	-
Fixed deposits with licensed banks	-	15,338	-	-	-	15,338		15,338		15,338
Cash and bank balances	100	21,004	42	1	-	21,147	67,870	89,017	(39,113)	49,904
TOTAL CURRENT ASSETS	100	80,195	82	5,974	-	80,378	-	148,248	-	109,135
TOTAL ASSETS	100	121,914	170	5,974	-	130,526	-	198,396	-	176,583
EQUITY AND LIABILITIES										
EQUITY										
Share capital	#	9,200	100	6,000	54,802	70,102	23,898	94,000	-	94,000
Share premium	-	-	-	-	-	-	43,972	43,972	(3,154)	40,818
Merger deficit	-	-	-	-	(60,822)	(60,822)	-	(60,822)	-	(60,822)
(Accumulated losses)/ Retained profits	(251)	68,224	(349)	(30)	120	67,714	-	67,714	(1,846)	65,868
Revaluation reserve	-	-	-	-	10,899	10,899	-	10,899	-	10,899
TOTAL EQUITY ATTRIBUTABLE TO OWNER OF THE COMPANY	(251)	77,424	(249)	5,970		87,893		155,763		150,763

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PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015 (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF PECCA GROUP AS AT 30 NOVEMBER 2015 (CONT'D)

	Audited As at 30 November 2015	Statements of Financial Position of PLeather	PAviation	EEmpire	Acquisition Adjustments	Pro Forma I After Acquistions	Public Issue	After Public Issue	Utilisation of IPO Proceeds	Pro Forma II After Pro Forma I, Public Issue and Utilisation of IPO Proceeds
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CONTROLLING INTEREST	-				(100)	(100)		(100)		(100)
TOTAL EQUITY	(251)	77,424	(249)	5,970		87,793		155,663		150,663
NON-CURRENT LIABILITIES										
Deferred taxation	-	1,542	-	-	3,442	4,984		4,984		4,984
Long-term borrowings	-	10,449	-	-	-	10,449		10,449	(10,449)	-
TOTAL NON-CURRENT LIABILITIES	-	11,991	-	-	-	15,433		15,433		4,984
CURRENT LIABILITIES										
Trade payables	-	14,677	-	-	-	14,677		14,677	-	14,677
Other payables and accruals	19	2,356	19	-	-	2,394		2,394	-	2,394
Amount owing to directors	14	-	370	4	-	388		388	-	388
Amount owing to a subsidiary	-	5,973	-	-	(5,973)	-		-	-	-
Amount owing to related parties	318	51	30	-	-	399		399	-	399
Derivative Liabilities	-	21	-	-	-	21		21	-	21
Short-term borrowings	-	6,364	-	-	-	6,364		6,364	(6,364)	-
Provision for taxation	-	3,057	-	-	-	3,057		3,057	-	3,057
TOTAL CURRENT LIABILITIES	351	32,499	419	4		27,300		27,300		20,936
TOTAL LIABILITIES	351	44,490	419	4		42,733		42,733		25,920
TOTAL EQUITY AND LIABILIATIES	100	121,914	170	5,974		130,526		198,396		176,583

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APPENDIX A

PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015 (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF PECCA GROUP AS AT 30 NOVEMBER 2015 (CONT'D)

	Audited As at 30 November 2015	Statements of Financial Position of PLeather	PAviation	EEmpire	Acquisition Adjustments	Pro Forma I After Acquistions	Public Issue	After Public Issue	Utilisation of IPO Proceeds	Pro Forma II After Pro Forma I, Public Issue and Utilisation of IPO Proceeds
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Number of ordinary shares ('000)	^					140,204				188,000
NA (RM'000)	*					87,793				150,663
NA per ordinary share (RM)	@					0.63				0.80
Current ratio (times)	N/A					2.94				5.21
Borrowings (all interest bearing debt-RM'000)	N/A					16,813				-
Gearing ratio	N/A					0.19				-

\# Represent RM3.00
^ Represent 6 ordinary shares of RM0.50 each
* Represent (RM251)
@ Represent (RM42)

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APPENDIX A

PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015 (CONT'D)

3.1 Pro Forma I

Pro Forma I incorporates the effects of the Acquisitions of EEmpire, PLeather and PAviation as set out in Section 2.3(a)(i), Section 2.3(a)(ii), and Section 2.3(iii) respectively of this Appendix and the following fair value adjustments arising from the revaluation of property of PLeather as set out below:-

(A) Market Value* RM'000	*(B)* NBV as at 30.11.2015 RM'000	*(C = A - B)* Gross Surplus RM'000	*(D)* Deferred Taxation RM'000	*(E = C – D)* Net Surplus RM'000	*(F)* Equity Interest %	*(G = E x F)* Amount of Surplus RM'000
36,350	*22,009*	*14,341*	*3,442*	*10,899*	*100.00*	*10,899*

* *The revaluation of the property is based on market value as appraised by the Independent Registered Valuer.*

The financial statements were consolidated using the merger accounting principles. Under the merger accounting principles, the difference between the acquisition cost and the nominal value of the share capital of the subsidiaries are accounted for as a merger reserve or deficit.

3.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the Public Issue of 47,796,000 new Pecca Shares, at an issue price of RM1.42 per Pecca Share, payable in full on application.

The proceeds from Public Issue ("IPO Proceeds") are to be utilised as follows:-

	Description of Utilisation	**Timeframe for Utilisation**	**(1) Amount (RM'000)**	**Percentage (%)**
(a)	Working capital	Within 12 months	26,970	39.74
(b)	Repayment of bank borrowings (2)	Within 6 months	17,100	25.20
(c)	Purchase of new machineries for the production of car leather seat covers	Within 24 months	7,550	11.12
(d)	Construction of an additional storey of production floor area on the existing factory building	Within 24 months	5,000	7.37
(e)	Opening of retail outlets	Within 24months	3,750	5.52
(f)	Establishment of market presence in Thailand	Within 24 months	1,500	2.21
(g)	Expansion of PAviation business	Within 24 months	1,000	1.47
(h)	Estimated listing expenses (3)	Immediate	5,000	7.37
	Total Public Issue Proceeds		67,870	100.00

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APPENDIX A

PECCA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015 (CONT'D)

3.2 Pro Forma II (Cont'd)

The proceeds from Public Issue ("IPO Proceeds") are to be utilised as follows (Cont'd):-

Notes:-

(1) The proceeds will be placed in interest bearing deposits with licensed financial institutions until eventual utilisation.

(2) If the actual repayment of borrowings is lower than budgeted, the surplus will be utilised for working capital purposes.

(3) If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 03 MAR 2016

On behalf of the Board of Directors,

Datuk Teoh Hwa Cheng
Director

Tan Jin Sun
Director

8.2 HISTORICAL FINANCIAL INFORMATION

The following table sets out a summary of the audited combined statements of profit or loss and other comprehensive income of our Group for the past four (4) FYE 2012 to FYE 2015 and FPE 2015, prepared based on the assumption that our Group has been in existence throughout the relevant financial years/ periods as well as the unaudited combined statements of profit or loss and other comprehensive income for the comparative FPE 2014. The audited combined statements of profit or loss and other comprehensive income should be read in conjunction with the Reporting Accountant's letter on the combined financial information as set out in Section 8.1 of this Prospectus.

	<---------------------- Audited			---------------------->	Unaudited	Audited
	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FYE 2015 RM'000	FPE 2014 RM'000	FPE 2015 RM'000
Revenue	62,127	66,100	99,546	129,536	45,284	56,267
Cost of sales	(42,111)	(42,806)	(70,192)	(91,405)	(33,177)	(40,597)
GP	20,016	23,294	29,354	38,131	12,107	15,670
Other Income	429	1,374	1,001	1,015	237	357
	20,445	24,668	30,355	39,146	12,344	16,027
Selling and distribution expenses	(3,913)	(5,014)	(5,084)	(4,701)	(2,020)	(2,303)
Administrative expenses	(7,301)	(6,047)	(5,502)	(9,782)	(2,944)	(3,822)
Finance costs	(1,267)	(983)	(976)	(893)	(361)	(377)
Amortisation	-	-	-	-	-	-
Depreciation	2,676	2,776	3,038	3,308	1,431	1,425
Interest expense	1,220	1,035	987	886	335	360
Interest income	(192)	(308)	(204)	(212)	(69)	(242)
EBITDA	11,668	16,127	22,614	27,752	8,716	11,068
Depreciation	(2,676)	(2,776)	(3,038)	(3,308)	(1,431)	(1,425)
Interest expense	(1,220)	(1,035)	(987)	(886)	(335)	(360)
Interest income	192	308	204	212	69	242
PBT	7,964	12,624	18,793	23,770	7,019	9,525
Income tax expense	(2,324)	(2,084)	(4,315)	(5,907)	(1,771)	(2,372)
PAT	5,640	10,540	14,478	17,863	5,248	7,153
Attributable to:-						
- Owners of our Company	5,640	10,540	14,478	17,940	5,259	7,210
- Non-controlling interests	-	-	-	(77)	(11)	(57)
	5,640	10,540	14,478	17,863	5,248	7,153
Number of Shares in issue ('000)[(1)]	140,204	140,204	140,204	140,204	140,204	140,204
GP margin (%)	32.22	35.24	29.49	29.44	26.74	27.85
PBT margin (%)	12.82	19.10	18.88	18.35	15.50	16.93
PAT margin (%)	9.08	15.95	14.54	13.79	11.59	12.71
Gross EPS (sen) [(2)]	5.68	9.00	13.40	16.95	[(3)]12.02	[(3)]16.30
Net EPS (sen) [(4)]	4.02	7.52	10.33	12.80	[(3)]9.00	[(3)]12.34
Diluted EPS (sen) [(5)]	3.00	5.61	7.70	9.54	[(3)]6.71	[(3)]9.20

Notes:-

(1) Based on the issued and paid-up share capital of 140,204,000 Shares after the Dividend Payment, Subdivision, Allotment and Acquisitions.

(2) The gross EPS is calculated based on PBT of our Company divided by the issued and paid-up share capital of 140,204,000 Shares after the Dividend Payment, Subdivision, Allotment and Acquisitions.

(3) Annualised to twelve (12) months for comparison purposes.

(4) The net EPS is calculated based on PAT attributable to the owners of our Company divided by the issued and paid-up share capital of 140,204,000 Shares after the Dividend Payment, Subdivision, Allotment and Acquisitions.

(5) The diluted EPS is calculated based on PAT attributable to the owners of our Company divided by the enlarged issued and paid-up share capital of 188,000,000 Shares after the Public Issue.

8.3 CAPITALISATION AND INDEBTEDNESS

The following table summarised our cash and cash equivalents, capitalisation and indebtedness:-

(a) as at 30 November 2015 based on our proforma consolidated statements of financial position after the Dividend Payment, Subdivision, Allotment and Acquisitions; and

(b) as adjusted for the net proceeds arising from the issue of the Public Issue and the utilisation of proceeds as set out in Section 2.7 of this Prospectus.

	Proforma as at 30 November 2015 After Dividend Payment, Subdivision, Allotment and Acquisitions RM'000	**After Public Issue and Utilisation of Proceeds RM'000**
Cash and cash equivalents	26,147	54,904
Indebtedness		
Short-term indebtedness		
Secured:-		
- Trade facilities	5,000	-
- Hire purchase liabilities	18	-
- Term loans	1,346	-
Total short-term indebtedness	6,364	-
Long-term indebtedness		
Secured:-		
- Hire purchase liabilities	-	-
- Term loans	10,449	-
Total long-term indebtedness	10,449	-
Total indebtedness	**16,813**	-
Capitalisation		
Total shareholders' equity #	87,793	150,663
Total Capitalisation	87,793	150,663
Total capitalisation and indebtedness	**104,606**	**150,663**
Gearing Ratio (times)	**0.19**	-

Note:-

\# Excluding non-controlling interest.

8.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

The following management's discussion and analysis of our Group's financial performance and results of operations should be read in conjunction with the Accountants' Report and Reporting Accountants' letter on consolidated financial information and the related notes thereon for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 as set out in Section 9 and Section 8.1 of this Prospectus respectively.

The discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those anticipated in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 3 of this Prospectus.

8.4.1 OVERVIEW

Our Group's principal business activities are the styling, manufacturing, distribution and installation of automotive leather upholstery for car seat and accessories. We also supply leather cut pieces to the automotive upholstery industry, as well as the supply of door trim covers, provision of sewing services for fabric seat covers, and wrapping and stitching services for car door trims and covers for car accessories, and supply of raw materials for the three (3) segments under the automotive industry, namely OEM, PDI and REM.

As at the LPD, all our business operations are located in Malaysia.

Please refer to Section 4 of this Prospectus for information on the business of our Group.

8.4.1.1 Revenue

Our main revenue stream comes from the leather upholstery for car seats which consist of:-

(a) Car seat covers for the following segments:-

(i) OEM (OE Fit) — We are involved in the styling, manufacturing and supplying of customised leather car seat covers for Tier 1 car seat manufacturers and car manufacturers in Malaysia. Car manufacturers determine the quality requirement and specification for their car components, including leather upholstery of seats and accessories. Our products are manufactured in accordance to precise specifications as determined by our car manufacturer clients as detailed in Section 4.5.1.1 (a)(i) and Section 4.5.2.1 (a) of this Prospectus.

(ii) REM (OE Fit) — We are involved in the styling, manufacturing and distribution of leather car seat covers for end users. We supply OE leather car seat cover which requires dismantling of a car seat from the car and subsequent reinstallation onto the car after the assembly of the car seat cover to car showrooms. We provide installation services for OE leather car seat covers for Malaysian market whereas for export sales, the installation will be conducted by our distribution partners as detailed in Section 4.5.1.1 (a)(iii) and Section 4.5.2.1 (d) of this Prospectus. We also provide installation services for Smart Fit leather car seat covers. However for FYE 2012 to FYE 2015 and FPE 2015, there were no Smart Fit sales captured in this REM (OE Fit) segment.

(iii) PDI (Smart Fit) — We are involved in the styling, manufacturing, distribution and installation of the leather car seat covers for the PDI centres. Our clients consider restyling of car interior and changing fabric car seat with leather, in order to enhance the value of a car model and promote sales. Such restyling may be required at different stages of a car model lifecycle. At the launching stage of a car model, leather interior is used to emphasise exclusivity of the batch being introduced to the market. At the mature and/or declining stage of product life cycle, restyling of car interior is used for stock clearance prior to the introduction of a new car model and for special/limited edition car models. Our Smart Fit product enables the change of fabric car upholstery to leather without the necessity to dismantle the car seats, stripping off original fabric seat cover, or apply any physical alternation of the original fabric installed car seats, as the installation of Smart Fit can be conducted within the car as detailed in Section 4.5.1.1 (a)(ii) and Section 4.5.2.1 (b) of this Prospectus.

(iv) REM (Quick Fit) — Our Quick Fit is a patented car seat cover product which presents an interchangeable car seat covers. Quick Fit car seat covers consists of a single component for seat back and seat cushion and is installed on car seats over the fabric seat covers. Quick Fit car seat covers of standard specifications are fully made of PVC material and thus, meet the demands of mass market due to relatively lower costs compared to leather car seat covers. Quick Fit car seat covers are supplied through car accessories and retail shops to the end users as detailed in Section 4.5.1.1 (a)(iii) and Section 4.5.2.1 (c) of this Prospectus.

(b) Leather cut pieces supply as detailed in Section 4.5.2.2 of this Prospectus.

(c) Other automotive related seat covers and accessories products and services:-

(i) supply of door trim covers as detailed in Section 4.5.2.3 (a) of this Prospectus;

(ii) sewing of fabric car seat covers as detailed in Section 4.5.2.3 (b) of this Prospectus;

(iii) manufacturing of other car accessory covers as detailed in Section 4.5.2.3 (a) of this Prospectus;

(iv) the provision of wrapping and stitching services as detailed in Section 4.5.2.3 (c) of this Prospectus; and

(v) supply of raw material as detailed in Section 4.5.2.3 (d) of this Prospectus.

Our year-on-year Group's total revenue grew from approximately RM62.13 million for the FYE 2012 to approximately RM129.54 million for FYE 2015, which represented a CAGR of approximately 27.75%.

Our Group's largest revenue contributor, i.e. car seat covers contributed approximately RM57.90 million, RM58.09 million, RM82.04 million, RM112.25 million and RM47.20 million representing 93.20%, 87.88%, 82.42%, 86.65% and 83.88% of our Group's total revenue for the FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively.

Our year-on-year revenue for the car seat covers grew from approximately RM57.90 million for FYE 2012 to approximately RM112.25 million for FYE 2015, which represented a CAGR of approximately 24.69%.

The breakdown of the growth in the of the OEM (OE Fit), REM (OE Fit), PDI (Smart Fit) and REM (Quick Fit) segments of the car seat covers are as follows:-

(aa) Year-on-year revenue for the OEM (OE Fit) segment grew from approximately RM29.21 million for FYE 2012 to approximately RM84.99 million for FYE 2015, which represented a CAGR of approximately 42.76%;

(bb) Year-on-year revenue for the REM (OE Fit) segment grew from approximately RM13.70 million for FYE 2012 to approximately RM15.03 million for FYE 2015, which represented a CAGR of approximately 3.14%;

(cc) Year-on-year revenue for the PDI (Smart Fit) segment declined from approximately RM14.74 million for FYE 2012 to approximately RM12.23 million for FYE 2015, which represented a CAGR of approximately -6.03%; and

(dd) Revenue for the REM (Quick Fit) segment declined from approximately RM0.25 million for FYE 2012 to a negligible amount in FYE 2015 mainly due to the gradual reduction of the sales of this product and subsequent discontinuation of our distribution channels through car accessory and retail shops as disclosed in Section 8.4.2.1.5 (b)(i)(dd) of this Prospectus.

Our year-on-year revenue from the local market grew from approximately RM46.84 million for FYE 2012 to approximately RM117.02 million for FYE 2015, which represented a CAGR of approximately 35.69% whereas year-on-year revenue from export market decreased from approximately RM15.29 million for FYE 2012 to approximately RM12.51 million for FYE 2015, which represented a CAGR of approximately -6.47%.

Our Group's total revenue grew from approximately RM45.28 million for the FPE 2014 to approximately RM56.27 million for FPE 2015, which represented an increase of approximately 24.27%. Revenue from the local market grew from approximately RM39.70 million for FPE 2014 to approximately RM49.92 million for FPE 2015, which represented an increase of approximately 25.74% whereas revenue from export market increased from approximately RM5.59 million for FPE 2014 to approximately RM6.35 million for FPE 2015, which represented an increase of approximately 13.60%.

Please refer to Section 8.4.2.1 of this Prospectus for the analysis of our Group's total revenue for FYE 2012 to FYE 2015 as well as for FPE 2015 and the comparative FPE 2014.

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8.4.1.2 Cost of Sales

In tandem with our business growth, our Group's year-on-year total cost of sales grew from approximately RM42.11 million for FYE 2012 to approximately RM91.41 million for FYE 2015, which represented a CAGR of approximately 29.48% over the same period.

Our Group's total cost of sales grew from approximately RM33.18 million for FPE 2014 to approximately RM40.60 million for FPE 2015, which represented an increase of approximately 22.36% over the same period.

Cost of sales for our business operations constituted approximately 67.78%, 64.76%, 70.51%, 70.56% and 72.15% of our Group's total revenue for FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively.

The main component of raw materials are leather and PVC which contributed to a combined total of approximately 62.65%, 61.67%, 68.46%, 69.33% and 72.26% of our Group's total cost of sales for FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively whereas labour cost contributed approximately 13.88%, 11.93%, 12.34%, 11.90% and 9.48% of our Group's total cost of sales for FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively.

Please refer to Section 8.4.2.2 of this Prospectus for the analysis of our Group's cost of sales for the past four (4) FYE 2012 to FYE 2015 as well as for FPE 2015 and the comparative FPE 2014.

8.4.1.3 GP

Our Group's year-on-year total GP grew from approximately RM20.02 million for FYE 2012 to approximately RM38.13 million for FYE 2015, representing a CAGR of approximately 23.96% over the same period.

Our Group's total GP grew from approximately RM12.11 million for FPE 2014 to approximately RM15.67 million for FPE 2015, representing an increase of approximately 29.40% over the same period.

The GP margin increased from 32.22% for FYE 2012 to 35.24% for FYE 2013 mainly due the full year recognition of revenue from the new OEM contract secured by our Group for the supply of leather car seat covers which yielded better margin and improvement in our cost of sales contributed by the lower cost of raw materials.

Our GP margin decreased to 29.49% for FYE 2014 due to higher revenue contribution from the leather cut pieces supply which yielded lower margin as compared to sales of leather car seat covers, lower average selling price for the OEM (OE Fit) leather seat covers due to the cost-down activities requested by certain of our OEM customers and the increase in price of leather hide during the FYE 2014.

Our GP margin further decreased marginally to 29.44% for FYE 2015 mainly contributed by the higher cost of leather hides due to depreciation of RM against the currency for the import of leather hides in USD.

Our GP margin increased from 26.74% in FPE 2014 to 27.85% for FPE 2015 mainly contributed by the upward revision in unit selling price to customers resulted from the increased cost of leather hides due to depreciation of RM against the currency for the import of leather hides in USD.

Please refer to Section 8.4.2.3 of this Prospectus for the analysis of our Group's GP for FYE 2012 to FYE 2015 as well as for FPE 2015 and the comparative FPE 2014.

8.4.1.4 Other Income

Other income mainly comprises gain on disposal of fixed assets, interest income and bad debts recovered. Other income constituted approximately 0.69%, 2.08%, 1.01%, 0.78% and 0.63% of our Group's total revenue for FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively.

Our interest income mainly derived from fixed deposits placed with licensed banks. The higher other income recorded for FYE 2013 as compared to FYE 2012 was mainly attributed to a bad debt recovered of approximately RM 0.65 million from an OEM customer as detailed in Section 8.4.2.4 (b)(i) of this Prospectus. For FYE 2014 and FYE 2015, there were gain on disposal of machineries and motor vehicles amounting to approximately RM0.66 million and RM0.48 million respectively.

The increase in other income recorded for FPE 2015 as compared to FPE 2014 was mainly attributed to incremental interest income derived from the additional principal amount placed in the fixed deposit with licensed banks.

Please refer to Section 8.4.2.4 of this Prospectus for the analysis of our Group's other income for FYE 2012 to FYE 2015 as well as for FPE 2015 and the comparative FPE 2014.

8.4.1.5 Selling and Distribution Expenses

Selling and distribution expenses constituted approximately 6.30%, 7.59%, 5.11%, 3.63% and 4.09% of our Group's total revenue for FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively. Our selling and distribution expenses mainly consist of staff cost for sales and marketing and other incidentals, commissions, freights and forwarding charges for export sales, travelling and advertisement, and sales promotion expenses.

For FYE 2012, our Group incurred approximately RM0.57 million for the technical advisory, research and development studies undertaken on the Japanese automotive market.

For FYE 2013, our Group's selling and distribution expenses increased substantially in proportion to the revenue mainly due to the increase in the freight and forwarding charges as we changed the transportation mode for export sales to USA from sea freight to air freight.

For FYE 2014 and FYE 2015, selling and distribution expenses constitute approximately 5.11% and 3.63% of our Group's total revenue respectively as compared to 7.59% for FYE 2013 as our revenue growth was driven by the OEM (OE Fit) and PDI (Smart Fit) segments which incurred less selling and distribution expenses. The reduction in the advertisement and sales promotion expenses has further contributed to the lower selling and distribution expenses. During the FYE 2015, our Group has recruited additional sales and marketing staff which is remunerated based on fixed salary instead of sales commission.

For FPE 2015, selling and distribution expenses constituted approximately 4.09% of our Group's total revenue as compared to approximately 4.46% for FPE 2014 due to lower freight and forwarding charges incurred from export sales as our revenue growth was driven by the local OEM (OE Fit) and PDI (Smart Fit) segments. However, the impact was partially offset by the increase in the advertisement and sales promotion expenses as higher commission was paid for retail sales to local REM market.

Please refer to Section 8.4.2.5 of this Prospectus for the analysis of our Group's selling and distribution expenses for FYE 2012 to FYE 2015 as well as for FPE 2015 and the comparative FPE 2014.

8.4.1.6 Administrative Expenses

Administrative expenses constituted approximately 11.75%, 9.15%, 5.53%, 7.55% and 6.79% of our Group's total revenue for FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively. Our administrative expenses mainly consist of administration staff costs, depreciation and amortisation charges, gain/ loss on foreign exchange, travelling expenses and office expenses.

The reduction in the administrative expenses for FYE 2012 to FYE 2014 was contributed by the utilisation of forward exchange contract and foreign currency trust receipt facility by our Group which resulted in lower losses on foreign exchange recorded for FYE 2013 while we registered foreign exchange gain for the FYE 2014.

Our administrative expenses increased to approximately 7.55% of our Group's total revenue for FYE 2015 mainly attributed by the foreign exchange losses incurred of approximately RM2.24 million due to the depreciation of RM against the USD for the purchase of the imported leather hides.

For FPE 2015, administrative expenses constitute approximately 6.79% of our Group's total revenue as compared to approximately 6.50% for FPE 2014 mainly attributed to higher staff cost and Directors' remuneration incurred of approximately RM0.51 million and foreign exchange losses incurred of approximately RM0.66 million due to the depreciation of RM against the USD for the purchase of the imported leather hides.

Please refer to Section 8.4.2.5 of this Prospectus for the analysis of our Group's administrative expenses for FYE 2012 to FYE 2015 as well as for FPE 2015 and the comparative FPE 2014.

8.4.1.7 Finance Costs

Finance costs constituted approximately 2.04%, 1.49%, 0.98%, 0.69% and 0.67% of our Group's total revenue for FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively. Our finance costs mainly comprised of interest expense on term loans, trade facilities, hire purchases and bank overdrafts. The year to year decrease in the finance cost was mainly attributed to the reduction in the interest expense due to better management of our working capital requirements that has resulted in lower utilisation of banking facilities. In addition, our monthly principal repayment of the term loan has contributed to the reduction in the interest expense incurred.

Please refer to Section 8.4.2.6 of this Prospectus for the analysis of our Group's finance costs for FYE 2012 to FYE 2015 as well as for FPE 2015 and the comparative FPE 2014.

8.4.1.8 Taxation

Our Group is subject to income tax at the applicable statutory rates in Malaysia. For the past four (4) FYE 2012 to FYE 2015 and FPE 2015, all of our Group's total revenue was derived from business operations in Malaysia. As such, the statutory tax rates and effective tax rates applicable to our Group in Malaysia for the past four (4) FYE 2012 to FYE 2015 as well as for FPE 2015 and the comparative FPE 2014 are as set out below:-

	<---------- Audited			---------->	Unaudited	Audited
	FYE 2012 %	FYE 2013 %	FYE 2014 %	FYE 2015 %	FPE 2014 %	FPE 2015 %
Statutory tax rate	25.00	25.00	25.00	25.00	25.00	24.00
Effective tax rate	29.18	16.51	22.96	24.85	25.23	24.90

Our Group was principally subjected to the income tax rate of 25.0% and 24.0% for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 respectively. Our effective tax rates were approximately 29.18%, 16.51%, 22.96%, 24.85% and 24.90% for FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively. The higher effective tax rate for the FYE 2012 as compared to the statutory tax rate was due to the add back of non-deductible expenses comprised mainly donations, gifts and sponsorships, entertainment expenses and professional fees. The lower effective tax rate for FYE 2013 as compared to the statutory tax rate was due to the utilisation of reinvestment allowance and reversals of over provision of income tax and deferred tax liabilities for prior year. The lower effective tax rate for FYE 2014 and FYE 2015 as compared to the statutory tax rate was due to the utilisation of reinvestment allowance.

The higher effective tax rate for the FPE 2015 as compared to the statutory tax rate was due to the losses registered by Pecca, PAviation and EEmpire as disclosed in Section 8.4.2.7.1 of this Prospectus.

Please refer to Section 8.4.2.7.2 of this Prospectus for the analysis of our Group's taxation for FYE 2012 to FYE 2015 as well as for FPE 2015 and the comparative FPE 2014.

8.4.2 Results of Operations

The following is a segmental analysis of our results for the past four (4) FYE 2012 to FYE 2015 as well as for FPE 2015 and the comparative FPE 2014 based on the assumption that our current Group structure has been in existence throughout the financial years/ periods under review.

8.4.2.1 Segmental Analysis of Revenue

8.4.2.1.1 Revenue by Companies

The table below sets forth the breakdown of our Group's total revenue by companies:-

Revenue	<------------------ Audited						------------------>		Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
PLeather #/ Group	62,127	100.00	66,100	100.00	99,546	100.00	129,536	100.00	45,284	100.00	56,267	100.00

Note:-

\# PAviation only commenced business in December 2015 whereas EEmpire have not commenced business.

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8.4.2.1.2 Revenue by Business Activities

The table below sets forth the breakdown of our Group's total revenue by business activities and products:-

Revenue	<------ Audited						------>	Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Car seat covers												
- OEM (OE Fit)	29,212	47.02	35,919	54.34	53,456	53.70	84,991	65.61	30,155	66.59	31,095	55.26
- REM (OE Fit)	13,701	22.05	13,274	20.08	18,003	18.09	15,029	11.60	6,214	13.72	7,879	14.00
- PDI (Smart Fit)	14,735	23.72	8,879	13.43	10,572	10.62	12,230	9.44	2,978	6.58	8,226	14.62
- REM (Quick Fit)	252	0.41	21	0.03	11	0.01	1	#	-	-	-	-
Sub-total for car seat covers	57,900	93.20	58,093	87.88	82,042	82.42	112,251	86.65	39,347	86.89	47,200	83.88
Leather cut pieces supply	-	-	1,399	2.12	9,833	9.88	12,735	9.83	4,121	9.10	6,871	12.21
Others												
- Supply of door trim covers	1,900	3.06	2,486	3.76	1,699	1.70	2,176	1.68	815	1.80	663	1.18
- Sewing of fabric car seat covers	633	1.02	2,002	3.03	1,463	1.47	929	0.72	331	0.73	291	0.52
- Manufacturing of leather and PVC car accessories covers and miscellaneous seat covers, the provision of wrapping and stitching services, and supply of raw material	1,694	2.72	2,120	3.21	4,509	4.53	1,445	1.12	670	1.48	1,242	2.21
Sub-total for others	4,227	6.80	6,608	10.00	7,671	7.70	4,550	3.52	1,816	4.01	2,196	3.91
Grand total	**62,127**	**100.00**	**66,100**	**100.00**	**99,546**	**100.00**	**129,536**	**100.00**	**45,284**	**100.00**	**56,267**	**100.00**

Note:-

\# Negligible.

8.4.2.1.3 Sales Volume for Car Seat Covers and Leather Cut Pieces Supply

The table below sets forth the breakdown of our Group's total sales volume for the car seat covers and leather cut pieces supply:-

Sales Volume	<------ Audited						------>	Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	Car Sets [a]	%	Car Sets [a]	%	Car Sets [a]	%	Car Sets [a]	%	Car Sets [a]	%	Car Sets [a]	%
Car seat covers												
- OEM (OE Fit)	23,182	44.69	31,337	61.02	48,039	68.54	76,699	79.84	28,095	81.40	29,827	71.89
- REM (OE Fit)	11,713	22.58	10,166	19.79	11,976	17.08	9,018	9.39	4,037	11.70	4,639	11.18
- PDI (Smart Fit)	15,840	30.53	9,767	19.02	10,036	14.32	10,344	10.77	2,383	6.90	7,024	16.93
- REM (Quick Fit)	1,143	2.20	89	0.17	42	0.06	4	[b]	-	-	-	-
Grand total for car seats cover	**51,878**	**100.00**	**51,359**	**100.00**	**70,093**	**100.00**	**96,065**	**100.00**	**34,515**	**100.00**	**41,490**	**100.00**
	Pieces	**%**	**Pieces**	**%**	**Pieces**	**%**	**Pieces**	**%**	**Pieces**	**%**	**Pieces**	**%**
Leather cut pieces supply	-	-	8,316	100.00	91,632	100.00	93,360	100.00	26,135	100.00	37,830	100.00

Notes:-

(a) A complete set of car seat covers comprise of covers for front and rear seats including headrests.

(b) Negligible.

Save for the sales volume for the car seat covers and leather cut pieces supply which are the main revenue contributors to our Group as tabulated above, the breakdown of the sales volume for the other products (supply of door trim covers, sewing of fabric car seat covers and manufacturing of leather car accessories covers, the provision of wrapping and stitching services, and supply of raw material) of our Group is not available mainly due to the following:-

(i) the sales volume of the other products in aggregate, accounted for approximately 6.80%, 10.0%, 7.70%, 3.52% and 3.91% of our Group's total revenue for the FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively;

(ii) the breakdown of the sales volume are not expected to provide meaningful representation of our Group's total revenue as each business activity represented less than 5% of our Group's total revenue; and

(iii) the other products are supplied by our Group to our customers either as an add-on item or on non-regular basis.

8.4.2.1.4 Revenue by Geographical Region

The table below sets forth the breakdown of our Group's total revenue by geographical location:-

Revenue	<---------- Audited						---------->		Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local market	46,835	75.39	53,805	81.40	81,498	81.87	117,024	90.34	39,698	87.66	49,916	88.71
Export market												
- Netherlands	6,393	10.29	4,523	6.84	5,146	5.17	4,040	3.12	1,839	4.06	2,177	3.87
- Australia	8	0.01	1,423	2.15	5,089	5.11	4,264	3.29	1,867	4.12	1,838	3.27
- Singapore	119	0.19	443	0.67	593	0.60	965	0.74	175	0.39	1,069	1.90
- USA	6,892	11.09	5,243	7.93	4,902	4.92	2,367	1.83	1,175	2.60	915	1.63
- New Zealand	338	0.55	426	0.65	504	0.51	423	0.33	177	0.39	211	0.37
- UK	30	0.05	58	0.09	137	0.14	133	0.10	60	0.13	73	0.13
- Mauritius	-	-	-	-	-	-	-	-	-	-	43	0.08
- Japan	1,512	2.43	179	0.27	143	0.14	80	0.06	61	0.14	25	0.04
- Thailand	-	-	-	-	992	1.00	240	0.19	232	0.51	-	-
- Indonesia	-	-	-	-	542	0.54	-	-	-	-	-	-
Sub-total	15,292	24.61	12,295	18.60	18,048	18.13	12,512	9.66	5,586	12.34	6,351	11.29
Grand total	**62,127**	**100.00**	**66,100**	**100.00**	**99,546**	**100.00**	**129,536**	**100.00**	**45,284**	**100.00**	**56,267**	**100.00**

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8.4.2.1.5 Commentaries on Revenue

(a) FYE 2012

For FYE 2012, our Group's total revenue was RM62.13 million which was mainly due to the following:-

(i) Our Group's total revenue was mainly derived from car seat covers which amounted to approximately RM57.90 million or equivalent to approximately 93.20% contributed from the following segments:-

(aa) OEM (OE Fit) leather car seat covers represented the largest revenue contributor at approximately RM29.21 million or approximately 47.02% of our Group's total revenue for FYE 2012. We registered sales volume of 23,182 car sets for the OEM (OE Fit) leather car seat covers which represented approximately 44.69% of our Group's total sales volume for the car seat covers mainly due to higher market demand for OEM leather car seat covers for the Proton Exora and Hyundai Elantra models and introduction of more leather variants for the car seats for the Mitsubishi ASX, Lancer, Pajero and Triton models by the car manufacturers instead of the fabric variants.

(bb) REM (OE Fit) leather car seat covers represented approximately RM13.70 million or approximately 22.05% of our Group's total revenue for FYE 2012. This was contributed by the sales volume of 11,713 car sets of the REM (OE Fit) leather car seat covers which represented approximately 22.58% of our Group's total sales volume for the car seat covers mainly due to the continuous demand from the export market, namely USA and Netherlands.

(cc) PDI (Smart Fit) leather car seat covers was the second largest revenue contributor for the FYE 2012, which accounted for approximately RM14.74 million or 23.72% of our Group's total revenue for FYE 2012. We recorded sales volume of 15,840 car sets for the PDI (Smart Fit) leather car seat covers which represented approximately 30.53% of our Group's total sales volume for the car seat covers in line with the increase in the demand for the product and also the aggressive marketing program embarked by our customers via incorporation of leather car seat covers for more car variants in order to increase sales and reduce their stockholdings of car models that are to be replaced with the launch of new models. The successful introduction and penetration of PDI (Smart Fit) leather car seat covers for the Nissan Serena model in Japan has further contributed to the increase in the revenue of this segment.

(dd) REM (Quick Fit) car seat covers represented approximately RM0.25 million or approximately 0.41% of our Group's total revenue for FYE 2012. This was contributed by the sales volume of 1,143 car sets of the REM (Quick Fit) car seat covers which represented approximately 2.20% of our Group's total sales volume for the car seat covers.

(ii) We do not have any revenue contribution from the leather cut pieces supply for the FYE 2012.

(iii) Our other supportive services which is dependent on the requirements of our customers contributed the balance of approximately RM4.23 million or equivalent to approximately 6.80% of our Group's total revenue mainly from the supply of door trim covers, sewing of fabric car seat covers, manufacturing of other car accessories covers, the provision of wrapping and stitching services, and supply of raw material.

(iv) Local domestic market contributed approximately RM46.84 million or approximately 75.39% of our Group's total revenue for FYE 2012 whilst the remaining of RM15.29 million or approximately 24.61% was contributed by our export markets.

For export market, revenue from USA and Netherlands were the main contributors, which accounted for approximately RM6.89 million and RM6.39 million or equivalent to approximately 11.09% and 10.29% respectively of our Group's total revenue for FYE 2012.

(b) FYE 2013

For FYE 2013, our Group's total revenue increased by approximately 6.39% from approximately RM62.13 million for FYE 2012 to approximately RM66.10 million for FYE 2013 mainly due to the following:-

(i) Total revenue of our Group from car seat covers recorded a marginal increase by approximately RM0.19 million or equivalent to approximately 0.33% from approximately RM57.90 million in FYE 2012 to approximately RM58.09 million in FYE 2013. The marginal increase was contributed by the increase in the OEM (OE Fit) segment which was set-off by the decrease in the PDI (Smart Fit), REM (OE Fit) and REM (Quick Fit) segments as follows:-

(aa) OEM (OE Fit) leather car seat covers continued to be our largest revenue contributor, which accounted for approximately 54.34% of our Group's total revenue for FYE 2013. Revenue from this segment increased by approximately RM6.71 million or equivalent to 22.97% from approximately RM29.21 million for FYE 2012 to approximately RM35.92 million for FYE 2013. The increase was attributable to the increase in the sales volume by 8,155 car sets or 35.18% from 23,182 car sets in the FYE 2012 to 31,337 car sets in the FYE 2013 for the OEM (OE Fit) leather car seat covers which represented approximately 61.02% of our Group's total sales volume for the car seat covers for the FYE 2013. The increase was mainly due to the full year recognition of revenue contribution from Proton Exora and Hyundai Elantra models which started mass production during the last quarter of FYE 2012 and an additional new OEM contract secured for the Proton Neo R3 model.

(bb) Revenue derived from our REM (OE Fit) leather car seat covers decreased marginally by approximately RM0.43 million or 3.14% from approximately RM13.70 million in FYE 2012 to approximately RM13.27 million in FYE 2013. REM (OE Fit) leather car seat covers represented approximately 19.79% of our Group's total sales volume for the car seat covers for the FYE 2013. The decrease in the sales volume by 1,547 car sets or 13.21% from 11,713 car sets in the FYE 2012 to 10,166 car sets in the FYE 2013 was mainly due to weaker demand from our major export markets namely, Netherlands, USA and Japan which were experiencing weaker economic conditions. However, the decrease in the demand from the Netherlands, USA and Japan markets was partly set-off by the increase in the revenue contribution from Australia, our new export market which we have successfully penetrated in June 2012, which was towards the end of our FYE 2012 and contributed to the full year revenue of approximately RM1.42 million or 2.15% of our Group's total revenue for FYE 2013.

(cc) Revenue derived from our PDI (Smart Fit) leather car seat covers on the other hand decreased by approximately RM5.86 million or 39.76% from approximately RM14.74 million in FYE 2012 to approximately RM8.88 million in FYE 2013. Sales volume also decreased by 6,073 car sets or 38.34% from 15,840 car sets in the FYE 2012 to 9,767 car sets in the FYE 2013. PDI (Smart Fit) leather car seat covers represented approximately 19.02% of our Group's total sales volume for the car seat covers for the FYE 2013. The decrease was mainly attributed to:-

- the switch of certain product models from PDI (Smart Fit) leather car seat covers to OEM (OE Fit) leather car seat covers whereby the leather seat covers was incorporated as part of the OEM manufacturers' standard specification instead of PDI accessory programmes for selective car models as part of the facelift exercise to refresh the model by the car manufacturers and to give a new look and feel to the interior of a car; and

- the discontinuation of the promotion for earlier Perodua Myvi model in line with the introduction of new replacement model.

(dd) Revenue derived from our REM (Quick Fit) car seat covers decreased by approximately RM0.23 million or 92.0% from approximately RM0.25 million in FYE 2012 to approximately RM0.02 million in FYE 2013. The decrease was due to the lower sales volume by 1,054 car sets or 92.21% from 1,143 car sets in the FYE 2012 to 89 car sets in the FYE 2013. REM (Quick Fit) car seat covers represented approximately 0.17% of our Group's total sales volume for the car seat covers for the FYE 2013. The decrease was mainly due to the gradual reduction of the sales of our product as a result of the discontinuation of our distribution channels through car accessory and retail shops via KT Universal Venture Sdn Bhd, which has ceased new purchase of car seat covers from our Group since 1 January 2015 as detailed in item no. (1) in Section 7.1.2 of this Prospectus. Our Group intends to sell our products through our own retail outlets as disclosed in our future plans in Section 4.20.2 of this Prospectus whereby we will be selling directly to the end users to preserve our product which is patented including our branding.

(ii) Revenue from leather cut pieces supply contributed approximately RM1.40 million or 2.12% of our Group's total revenue for the FYE 2013 mainly due to the commencement of our supply of this product for the Toyota Camry model for the Malaysian market.

(iii) Our other supportive services which is dependent on the request of our customers increased by approximately RM2.38 million or 56.26% from approximately RM4.23 million or 6.80% of our Group's total revenue for the FYE 2012 to approximately RM6.61 million or 10.0% of our Group's total revenue for the FYE 2013 mainly due to amongst others:-

(aa) the corresponding increase in the supply of door trim covers by approximately RM0.59 million or 31.05% from approximately RM1.90 million or 3.06% of our Group's total revenue for the FYE 2012 to approximately RM2.49 million or 3.76% of our Group's total revenue for the FYE 2013 in tandem with the increase in the revenue of OEM (OE Fit) leather car seat covers for the same car models as mentioned above, i.e. Proton Exora, Hyundai Elantra and Proton Neo R3.

(bb) the increase in the sewing of fabric car seat covers by approximately RM1.37 million or 217.46% from approximately RM0.63 million or 1.02% of our Group's total revenue for the FYE 2012 to approximately RM2.0 million or 3.03% of our Group's total revenue for the FYE 2013 due to the one-off fabric sewing project for public train amounted to approximately RM0.47 million secured by our distribution partner in Netherlands, namely Coöperatie Leder Inbouw Nederland U.A. We supplied the said fabric seat covers to BMS Automotive who in turn supplied to Nederlandse Spoorwegen, the principal passenger railway operator in Netherlands. The remaining increase of approximately RM0.90 million was contributed from the sewing of fabric seat covers for Proton Persona model.

(iv) Local domestic market increased by approximately RM6.97 million or equivalent to approximately 14.88% from approximately RM46.84 million or approximately 75.39% of our Group's total revenue for FYE 2012 to approximately RM53.81 million or approximately 81.40% of our Group's total revenue for FYE 2013.

The increase in the domestic market was set-off by the decrease in the export market which decreased by approximately RM2.99 million or equivalent to approximately 19.56% from approximately RM15.29 million or approximately 24.61% of our Group's total revenue for FYE 2012 to approximately RM12.30 million or approximately 18.60% of our Group's total turnover for FYE 2013.

This was mainly attributed to decrease of aggregated revenue from Japan, Netherlands and USA by approximately RM4.85 million or 32.77% of approximately RM14.80 million for FYE 2012 as compared to approximately RM9.95 million for FYE 2013 in line with the weakening of economic conditions of the said countries. However, the new penetration into Australia market has yielded some positive result with the additional revenue contribution of approximately RM1.41 million or 2.15% of our Group's total revenue.

(c) FYE 2014

For FYE 2014, our Group's total revenue increased substantially by approximately RM33.45 million or 50.61% from approximately RM66.10 million in FYE 2013 to approximately RM99.55 million in FYE 2014. The increase in revenue was mainly due to:-

(i) Total revenue from leather car seat covers recorded an increase by approximately RM23.95 million or equivalent to approximately 41.23% from approximately RM58.09 million in FYE 2013 to approximately RM82.04 million in FYE 2014. The increase was contributed by the increase in the OEM (OE Fit), REM (OE Fit) and PDI (Smart Fit) segments as follows:-

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(aa) Revenue derived from OEM (OE Fit) leather car seat covers continued to dominate and was the largest contributor segment accounted for approximately 53.70% of our Group's total revenue for FYE 2014. Revenue from this segment increased by approximately 48.83% from approximately RM35.92 million in FYE 2013 to approximately RM53.46 million in FYE 2014. The increase was in tandem with the increase in the sales volume by 16,702 car sets or 53.30% from 31,337 car sets in the FYE 2013 to 48,039 car sets in the FYE 2014 for the OEM (OE Fit) leather car seat covers which represented approximately 68.54% of our Group's total sales volume for the car seat covers for the FYE 2014. The continuous evolvement of the car manufacturers in the introduction and promotion of more localised leather programs instead of fully imported leather car seats as part of their standard leather interior upholstery specification and our Group's continuous securement of new OEM contracts, namely Perodua Alza and Toyota Vios TRD Sportivo models have resulted in the growth in the revenue recorded for this segment during the FYE 2014.

(bb) Revenue derived from our REM (OE Fit) leather car seat covers increased by approximately RM4.73 million or 35.64% from approximately RM13.27 million in FYE 2013 to approximately RM18.0 million in FYE 2014. REM (OE Fit) leather car seat covers represented approximately 17.08% of our Group's total sales volume for the car seat covers for the FYE 2014. The increase in the sales volume by 1,810 car sets or 17.80% from 10,166 car sets in the FYE 2013 to 11,976 car sets in the FYE 2014 was mainly due to demand from the Australia and Netherlands markets. Revenue contribution from Australia market increased by RM3.67 million or 258.45% from RM1.42 million for FYE 2013 to RM5.09 million for FYE 2014 mainly due to the geographical expansion of our distribution network contributed by the increase in our distribution partners from one (1) to eight (8) during the FYE 2014. Further, revenue contribution from Netherlands market increased by RM0.63 million or 13.94% from RM4.52 million for FYE 2013 to RM5.15 million for FYE 2014 due to the sales contract secured from the car dealers in the Germany market by our distribution partner in Netherlands.

(cc) Revenue derived from PDI (Smart Fit) leather car seat covers increased by approximately RM1.69 million or 19.03% from approximately RM8.88 million for FYE 2013 to approximately RM10.57 million for FYE 2014. PDI (Smart Fit) leather car seat covers represented approximately 14.32% of our Group's total sales volume for the car seat covers for the FYE 2014. The increase in revenue was in tandem with the increase in the sales unit recorded by 269 car sets or approximately 2.75% from 9,767 car sets for FYE 2013 to 10,036 car sets for FYE 2014. The increase in revenue was mainly attributed to the higher average unit selling price recorded by approximately 15% due to the requirement by our customers for the leather car seat covers specifications with higher leather content and lower PVC configuration whilst the increase in the sales volume was due to new sales contribution from Nissan Motor (Thailand) Company Limited for the X Gear model.

(dd) Revenue derived from our REM (Quick Fit) car seat covers decreased marginally by approximately RM0.01 million or 50.0% from approximately RM0.02 million in FYE 2013 to approximately RM0.01 million in FYE 2014. The decrease was due to the lower sales volume by 47 car sets or 52.81% from 89 car sets in the FYE 2013 to 42 car sets in the FYE 2014. REM (Quick Fit) car seat covers represented approximately 0.06% of our Group's total sales volume for the car seat covers for the FYE 2014. The decrease was mainly due to the gradual reduction of the sales of our product as a result of the discontinuation of our distribution channels through car accessory and retail shops via KT Universal Sdn Bhd as disclosed in Section 8.4.2.1.5 (b)(i)(dd) of this Prospectus.

(ii) Revenue from the leather cut pieces supply increased substantially by RM8.43 million or 602.14% from approximately RM1.40 million for FYE 2013 to RM9.83 million for FYE 2014 mainly due to us being awarded with the new contract for the Toyota Vios G Grade model. The contributing factors that resulted in the growth in the revenue of our supply of leather cut pieces which is an ancillary business to our Group are as disclosed in Section 4.5.1.1 (b) of this Prospectus.

(iii) Our other supportive services increased by approximately RM1.06 million or 16.04% from approximately RM6.61 million or 10.0% of our Group's total revenue for the FYE 2013 to approximately RM7.67 million or 7.70% of our Group's total revenue for the FYE 2014.

(iv) Local domestic market increased by approximately RM27.69 million or equivalent to 51.46% from approximately RM53.81 million or 81.40% of our Group's total revenue for FYE 2013 to approximately RM81.50 million or 81.87% of our Group's total revenue for FYE 2014.

Revenue from the export market segment contributed approximately RM18.05 million or 18.13% of our Group's total revenue for FYE 2014. During the year, revenue from the export market segment increased by approximately 46.75% from approximately RM12.30 million for FYE 2013 to approximately RM18.05 million for FYE 2014. The increase was mainly contributed by improvement in revenue from Australia and Netherlands which recorded an increase by approximately RM3.67 million (258.45%) and RM0.63 million (13.94%) respectively in FYE 2014 as compared to the FYE 2013. The new export markets penetrated into during FYE 2014, namely Thailand and Indonesia, also contributed to the increase of revenue by approximately RM0.99 million and RM0.54 million respectively.

The total percentage of revenue contribution for the following business activities recorded a decrease from the FYE 2013 to FYE 2014:-

(1) the total car seat covers reduced from 87.88% in FYE 2013 to 82.42% in FYE 2014; and

(2) the total for the other business activities (comprising supply of door trim covers; sewing of fabric car seat covers; and manufacturing of leather car accessories covers, the provision of wrapping and stitching services, and supply of raw material) reduced from 10.0% in FYE 2013 to 7.70% in FYE 2014;

attributable to the new contract for the leather cut pieces supply secured by our Group for the Toyota Vios G Grade model in the FYE 2014 in addition to our supply of leather cut pieces supply for the Toyota Camry model that was secured and commenced production in the FYE 2013.

(d) FYE 2015

For FYE 2015, our Group's total revenue increased by approximately RM29.99 million or 30.13% from approximately RM99.55 million in FYE 2014 to approximately RM129.54 million in FYE 2015. The increase in revenue was mainly due to:-

(i) Total revenue from leather car seat covers recorded an increase by approximately RM30.21 million or equivalent to approximately 36.82% from approximately RM82.04 million in FYE 2014 to approximately RM112.25 million in FYE 2015. The increase was contributed by the increase in the OEM (OE Fit) and PDI (Smart Fit) segments as follows:-

(aa) Revenue derived from OEM (OE Fit) leather car seat covers continued to dominate and was the largest contributor segment accounted for approximately 65.61% of our Group's total revenue for FYE 2015. Revenue from this segment increased by approximately 58.98% from approximately RM53.46 million in FYE 2014 to approximately RM84.99 million in FYE 2015. The increase was in tandem with the increase in the sales volume by 28,660 car sets or 59.66% from 48,039 car sets in the FYE 2014 to 76,699 car sets in the FYE 2015 for the OEM (OE Fit) leather car seat covers which represented approximately 79.84% of our Group's total sales volume for the car seat covers for the FYE 2015. The growth in this segment was contributed by the commencement of the mass production for the car models under the OE (OE Fit) contracts, namely Perodua Axia, Myvi D46D, Proton Iriz, Exora MC2 and Toyota Hilux during the FYE 2015.

(bb) Revenue derived from our REM (OE Fit) leather car seat covers decreased by approximately RM2.97 million or 16.50% from approximately RM18.0 million in FYE 2014 to approximately RM15.03 million in FYE 2015. REM (OE Fit) leather car seat covers represented approximately 9.39% of our Group's total sales volume for the car seat covers for the FYE 2015. The decrease in the sales volume by 2,958 car sets or 24.70% from 11,976 car sets in the FYE 2014 to 9,018 car sets in the FYE 2015 was mainly due to decrease in sales for the export markets. The decrease in the revenue recorded for our export market was further exacerbated by depreciation of the AUD as Australia was our biggest export market in FYE 2015 representing approximately 3.29% of our Group's total revenue or equivalent to approximately 34.08% of our Group's total export sales.

(cc) Revenue derived from PDI (Smart Fit) leather car seat covers increased by approximately RM1.66 million or 15.70% from approximately RM10.57 million for FYE 2014 to approximately RM12.23 million for FYE 2015. PDI (Smart Fit) leather car seat covers represented approximately 10.77% of our Group's total sales volume for the car seat covers for the FYE 2015. The increase in revenue was in tandem with the increase in the sales unit recorded by 308 car sets or approximately 3.07% from 10,036 car sets for FYE 2014 to 10,344 car sets for FYE 2015. The increase in revenue for this segment was mainly contributed by the "RM1/=" promotion campaign for leather car seat covers by our customer for Nissan Almera, Livina and X Trail car models.

(dd) Revenue recorded from our REM (Quick Fit) car seat covers was negligible in FYE 2015 as compared to approximately RM0.01 million in FYE 2014. The decrease was due to the lower sales volume by 38 car sets or 90.48% from 42 car sets in the FYE 2014 to 4 car sets in the FYE 2015. The decrease was mainly due to the discontinuation of our distribution channels through car accessory and retail shops via KT Universal Venture Sdn Bhd as disclosed in Section 8.4.2.1.5 (b)(i)(dd) of this Prospectus.

(ii) Revenue from the leather cut pieces supply increased by RM2.91 million or 29.60% from approximately RM9.83 million for FYE 2014 to RM12.74 million for FYE 2015 mainly due to continuous demand for the Toyota Vios G Grade model and commencement of the supply for Toyota Camry Hybrid 2.5 HV model. The contributing factors that resulted in the growth in the revenue of our supply of leather cut pieces which is an ancillary business to our Group are as disclosed in Section 4.5.1.1 (b) of this Prospectus.

(iii) Our other supportive services decreased by approximately RM3.12 million or 40.68% from approximately RM7.67 million or 7.70% of our Group's total revenue for the FYE 2014 to approximately RM4.55 million or 3.52% of our Group's total revenue for the FYE 2015.

(iv) Local domestic market increased by approximately RM35.52 million or equivalent to 43.58% from approximately RM81.50 million or 81.87% of our Group's total revenue for FYE 2014 to approximately RM117.02 million or 90.34% of our Group's total revenue for FYE 2015.

Revenue from the export market segment contributed approximately RM12.51 million or 9.66% of our Group's total revenue for FYE 2015. During the year, revenue from the export market segment decreased by approximately RM5.54 million or 30.69% from approximately RM18.05 million for FYE 2014 to approximately RM12.51 million for FYE 2015. Save for the Singapore market which registered an increase in the revenue of approximately RM0.38 million or equivalent to 64.41% from approximately RM0.59 million for FYE 2014 to RM0.97 million for FYE 2015, the remaining export markets registered decrease in revenue due to lower demand during the FYE 2015 and also due to the depreciation of AUD as disclosed in Section 8.4.2.1.5 (d)(i)(bb) of this Prospectus.

The total percentage of revenue contribution for the following business activities recorded a decrease from the FYE 2014 to FYE 2015:-

(1) the REM (OE Fit) leather car seat covers reduced from approximately 18.09% in FYE 2014 to approximately 11.60% in FYE 2015;

(2) the PDI (Smart Fit) leather car seat covers reduced from approximately 10.62% in FYE 2014 to approximately 9.44% in FYE 2015;

(3) the leather cut pieces supply reduced marginally from approximately 9.88% in FYE 2014 to approximately 9.83% in FYE 2015; and

(4) the total for the other business activities (comprising supply of door trim covers; sewing of fabric car seat covers; and manufacturing of leather car accessories covers, the provision of wrapping and stitching services, and supply of raw material) reduced from approximately 7.70% in FYE 2014 to approximately 3.52% in FYE 2015;

attributable to the increase in the revenue derived from OEM (OE Fit) leather car seat covers due to the commencement of the mass production for the car models under the OE (OE Fit) contracts, namely Perodua Axia, Myvi D46D, Proton Iriz, Exora MC2 and Toyota Hilux during the FYE 2015 as disclosed in 8.4.2.1.5 (d)(i)(aa) of this Prospectus.

(e) FPE 2015

For FPE 2015, our Group's total revenue increased by approximately RM10.99 million or 24.27% from approximately RM45.28 million in FPE 2014 to approximately RM56.27 million in FPE 2015. The increase in revenue was mainly due to:-

(i) Total revenue from leather car seat covers recorded an increase by approximately RM7.85 million or equivalent to approximately 19.95% from approximately RM39.35 million in FPE 2014 to approximately RM47.20 million in FPE 2015. The increase was contributed by the increase in the OEM (OE Fit), REM (OE Fit) and PDI (Smart Fit) segments as follows:-

(aa) Revenue derived from OEM (OE Fit) leather car seat covers continued to dominate and was the largest contributor segment accounted for approximately 55.26% of our Group's total revenue for FPE 2015. Revenue from this segment increased by approximately 3.12% from approximately RM30.16 million in FPE 2014 to approximately RM31.10 million in FPE 2015. The increase was in tandem with the increase in the sales volume by 1,732 car sets or 6.16% from 28,095 car sets in the FPE 2014 to 29,827 car sets in the FPE 2015 for the OEM (OE Fit) leather car seat covers which represented approximately 71.89% of our Group's total sales volume for the car seat covers for the FPE 2015. The increase in the revenue for this segment for the FPE 2015 was mainly contributed by the increase in the sales of leather car seat covers for the Toyota Hilux model.

(bb) Revenue derived from our REM (OE Fit) leather car seat covers increased by approximately RM1.67 million or 26.89% from approximately RM6.21 million in FPE 2014 to approximately RM7.88 million in FPE 2015. REM (OE Fit) leather car seat covers represented approximately 11.18% of our Group's total sales volume for the car seat covers for the FPE 2015. The increase was in tandem with the increase in sales volume by 602 car sets or 14.91% from 4,037 car sets in the FPE 2014 to 4,639 car sets in the FPE 2015 contributed by the increase in export sales to Netherland and Singapore which was partly set off against the lower sales recorded for USA and Thailand markets. The increase in the revenue recorded for our export market was further exacerbated by the appreciation of the EUR (by approximately 7.58%) and SGD (by approximately 16.65%) against the RM as Netherland and Singapore were among our main export markets in the FPE 2015 representing approximately 3.87% and 1.90% of our Group's total revenue respectively. Further, the total sales to Netherland and Singapore of approximately RM3.25 million for the FPE 2015 represented approximately 51.11% of our Group's total export sales of RM6.35 million.

(cc) Revenue derived from PDI (Smart Fit) leather car seat covers increased by approximately RM5.25 million or 176.17% from approximately RM2.98 million for FPE 2014 to approximately RM8.23 million for FPE 2015. PDI (Smart Fit) leather car seat covers represented approximately 16.93% of our Group's total sales volume for the car seat covers for the FPE 2015. The increase in revenue was in tandem with the increase in the sales unit recorded by 4,641 car sets or approximately 194.75% from 2,383 car sets for FPE 2014 to 7,024 car sets for FPE 2015. The increase in the revenue for this segment was mainly contributed by the increase in sales for Nissan due to the aggressive promotion campaign offering free leather car seat cover package for its selected models.

(dd) There was no revenue contribution from our REM (Quick Fit) car seat covers for the FPE 2015 due to the discontinuation of our distribution channels through car accessory and retail shops via KT Universal Venture Sdn Bhd as disclosed in Section 8.4.2.1.5 (b)(i)(dd) of this Prospectus.

(ii) Revenue from the leather cut pieces supply increased by RM2.75 million or 66.75% from approximately RM4.12 million for FPE 2014 to RM6.87 million for FPE 2015 mainly contributed by the increase in the sales for the Toyota Vios G Grade and the introduction of Toyota Camry Hybrid 2.5 HV model during the FPE 2015. The contributing factors that resulted in the growth in the revenue of our supply of leather cut pieces which is an ancillary business to our Group are as disclosed in Section 4.5.1.1 (b) of this Prospectus.

(iii) Our other supportive services increased by approximately RM0.38 million or 20.88% from approximately RM1.82 million or 4.01% of our Group's total revenue for the FPE 2014 to approximately RM2.20 million or 3.91% of our Group's total revenue for the FPE 2015. This is mainly contributed by the supply of cinema seat covers during the FPE 2015 of approximately RM0.25 million for the seat covers replacement projects secured based on the requirements of the customers on ad-hoc basis.

(iv) Local domestic market increased by approximately RM10.22 million or equivalent to 25.74% from approximately RM39.70 million or 87.66% of our Group's total revenue for FPE 2014 to approximately RM49.92 million or 88.71% of our Group's total revenue for FPE 2015.

Revenue from the export market segment contributed approximately RM6.35 million or 11.29% of our Group's total revenue for FPE 2015. During the period, revenue from the export market segment increased by approximately RM0.76 million or 13.60% from approximately RM5.59 million for FPE 2014 to approximately RM6.35 million for FPE 2015. The increase in revenue was mainly contributed by the increase in export sales to Netherland and Singapore markets disclosed in Section 8.4.2.1.5 (e)(i)(bb) of this Prospectus.

The total percentage of revenue contribution for the following business activities recorded a decrease from the FPE 2014 to FPE 2015:-

(1) the OEM (OE Fit) leather car seat covers reduced from approximately 66.59% in FPE 2014 to approximately 55.26% in FPE 2015; and

(2) the total for the other business activities (comprising supply of door trim covers; sewing of fabric car seat covers; and manufacturing of leather car accessories covers, the provision of wrapping and stitching services, and supply of raw material) reduced marginally from approximately 4.01% in FPE 2014 to approximately 3.91% in FPE 2015;

attributable to increase in the revenue from the PDI (Smart Fit) car seat covers segment contributed by the increase in sales for Nissan model due to the aggressive promotion campaign offering free leather car seat cover package for its selected models during the FPE 2015 as disclosed in 8.4.2.1.5 (e)(i)(cc) of this Prospectus.

8.4.2.2 Segmental Analysis of Cost of Sales

8.4.2.2.1 Cost of Sales by Companies

The table below sets forth the breakdown of our Group's cost of sales by companies:-

Cost of Sales	<---------- Audited						---------->		Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
PLeather #/ Group	42,111	100.00	42,806	100.00	70,192	100.00	91,405	100.00	33,177	100.00	40,597	100.00

Note:-

\# PAviation only commenced business in December 2015 whereas EEmpire have not commenced business.

8.4.2.2.2 Cost of Sales by Composition

The table below sets forth the breakdown of our Group's cost of sales by composition:-

Cost of Sales	<---------- Audited						---------->		Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<u>Raw Materials</u>												
- Leather	21,934	52.09	21,954	51.29	41,542	59.18	56,132	61.41	19,176	57.80	26,396	65.02
- PVC	4,447	10.56	4,446	10.39	6,508	9.27	7,243	7.92	2,607	7.86	2,941	7.24
- Plastic parts	1,442	3.42	1,249	2.92	2,651	3.78	3,251	3.56	963	2.90	1,021	2.52
- Foam	1,376	3.27	1,053	2.46	2,239	3.19	2,986	3.27	1,032	3.11	1,296	3.19
- Carpet	487	1.16	509	1.19	481	0.69	756	0.83	437	1.32	549	1.35
- Others	2,367	5.62	2,933	6.85	1,931	2.75	4,226	4.62	1,908	5.75	2,282	5.62
	32,053	76.12	32,144	75.10	55,352	78.86	74,594	81.61	26,123	78.74	34,485	84.94
Labour	5,847	13.88	5,108	11.93	8,661	12.34	10,877	11.90	4,249	12.81	3,847	9.48
Production overheads	3,460	8.22	3,566	8.33	4,305	6.13	5,190	5.68	2,052	6.18	2,096	5.16
Installation charges	751	1.78	1,988	4.64	1,874	2.67	744	0.81	753	2.27	169	0.42
Total	**42,111**	**100.00**	**42,806**	**100.00**	**70,192**	**100.00**	**91,405**	**100.00**	**33,177**	**100.00**	**40,597**	**100.00**

Our cost of sales commonly consists of the following:-

(a) Raw materials;

(b) Labour;

(c) Production overheads; and

(d) Installation charges.

8.4.2.2.3 Commentaries on Cost of Sales

(a) FYE 2012

For FYE 2012, our Group's total cost of sales was approximately RM42.11 million which accounted for approximately 67.78% of our Group's total revenue.

Cost of leather, labour and PVC of approximately RM21.93 million, RM5.85 million and RM4.45 million are the main components of our Group's cost of sales representing approximately 52.09%, 13.88% and 10.56% of our Group's total cost of sales respectively.

(b) FYE 2013

Our Group's total cost of sales increased marginally by approximately RM0.70 million or 1.66% from RM42.11 million in FYE 2012 to approximately RM42.81 million in FYE 2013 in line with the increase in our Group's revenue recorded during the FYE 2013.

Our main components of the cost of sales are leather, labour and PVC which accounted for approximately RM21.95 million, RM5.11 million and RM4.45 million representing approximately 51.29%, 11.93% and 10.39% of our Group's total cost of sales respectively.

Our Group's cost of sales accounted for approximately 64.76% of Group's total revenue for FYE 2013 as compared to 67.78% for FYE 2012. This improvement was mainly attributable to reduction in the costs of raw materials such as plastic parts and foam by RM0.19 million (13.19%) and RM0.33 million (23.91%) respectively including the decrease in labour cost by RM0.74 million (12.65%). The reduction in the cost of plastic parts was due to lower revenue contribution from Smart Fit seat covers that resulted in lower consumption of designated plastic parts with higher unit price of approximately 15% whilst the reduction in the cost of foam was due to the variations in the specifications in regards to the density of the foam which has resulted in the consumption of foam that commands lower unit price of approximately 25%. In addition, the reduction in the labour cost was due to the achievement of operation efficiency from the reduction in the timing of sewing cycle with the familiarisation from sewing of seat covers for certain repeated car models. Further, the average purchase cost of leather hide has reduced marginally of approximately 4% during the year.

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(c) FYE 2014

For FYE 2014, our Group's total cost of sales increased by approximately RM27.38 million or 63.96% from RM42.81 million for FYE 2013 to approximately RM70.19 million for FYE 2014, which accounted for approximately 70.51% of our Group's total revenue. Our main components of the cost of sales are leather, labour and PVC which accounted for approximately RM41.54 million, RM8.66 million and RM6.51 million representing approximately 59.18%, 12.34% and 9.27% of our Group's total cost of sales respectively.

The increase in cost of sales in FYE 2014 was mainly due to the increase in the costs of raw materials such as leather, PVC, plastic parts and foam by RM19.59 million (89.25%), RM2.06 million (46.29%), RM1.40 million (112.0%) and RM1.19 million (113.33%) respectively including the increase in labour cost by RM3.55 million (69.47%). The increase in the cost of leather and labour was mainly due to the substantial increase in the revenue from the leather cut pieces supply. Further, the increase in costs of leather and labour including PVC, plastic parts and foam as mentioned above was in tandem with the increase in revenue for the FYE 2014 by RM33.45 million or 50.61% from FYE 2013 which is further exacerbated by the increase in the price of leather hides of approximately 5% during the year.

(d) FYE 2015

For FYE 2015, our Group's total cost of sales increased by approximately RM21.22 million or 30.23% from RM70.19 million for FYE 2014 to approximately RM91.41 million for FYE 2015, which accounted for approximately 70.56% of our Group's total revenue. Our main components of the cost of sales are leather, labour and PVC which accounted for approximately RM56.13 million, RM10.88 million and RM7.24 million representing approximately 61.41%, 11.90% and 7.92% of our Group's total cost of sales respectively.

The increase in cost of sales in FYE 2015 was mainly due to the increase in the costs of raw materials such as leather, PVC, plastic parts, foam and carpet by RM14.59 million (35.12%), RM0.73 million (11.21%), RM0.60 million (22.64%), RM0.75 million (33.48%) and RM0.28 million (58.33%) respectively including the increase in labour cost by RM2.22 million (25.64%).

The increase in the cost of leather was mainly due to the depreciation of RM against the currency for the purchase of leather hides which is denominated in USD by approximately 17.91%. This has resulted in the higher unit price for the leather consumed in the production. The change in the leather and PVC configuration for the production of seat covers with higher leather and lower PVC content based on our customers' specifications has also resulted in the increase in the cost of leather consumed and the corresponding reduction in the cost of PVC consumed in proportion to the total cost of sales. This is demonstrated based on the leather and PVC consumed which accounted for approximately 41.73% and 6.54% of our Group's total revenue for the FYE 2014 respectively as compared to 43.33% and 5.59% of our Group's total revenue for the FYE 2015 respectively.

In addition to the increase in the cost of leather hides due to the depreciation of RM against USD, the higher consumption of leather due the change in leather and PVC configuration and PVC, the overall increase in costs of leather, labour and PVC, plastic parts, foam and carpet as mentioned above was in tandem with the increase in revenue for the FYE 2015 by RM29.99 million or 30.13% from FYE 2014 due to the increase in the production volume as demonstrated in the increase in the total sales volume of 70,093 car sets for the FYE 2014 to 96,065 car sets for FYE 2015.

(e) FPE 2015

For FPE 2015, our Group's total cost of sales increased by approximately RM7.42 million or 22.36% from RM33.18 million for FPE 2014 to approximately RM40.60 million for FPE 2015, which accounted for approximately 72.15% of our Group's total revenue. Our main components of the cost of sales are leather, labour and PVC which accounted for approximately RM26.40 million, RM3.85 million and RM2.94 million representing approximately 65.02%, 9.48% and 7.24% of our Group's total cost of sales respectively.

The increase in cost of sales in FPE 2015 was mainly due to the increase in the costs of raw materials such as leather, PVC, plastic parts, foam and carpet by RM7.22 million (37.64%), RM0.33 million (12.64%), RM0.06 million (6.25%), RM0.27 million (26.21%) and RM0.11 million (25.0%) respectively partially offset by the decrease in labour cost by RM0.40 million (9.41%).

The increase in the cost of leather was mainly due to the continuous depreciation of RM against the currency for the purchase of leather hides which is denominated in USD. This has resulted in the higher unit price for the leather consumed in the production. The change in the leather and PVC configuration for the production of seat covers with higher leather and lower PVC content based on our customers' specifications has also resulted in the increase in the cost of leather consumed and the corresponding reduction in the cost of PVC consumed in proportion to the total cost of sales. This is demonstrated based on the leather and PVC consumed which accounted for approximately 42.35% and 5.76% of our Group's total revenue for the FPE 2014 respectively as compared to 46.91% and 5.23% of our Group's total revenue for the FPE 2015 respectively.

The decrease in the labour cost was mainly attributed to the achievement of operation efficiency from the reduction in the timing of sewing cycle with the familiarisation from sewing of seat covers for certain repeated car models.

Further, the increase in costs of leather, labour and PVC, plastic parts, foam and carpet as mentioned above was in tandem with the increase in revenue for the FPE 2015 by approximately RM10.99 million or 24.27% from FPE 2014.

8.4.2.3 Segmental Analysis of GP and GP Margin

8.4.2.3.1 GP and GP Margin by Companies

The table below sets forth the breakdown of our Group's GP and GP margin by companies:-

GP	<------ Audited						------>		Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
PLeather #/ Group	20,016	100.00	23,294	100.00	29,354	100.00	38,131	100.00	12,107	100.00	15,670	100.00
GP margin [(b)]		**32.22**		**35.24**		**29.49**		**29.44**		**26.74**		**27.85**

Notes:-

(a) PAviation only commenced business in December 2015 whereas EEmpire have not commenced business.

(b) Represents GP margin of PLeather and our Group.

8.4.2.3.2 GP by Business Activities

The table below sets forth the breakdown of our Group's average GP by business activities and products:-

GP	<---- Audited					---->		Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Car seat covers	18,698	93.42	21,155	90.82	26,078	88.84	35,633	93.45	11,267	93.06	14,400	91.90
Leather cut pieces supply	-	-	112	0.48	856	2.92	1,103	2.89	336	2.77	588	3.75
Others												
- Supply of door trim covers	630	3.15	927	3.98	550	1.87	717	1.88	247	2.04	217	1.38
- Sewing of fabric car seat covers	67	0.33	204	0.87	202	0.69	133	0.35	40	0.33	39	0.25
- Manufacturing of leather and PVC car accessories covers and miscellaneous seat covers, the provision of wrapping and stitching services, and supply of raw material	621	3.10	896	3.85	1,668	5.68	545	1.43	217	1.80	426	2.72
Sub-total for others	1,318	6.58	2,027	8.70	2,420	8.24	1,395	3.66	504	4.17	682	4.35
Average Group's GP	**20,016**	**100.00**	**23,294**	**100.00**	**29,354**	**100.00**	**38,131**	**100.00**	**12,107**	**100.00**	**15,670**	**100.00**

8.4.2.3.3 GP Margin by Business Activities

The table below sets forth the breakdown of our Group's average GP margin by business activities and products:-

Average GP Margin	<---- Audited			---->	Unaudited	Audited
	FYE 2012 %	FYE 2013 %	FYE 2014 %	FYE 2015 %	FPE 2014 %	FPE 2015 %
Car seat covers	32.29	36.42	31.79	31.74	28.63	30.51
Leather cut pieces supply	-	8.01	8.71	8.66	8.15	8.56
Others						
- Supply of door trim covers	33.16	37.29	32.37	32.95	30.31	32.73
- Sewing of fabric car seat covers	10.58	10.19	13.81	14.32	12.08	13.40
- Manufacturing of leather car accessories covers, the provision of wrapping and stitching services, and supply of raw material	36.66	42.26	36.99	37.72	32.39	34.30
Average Group's GP margin	**32.22**	**35.24**	**29.49**	**29.44**	**26.74**	**27.85**

8.4.2.3.4 Commentaries on GP and GP Margin

(a) FYE 2012

For FYE 2012, our Group's total GP was approximately RM20.02 million which represented our Group's overall average GP margin of approximately 32.22%.

(b) FYE 2013

For FYE 2013, our Group's total GP increased by approximately RM3.27 million or equivalent to 16.33% from approximately RM20.02 million for FYE 2012 to approximately RM23.29 million for FYE 2013. Our Group's overall average GP margin increased from approximately 32.22% for FYE 2012 to approximately 35.24% for FYE 2013.

The increase in our Group's GP was in tandem with the increase in our Group's revenue and improvement in our Group's cost of sales contributed by the lower cost of labour by approximately 12.65% as disclosed in Section 8.4.2.2.3 (b) of this Prospectus.

Our Group's overall average GP margin improved from approximately 32.22% in FYE 2012 to 35.24% in FYE 2013 contributed mainly by the increase in the GP margin of our leather car seat covers from 32.29% in FYE 2012 to 36.42% in FYE 2013 attributed to the supply of leather car seat covers which yielded better margin due to the customer's specification for the supply of leather seat covers with lower leather content under VAVE program for a contract. The consequential cost savings from the VAVE activity were agreed and shared between the customers and our Group which has resulted in the improvement in our Group GP margin by approximately 7.50% for the said contract. Also, the additional value added features requested by the customers in terms of styling such as special embossed print and embroidery on the leather seat covers have further contributed in the higher GP margin ranging from 1% to 2% of the contracts depending on the type of designs and car models. Further, the commencement of our leather cut pieces supply for the Toyota Camry model during the FYE 2013 has contributed to the increase in our Group's overall average GP margin.

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(c) FYE 2014

For FYE 2014, our Group's GP increased by approximately RM6.06 million or 26.02% from approximately RM23.29 million for FYE 2013 to approximately RM29.35 million for FYE 2014. Our Group's GP increased in tandem with the increase in our Group's revenue.

However, our Group's GP overall average margin reduced from approximately 35.24% for FYE 2013 to approximately 29.49% for FYE 2014 mainly contributed by the decrease in the GP margin of our leather car seat covers from 36.42% in FYE 2013 to 31.79% in FYE 2014 due to the lower average selling price for the OEM (OE Fit) leather car seat covers which represented our largest revenue contributor for the FYE 2014. The lower average selling price for the OEM (OE Fit) leather car seat covers was attributable to the cost-down activities requested by certain of our OEM customers in order to reduce the selling price of leather seat covers supplied by our Group. The reduction in the average selling price ranges from 3% to 5% and were carried out for certain repeated car models and/ or the car models which have been in the market for some time and in certain circumstances, were at the tail end of the sales life cycle. The reasons for such request by the OEM customers, amongst others, were that our Group have supplied a certain volume of leather seat covers for the repeated car models which were the subject of the cost-down activities and that the amortisation cost on tooling should be removed based on the achievement of certain volume of car seat covers ordered. Furthermore, in the perspective of our OEM customers, our Group should have been familiar with the sewing of car seat covers for the repeated car models which would have resulted in the reduction in the sewing cycle time and hence, the consequential cost savings to our Group and the said cost savings will be ultimately passed on to the OEM's customers. Besides, the increase in price of leather hide during the FYE 2014 has further contributed to the lower GP margin recorded for our leather car seats cover.

(d) FYE 2015

For FYE 2015, our Group's GP increased by approximately RM8.78 million or 29.91% from approximately RM29.35 million for FYE 2014 to approximately RM38.13 million for FYE 2015. Our Group's GP increased in tandem with the increase in our Group's revenue.

However, our Group's GP overall average margin reduced marginally from approximately 29.49% for FYE 2014 to approximately 29.44% for FYE 2014 mainly contributed by the decrease in the GP margin of our car seat covers and leather cut pieces supply.

The GP margin for car seat covers reduced marginally by approximately 0.05% from 31.79% in FYE 2014 to 31.74% in FYE 2015 while the GP margin of leather cut pieces supply also reduced marginally by approximately 0.05% from 8.71% in FYE 2014 to 8.66% in FYE 2015. The marginal decrease for both the car seat covers and leather cut pieces supply was mainly contributed by the increase in the cost of leather due to the depreciation of RM against the currency for the purchase of leather hides which is denominated in USD.

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(e) FPE 2015

For FPE 2015, our Group's GP increased by approximately RM3.56 million or 29.40% from approximately RM12.11 million for FPE 2014 to approximately RM15.67 million for FPE 2015. Our Group's GP increased in tandem with the increase in our Group's revenue.

Our Group's GP overall average margin increased from approximately 26.74% for FPE 2014 to approximately 27.85% for FPE 2015 mainly contributed by the increase in the GP margin of our car seat covers and leather cut pieces supply.

The GP margin for car seat covers increased by approximately 1.88% from 28.63% in FPE 2014 to 30.51% in FPE 2015 while the GP margin of leather cut pieces supply also increased by approximately 0.41% from 8.15% in FPE 2014 to 8.56% in FPE 2015. The increase in the GP margin for both the car seat covers and leather cut pieces supply was mainly contributed by the upward revision in unit selling price to customers resulted from the increased cost of leather hides due to depreciation of RM against the currency for the import of leather hides in USD.

8.4.2.4 Other Income

Other Income	<------ Audited						------>		Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of fixed assets	208	48.49	200	14.56	658	65.73	484	47.68	7	2.96	5	1.40
Interest income	192	44.76	308	22.42	312	31.17	279	27.49	136	57.38	242	67.79
Rental Income	-	-	-	-	99	9.89	218	21.48	78	32.91	91	25.49
Disposal of scrap materials	7	1.63	4	0.29	22	2.20	13	1.28	6	2.53	-	-
Management fees for provision of management and accounting services	-	-	81	5.90	44	4.40	-	-	-	-	-	-
Bad debts recovered	14	3.26	646	47.01	-	-	-	-	-	-	-	-
Gain/ (Loss) on derivative forward contract	-	-	134	9.75	(134)	(13.39)	-	-	-	-	-	-
Others	(i) 8	1.86	(ii) 1	0.07	-	-	(iii) 21	2.07	10	4.22	19	5.32
Total	**429**	**100.00**	**1,374**	**100.00**	**1,001**	**100.00**	**1,015**	**100.00**	**237**	**100.00**	**357**	**100.00**

Notes:-

(i) Others mainly include miscellaneous income and unrealised gain on foreign exchange.

(ii) Others mainly consist of miscellaneous income such as courier charges to customers.

(iii) Others mainly consist of miscellaneous income such as charges imposed to customers for the development of new patterns for car seat covers.

(a) FYE 2012

For FYE 2012, we recorded other income of approximately RM0.43 million as disclosed below:-

(i) Gain on disposal of property and motor vehicles of approximately RM0.21 million;

(ii) Interest income of approximately RM0.20 million is mainly derived from fixed deposits placed with licensed banks; and

(iii) The remaining income consists mainly of bad debts recovered and income from the disposal of scrap materials amounting to a total of approximately RM0.02 million.

(b) FYE 2013

For FYE 2013, other income increased by approximately RM0.94 million or 218.60% from approximately RM0.43 million for FYE 2012 to approximately RM1.37 million for FYE 2013 mainly contributed by:-

(i) Bad debts recovered of approximately RM0.65 million from an OEM customer. Our Group has written off the said debt as the OEM customer has defaulted on the payment for the supply of door trim cover. Subsequently, our Group has commenced legal proceeding to recover the said debt from the OEM customer. Our Group and the OEM customer have settled the matter amicably and the OEM customer has settled the debt via instalment payments;

(ii) Interest income of approximately RM0.31 million mainly derived from fixed deposits placed with licensed banks;

(iii) Gain on disposal of plant and machineries comprising two (2) units of cutting machines of approximately RM0.20 million as disclosed in Section 4.15.4 (b) of this Prospectus; and

(iv) Management fees of approximately RM0.08 million for the provision of management and accounting services rendered to Pecca Leather Inc (US) of RM0.07 million and Jaya Mapan Sdn Bhd of RM0.01 million as disclosed in items (4)(b) and (6) in Section 7.1.2 of this Prospectus respectively.

(c) FYE 2014

For FYE 2014, other income decreased by approximately RM0.37 million or 27.01% from approximately RM1.37 million for FYE 2013 to approximately RM1.0 million for FYE 2014. Other income for FYE 2014 was mainly contributed by:-

(i) Gain on disposal of fixed assets comprising plant and machineries, and motor vehicles of approximately RM0.66 million. The gain was mainly derived from the disposal of two (2) units of cutting machines and eight (8) units of sewing machines as disclosed in Section 4.15.4 (c) of this Prospectus;

(ii) Interest income of approximately RM0.31 million derived mainly from fixed deposits placed with licensed banks of RM2.24 million and interest income for advances granted to Tint Auto (M) Sdn Bhd of RM0.11 million as disclosed in item (1)(b) in Section 7.1.1 of this Prospectus;

(iii) Rental income of approximately RM0.10 million derived from subletting of production floor area to Tint Auto (M) Sdn Bhd as disclosed in item (1)(a) in Section 7.1.1 of this Prospectus;

(iv) Management fees of approximately RM0.04 million for the provision of management and accounting services rendered to Coöperatie Leder Inbouw Nederland U.A of RM0.02 million and Jaya Mapan Sdn Bhd of RM0.02 million as disclosed in item 4 (b) Section 7.1.1 and item (3) Section 7.1.2 of this Prospectus respectively; and

(v) Income from the disposal of scrap materials of approximately RM0.02 million.

(d) FYE 2015

For FYE 2015, there was a minimal increase in the other income by approximately RM0.02 million or 2.0% from approximately RM1.0 million for FYE 2014 to approximately RM1.02 million for FYE 2015. Other income for FYE 2015 was mainly contributed by:-

(i) Gain on disposal of fixed assets comprising plant and machineries, and motor vehicles of approximately RM0.48 million. The gain was mainly derived from the disposal of nineteen (19) units of sewing machines and four (4) units of motor vehicles as disclosed in Section 4.15.4 (d) of this Prospectus;

(ii) Interest income of approximately RM0.21 million derived mainly from fixed deposits placed with licensed banks of RM2.31 million and interest income for advances granted to Tint Auto (M) Sdn Bhd of RM0.07 million as disclosed in item (1)(b) in Section 7.1.1 of this Prospectus;

(iii) Rental income of approximately RM0.22 million derived from subletting of production floor area to Tint Auto (M) Sdn Bhd as disclosed in item (1) in Section 7.1.1 of this Prospectus; and

(iv) Income from the disposal of scrap materials of approximately RM0.01 million.

(e) FPE 2015

For FPE 2015, other income increased by approximately RM0.12 million or 50.0% from approximately RM0.24 million for FPE 2014 to approximately RM0.36 million for FPE 2015. Other income for FPE 2015 was mainly contributed by:-

(i) Interest income of approximately RM0.24 million derived mainly from fixed deposits placed with licensed banks of RM15.34 million; and

(ii) Rental income of approximately RM0.09 million derived from subletting of production floor area to Tint Auto (M) Sdn Bhd as disclosed in item (1) in Section 7.1.1 of this Prospectus.

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8.4.2.5 Operating Expenses

Operating Expenses	<---- Audited						---->		Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Selling and distribution expenses	3,913	34.89	5,014	45.33	5,084	48.03	4,701	32.46	2,020	40.69	2,303	37.60
Administrative expenses	7,301	65.11	6,047	54.67	5,502	51.97	9,782	67.54	2,944	59.31	3,822	62.40
Total	**11,214**	**100.00**	**11,061**	**100.00**	**10,586**	**100.00**	**14,483**	**100.00**	**4,964**	**100.00**	**6,125**	**100.00**

Our operating expenses generally comprise the following:-

(i) Selling and Distribution Expenses

Selling and Distribution Expenses	<---- Audited						---->		Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff cost [(a)]	1,751	44.75	1,864	37.18	1,636	32.18	1,828	38.89	666	32.97	714	31.00
Freight and forwarding charges	422	10.78	1,442	28.76	1,843	36.25	1,613	34.31	787	38.96	706	30.66
Travelling expenses	414	10.58	274	5.46	429	8.44	458	9.74	182	9.01	164	7.12
Advertisement and sales promotion expenses	456	11.65	571	11.38	498	9.80	327	6.96	154	7.62	580	25.18
Legal and professional fees	594	15.18	127	2.53	94	1.85	234	4.98	87	4.31	73	3.17
Entertainment expenses	98	2.51	390	7.78	310	6.10	143	3.04	87	4.31	38	1.65
Others [(b)]	178	4.55	346	6.91	274	5.38	98	2.08	57	2.82	28	1.22
Total	**3,913**	**100.00**	**5,014**	**100.00**	**5,084**	**100.00**	**4,701**	**100.00**	**2,020**	**100.00**	**2,303**	**100.00**

Notes:-

(a) Salaries, bonuses, allowances, employer's contributions to employees' provident fund and other selling and distribution staff related expenses.

(b) Others mainly include miscellaneous selling and distribution expenses such as postages, printing and stationery, network and telecommunication charges, upkeep of office and equipment expenses, donations, gifts and sponsorships, and depreciation of motor vehicles.

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(ii) Administrative Expenses

Administrative Expenses	Audited FYE 2012 RM'000	%	Audited FYE 2013 RM'000	%	Audited FYE 2014 RM'000	%	Audited FYE 2015 RM'000	%	Unaudited FPE 2014 RM'000	%	Audited FPE 2015 RM'000	%
Staff cost [(a)]	2,550	34.93	2,637	43.60	2,843	51.67	3,455	35.32	977	33.19	1,384	36.21
(Gain)/ loss on foreign exchange	431	5.90	102	1.69	(685)	(12.45)	2,235	22.85	406	13.79	655	17.14
Depreciation and amortisation [(b)]	1,710	23.42	1,402	23.19	1,447	26.30	1,530	15.64	624	21.20	599	15.67
Directors' remuneration	1,121	15.35	1,116	18.46	990	17.99	1,384	14.15	482	16.37	586	15.33
Travelling expenses	242	3.31	259	4.28	283	5.14	211	2.16	105	3.57	130	3.40
Legal and professional fees	452	6.19	85	1.41	82	1.49	205	2.09	54	1.83	76	1.99
Others [(c)]	795	10.90	446	7.37	542	9.86	762	7.79	296	10.05	392	10.26
Total	**7,301**	**100.00**	**6,047**	**100.00**	**5,502**	**100.00**	**9,782**	**100.00**	**2,944**	**100.00**	**3,822**	**100.00**

Notes:-

(a) Salaries, bonuses, allowances, employer's contributions to employees' provident fund and other administration staff related expenses.

(b) Depreciation and amortisation charges on leasehold land and office building, renovation, office equipment, furniture and fittings and motor vehicles.

(c) Others mainly include miscellaneous administrative and office expenses comprising of general insurance premium, printing and stationery, network and telecommunication charges, upkeep of office and equipment expenses, security charges, donations, gifts and sponsorships, and quit rent and assessment.

(a) FYE 2012

Our total operating expenses was approximately RM11.21 million for FYE 2012. Of this, selling and distribution expenses accounted for approximately RM3.91 million or 34.89% of total operating expenses whereas the administrative expenses constituted the balance of approximately RM7.30 million or 65.11% of total operating expenses.

(i) Selling and distribution expenses accounted for approximately 6.30% of our Group's total revenue recorded. The compositions of the selling and distribution expenses, amongst others, during the year were as follows:-

(aa) Legal, professional and consultancy fees and expenses of approximately RM0.59 million or 15.18% of total selling and distribution expenses. The said fees and expenses consist mainly of approximately RM0.57 million paid for the technical advisory, research and development studies undertaken on the Japanese automotive market; and

(bb) Advertisement and sales promotion expenses which included sales commission for the successful securement of OEM (OE Fit) and PDI (Smart Fit) leather car seat covers' sales of approximately RM0.46 million or 11.65% of our Group's total selling and distribution expenses.

(ii) Administrative expenses accounted for approximately RM7.30 million or 65.11% of total operating expenses for FYE 2012. The legal and professional charges of approximately RM0.45 million or 6.16% of our Group's total administrative expenses incurred in the FYE 2012 was mainly contributed by the legal fees incurred for the preparation of loan documentations for banking facilities.

(b) FYE 2013

For FYE 2013, our total operating expenses decreased by approximately RM0.15 million or 1.34% from approximately RM11.21 million for FYE 2012 to approximately RM11.06 million for FYE 2013. Of this, selling and distribution expenses were approximately RM5.01 million or 45.33% of our Group's total operating expenses whereas the balance of approximately RM6.05 million or 54.67% comprised of administrative expenses.

(i) Selling and distribution expenses increased substantially by approximately RM1.10 million or 28.13% from approximately RM3.91 million for FYE 2012 to approximately RM5.01 million for FYE 2013 despite the marginal increase of revenue by approximately 6.39% for FYE 2013. Selling and distribution expenses accounted for approximately 7.59% of our Group's total revenue for FYE 2013 as compared to 6.30% for the FYE 2012. The increase was mainly due to higher shipping costs incurred for export sales whereby the mode of transportation was changed from sea freight to air freight.

The compositions of the selling and distribution expenses, amongst others, during the FYE 2013 were as follows:-

(aa) Freight and forwarding charges of approximately RM1.44 million or 28.76% of our Group's total selling and distribution expenses. The substantial increase in the freight and forwarding charges as compared to FYE 2012 was mainly due to the changing of transportation mode for export sales to USA from sea freight to airfreight to reduce the delivery lead time and also to reduce the stock holding resulting from minimum load requirements if shipped by sea container; and

(bb) Advertisement and sales promotion expenses which included sales commission for the successful securing of OEM (OE Fit) and PDI (Smart Fit) leather car seat covers' sales of approximately RM0.57 million or 11.38% of our Group's total selling and distribution expenses;

(ii) Administrative expenses accounted for approximately RM6.05 million or 54.67% of our Group's total operating expenses for FYE 2013. The administrative expenses decreased by approximately RM1.25 million or 17.12% from approximately RM7.30 million for FYE 2012 to approximately RM6.05 million for FYE 2013 mainly due to the lower foreign exchange losses and legal and professional fee incurred.

(c) FYE 2014

For FYE 2014, total operating expenses decreased by approximately RM0.47 million or 4.25% from approximately RM11.06 million for FYE 2013 to approximately RM10.59 million for FYE 2014.

(i) Selling and distribution expenses were approximately RM5.08 million or 48.03% of our Group's total operating expenses.

Our selling and distribution expenses only increased marginally by approximately RM0.07 million or 1.40% from approximately RM5.01 million for FYE 2013 to approximately RM5.08 million for FYE 2014 despite the substantial increase in our Group's revenue by approximately 50.61% from the FYE 2013 to FYE 2014. This disproportionate increase was mainly due to the growth in our revenue contributed by OEM (OE Fit) and PDI (Smart Fit) segments which incurred less sales and distribution expenses as compared to after market segments, namely REM (OE Fit) segment.

The higher travelling expenses of approximately RM0.43 million or 8.44% of our Group's total selling and distribution expenses incurred during the FYE 2014 was mainly due to penetration of additional export markets such as Australia, Indonesia and Thailand.

(ii) Administrative expenses accounted for approximately RM5.50 million or 51.97% of our total operating expenses for FYE 2014. Administrative expenses decreased by approximately RM0.55 million or 9.09% from approximately RM6.05 million for FYE 2013 to approximately RM5.50 million for FYE 2014 mainly attributed to the foreign exchange gain of RM0.69 million and cost reduction exercise implemented by our Group.

(d) FYE 2015

For FYE 2015, total operating expenses increased by approximately RM3.89 million or 36.73% from approximately RM10.59 million for FYE 2014 to approximately RM14.48 million for FYE 2015.

(i) Selling and distribution expenses were approximately RM4.70 million or 32.46% of our Group's total operating expenses.

Our selling and distribution expenses decreased by approximately RM0.38 million or 7.48% from approximately RM5.08 million for FYE 2014 to approximately RM4.70 million for FYE 2015 despite increase in our revenue by approximately RM29.99 million or 30.13% for FYE 2015. Selling and distribution expenses accounted for approximately 3.63% of our Group's total revenue for FYE 2015 as compared to 5.11% for the FYE 2014.

The decrease was mainly due to the reduction in the advertisement and sales promotion expenses which included sales commission. During the FYE 2015, our Group has recruited additional sales and marketing staff which is remunerated based on fixed salary instead of sales commission. In addition, the reduction in freight and forwarding charges during the FYE 2015 contributed to the lower selling and distribution expenses due to the lower export sales as disclosed in Section 8.4.2.1.5 (d)(iv) of this Prospectus.

(ii) Administrative expenses accounted for approximately RM9.78 million or 67.54% of our total operating expenses for FYE 2015. Administrative expenses increased by approximately RM4.28 million or 77.82% from approximately RM5.50 million for FYE 2014 to approximately RM9.78 million for FYE 2015 mainly attributed to the increase in staff cost by approximately RM0.62 million (21.83%), loss on foreign exchange by approximately RM2.93 million (424.64%), Directors' remuneration by approximately RM0.39 million (39.39%) and legal and professional fees by approximately RM0.13 million (162.50%).

The increase in the staff cost and Directors' remuneration were due to additional Directors appointed during the FYE 2015, annual increment exercise and additional staff force recruited. The foreign exchange loss incurred was in relation to the depreciation of RM against the USD for the import of leather hides and the appreciation of RM against AUD for export sales. The increase in legal and professional fees were due to higher audit fee and tax consultancy fee incurred, legal fee for preparation of joint venture agreement for PAviation and professional fees incurred for the external trainings conducted for the employees of our Group.

(e) FPE 2015

For FPE 2015, total operating expenses increased by approximately RM1.17 million or 23.59% from approximately RM4.96 million for FPE 2014 to approximately RM6.13 million for FPE 2015.

(i) Selling and distribution expenses were approximately RM2.30 million or 37.60% of our Group's total operating expenses.

Our selling and distribution expenses increased by approximately RM0.28 million or 13.86% from approximately RM2.02 million for FPE 2014 to approximately RM2.30 million for FPE 2015 in line with the increase in our revenue by approximately RM10.99 million or 24.27% for FPE 2015. Selling and distribution expenses accounted for approximately 4.09% of our Group's total revenue for FPE 2015 as compared to 4.46% for the FPE 2014.

The increase was mainly due to the increase in the advertisement and sales promotion expenses attributable to the sales commission paid by PLeather for the retail sales to the local REM market previously paid by MRZ Car Seat Sdn Bhd as PLeather has taken over the retail operations of MRZ Car Seat Sdn Bhd as it has ceased operations from 1 February 2015. During the period, all the REM local sales was invoiced directly by PLeather with the payment of sales commission by PLeather directly as compared to the previous arrangement whereby PLeather invoiced MRZ Car Seat Sdn Bhd the selling price net of sales commission for MRZ Car Seat Sdn Bhd direct onward invoicing to its customer including payment and settlement of sales commission.

(ii) Administrative expenses accounted for approximately RM3.82 million or 62.40% of our total operating expenses for FPE 2015. Administrative expenses increased by approximately RM0.88 million or 29.93% from approximately RM2.94 million for FPE 2014 to approximately RM3.82 million for FPE 2015 mainly attributed to the increase in staff cost by approximately RM0.40 million (40.82%), loss on foreign exchange by approximately RM0.25 million (60.98%) and Directors' remuneration by approximately RM0.11 million (22.92%).

The increase in the staff cost and Directors' remuneration were due to additional Directors appointed, annual increment exercise and additional recruitment of senior management staff during the FPE 2015. The foreign exchange loss incurred was in relation to the depreciation of RM against the USD for the import of leather hides.

8.4.2.6 Finance Costs

Finance Costs	<---------- Audited						---------->		Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on:-												
Term loans	695	54.85	780	79.35	701	71.82	678	75.93	280	77.56	284	75.33
Trade facilities	408	32.20	76	7.73	134	13.73	106	11.87	24	6.65	71	18.83
Hire purchase	83	6.55	83	8.44	84	8.61	56	6.27	29	8.03	2	0.53
Bank charges	47	3.71	28	2.85	51	5.23	47	5.26	26	7.20	18	4.78
Bank overdraft	34	2.69	16	1.63	6	0.61	6	0.67	2	0.56	2	0.53
Total	**1,267**	**100.00**	**983**	**100.00**	**976**	**100.00**	**893**	**100.00**	**361**	**100.00**	**377**	**100.00**

Finance costs mainly comprised of interest charged on banking and trade facilities granted by the financial institutions. Our banking and trade facilities consisted of term loans, trade facilities such as banker acceptance and foreign currency trust receipt, hire purchase and bank overdrafts.

(a) FYE 2012

For FYE 2012, our Group's finance cost was approximately RM1.27 million. Of this, interest on term loans amounted to approximately RM0.70 million or 54.85% of our Group's total finance cost for FYE 2012. Interest expenses on trade facilities such as banker acceptance and foreign currency trust receipt amounted to approximately RM0.41 million or 32.20% of our Group's total finance costs. The utilisation of these trade facilities was mainly for working capital requirements.

(b) FYE 2013

Finance cost reduced by RM0.29 million or 22.83% from approximately RM1.27 million for FYE 2012 to approximately RM0.98 million for FYE 2013. This was mainly attributed to the decrease in interest expense on trade facilities which decreased from approximately RM0.41 million for FYE 2012 to approximately RM0.08 million for FYE 2013 due to better management of our working capital requirements and lower utilisation of our trade facilities. The decreased in bank overdraft interest and bank charges had also contributed to the reduction in the finance costs for FYE 2013.

(c) FYE 2014

Finance cost was maintained at approximately RM0.98 million for FYE 2013 and FYE 2014 respectively.

(d) FYE 2015

Finance cost reduced by RM0.09 million or 9.18% from approximately RM0.98 million for FYE 2014 to approximately RM0.89 million for FYE 2015. This was mainly attributed to the decrease in interest expense on term loans by approximately RM0.02 million (2.86%), trade facilities by approximately RM0.02 million (15.38%) and hire purchase by approximately RM0.02 million (25.0%) due to our monthly principal repayments of the term loans and hire purchases, better management of our working capital requirements and lower utilisation of our trade facilities.

(e) FPE 2015

Finance cost increased marginally by RM0.02 million or 5.56% from approximately RM0.36 million for FPE 2014 to approximately RM0.38 million for FPE 2015. This was mainly attributed to the increase in the interest expense incurred on trade facilities by approximately RM0.05 million or 250.0% due to the higher utilisation of our trade facilities during the FPE 2015.

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8.4.2.7 Segmental Analysis of Profits and Effective Tax Rate

8.4.2.7.1 PBT by Companies

The table below sets forth the breakdown of our Group's PBT by companies:-

PBT	<------ Audited						------>		Unaudited		Audited	
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2014		FPE 2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Pecca	(2)	(0.02)	(1)	(0.01)	(8)	(0.04)	(142)	(0.60)	(35)	(0.50)	(94)	(0.99)
PLeather	7,983	100.24	12,630	100.05	18,807	100.06	24,112	101.44	7,085	100.94	9,764	102.51
PAviation	(3)	(0.04)	(3)	(0.02)	(3)	(0.01)	(193)	(0.81)	(29)	(0.41)	(141)	(1.48)
EEmpire	(14)	(0.18)	(2)	(0.02)	(3)	(0.01)	(7)	(0.03)	(2)	(0.03)	(4)	(0.04)
Total	**7,964**	**100.00**	**12,624**	**100.00**	**18,793**	**100.00**	**23,770**	**100.00**	**7,019**	**100.00**	**9,525**	**100.00**

8.4.2.7.2 Profits and Effective Tax Rate

The table below sets forth our Group's profits and effective tax rate:-

	<------ Audited			------>	Unaudited	Audited
	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FYE 2015 RM'000	FPE 2014 RM'000	FPE 2015 RM'000
PBT	7,964	12,624	18,793	23,770	7,019	9,525
Taxation	(2,324)	(2,084)	(4,315)	(5,907)	(1,771)	(2,372)
PBT margin	12.82%	19.10%	18.88%	18.35%	15.50%	16.93%
Effective tax rate	29.18%	16.51%	22.96%	24.85%	25.23%	24.90%
PAT	5,640	10,540	14,478	17,863	5,248	7,153
PAT margin	9.08%	15.95%	14.54%	13.79%	11.59%	12.71%

Our year-on-year PBT increased from approximately RM7.96 million for FYE 2012 to approximately RM23.77 million for FYE 2015, which represented a CAGR of approximately 44.0%. The discussion on the analysis on PBT and PBT margin is as follows:-

(a) FYE 2012

For FYE 2012, our taxation was approximately RM2.32 million and the effective tax rate was approximately 29.18%, which was higher than the statutory tax rate of approximately 25.0% due to the add back of non-deductible expenses comprised mainly of donations, gifts and sponsorships such as donations to charitable organisations and congratulatory and condolences purposes; hamper gifts to customers and sponsorships for construction of schools; and events organised by car manufacturers' clubs and charitable organisations (approximately RM0.11 million), entertainment expenses (approximately RM0.22 million) and professional fees for the patent and trademark applications, preparation of legal documentation for banking facilities, valuation of property and tax advisory services (approximately RM0.30 million). Further analysis of revenue and GP is disclosed in Section 8.4.2.1 and Section 8.4.2.3 of this Prospectus respectively.

(b) FYE 2013

Our PAT margin improved from 9.08% for FYE 2012 to 15.95% for FYE 2013 mainly due to the lower effective tax rate. Further analysis of revenue and GP is disclosed in Section 8.4.2.1 and Section 8.4.2.3 of this Prospectus respectively.

Taxation reduced by RM0.24 million or 10.34% from approximately RM2.32 million for FYE 2012 to approximately RM2.08 million for FYE 2013 and the effective tax rate was approximately 16.51% which was lower than the statutory tax rate of approximately 25.0%. This was mainly due to utilisation of reinvestment allowance on qualifying expenditure arising from our investment in the factory building and plant machineries amounting to a total of approximately RM1.26 million and reversal of overprovision of income tax and deferred tax liabilities in prior year of approximately RM0.60 million and RM0.22 million respectively.

(c) FYE 2014

Our PBT increased by approximately RM6.17 million or 48.89% from approximately RM12.62 million for FYE 2013 to approximately RM18.79 million for FYE 2014 in line with the increase in revenue recorded. Our PAT margin reduced slightly from 15.95% for FYE 2013 to 14.54% for FYE 2014 mainly due to higher effective tax rate for FYE 2014. Further analysis of revenue and GP is disclosed in Section 8.4.2.1 and Section 8.4.2.3 of this Prospectus respectively.

Taxation increased by approximately RM2.24 million or 107.69% from approximately RM2.08 million for FYE 2013 to approximately RM4.32 million for FYE 2014. For FYE 2014, the effective income tax rate was approximately 22.96% which was below the statutory tax rate of approximately 25.0% mainly due to the utilisation of reinvestment allowance on qualifying expenditure arising from our investment in the factory building and plant machineries amounting to a total of approximately RM3.13 million.

(d) FYE 2015

Our PBT increased by approximately RM4.98 million or 26.50% from approximately RM18.79 million for FYE 2014 to approximately RM23.77 million for FYE 2015 in line with the increase in revenue recorded. Our PAT margin reduced from 14.54% for FYE 2014 to 13.79% for FYE 2015 mainly due to higher effective tax rate for FYE 2015. Further analysis of revenue and GP is disclosed in Section 8.4.2.1 and Section 8.4.2.3 of this Prospectus respectively.

Taxation increased by approximately RM1.59 million or 36.81% from approximately RM4.32 million for FYE 2014 to approximately RM5.91 million for FYE 2015. For FYE 2015, the effective income tax rate was approximately 24.85% which was below the statutory tax rate of approximately 25.0% mainly due to the utilisation of reinvestment allowance on qualifying expenditure arising from our investment in the factory building and plant machineries amounting to a total of approximately RM2.05 million.

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(e) FPE 2015

Our PBT increased by approximately RM2.51 million or 35.75% from approximately RM7.02 million for FPE 2014 to approximately RM9.53 million for FPE 2015 in line with the increase in revenue recorded. Our PAT margin increased from 11.59% for FPE 2014 to 12.71% for FPE 2015 in tandem with the increase in PBT margin from 15.50% for FPE 2014 to 16.93% for FPE 2015. Further analysis of revenue and GP is disclosed in Section 8.4.2.1 and Section 8.4.2.3 of this Prospectus respectively.

Taxation increased by approximately RM0.60 million or 33.90% from approximately RM1.77 million for FPE 2014 to approximately RM2.37 million for FPE 2015. For FPE 2015, the effective income tax rate was approximately 24.90% which was above the statutory tax rate of approximately 24.0% mainly due to the losses registered by Pecca, PAviation and EEmpire as disclosed in Section 8.4.2.7.1 of this Prospectus.

8.4.3 Significant Factors Affecting Our Financial Performance

Our Group's business operations and financial condition had been and will continue to be affected by internal and external factors predominantly affecting the automotive leather upholstery industry but not limited to the following:-

(a) Fluctuation in Prices of Raw Materials

Fluctuation in prices of automotive leather hides always has a significant impact on the automotive leather upholstery industry as the leather hides makes up a significant proportion of our cost of sales. Hence, the fluctuation in prices of leather hides may have an adverse impact on our financial performance.

Further details are set out in Section 3.2.2 of this Prospectus.

(b) Dependence on the Supply of Raw Materials

We are dependent on automotive leather hides for our manufacturing of leather car seat covers which constitutes a major portion of our cost of sales. To ensure the quality of our products, we prefer to source the leather hides from a small pool of tanneries although there is ample supply of leather hides available. Our Group has established mutual beneficial relationships with our suppliers that assure our Group of a constant supply of raw materials at reasonable prices as set out in Section 3.2.5 of this Prospectus.

(c) Dependence on Supply of Foreign Labour

We are dependent on the skilled labour in the production of leather upholstery for car seats and accessories resulting in labour being the second largest component of our cost of sales. As leather is a major component our cost in the production of car seat covers, skilled labour forms an important element in ensuring maximum yield in the leather usage and minimising wastage in the manufacturing process. Our Group is constantly exploring possible alternatives to automate our manufacturing processes in order to optimise our cost structure for the production of leather car seat covers in terms of dependency on the skilled labour and the consumption of leather hides.

Further details are set out in Section 3.1.4 of this Prospectus.

(d) Foreign Exchange Fluctuation

The majority of our raw materials are imported and mainly denominated in USD. However, only a portion of our Group's revenue is derived from exports and is mainly denominated in USD, EUR, SGD and AUD. As such, besides the natural hedge from the setting off of imports and exports, we are exposed to foreign currency exchange losses or gains arising from timing differences. Any fluctuation of foreign currencies against the RM will result in our Group incurring foreign currency exchange gains or losses. The risks and mitigating factors of our foreign currency exposure are set out in Section 3.1.3 of this Prospectus.

(e) Impact of Inflation

Our financial performances for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 were not materially affected by the impact of inflation. Although we believe that we would be able to pass on any future increases in the price of leather hides, and costs of operations to our customers, there can be no assurance that future inflation will not have an impact on our business and financial performance.

(f) Government/ Economic/ Fiscal/ Monetary Policies

We are subjected to the risks to Government, economic, fiscal or monetary policies, where any unfavourable changes may materially affect our business operations and financial performance. From FYE 2012 to FYE 2015, and subsequently FPE 2015, our results were not adversely affected by any unfavourable changes relating to Government, economic, fiscal or monetary policies.

Further details are set out in Section 3.1.1 and Section 3.2.1 of this Prospectus.

8.5 LIQUIDITY AND CAPITAL RESOURCES

8.5.1 Working Capital

Our business has been financed via a combination of internal and external sources of funds. Our internal sources were from shareholders' equity and cash generated from our operations whereas our external sources were from the various credit facilities extended to us by financial institutions. The principal utilisation of these funds has been for our business operations and growth.

As at 30 November 2015 and after the Dividend Payment, Subdivision, Allotment and Acquisitions (before taking into consideration the Public Issue and utilisation of proceeds as disclosed in Section 1.5 of this Prospectus), our Group has cash and cash equivalents of approximately RM26.15 million, total borrowings of approximately RM16.81 million and debt to equity ratio of approximately 0.19 times. In addition, as at LPD, we have banking facilities available amounting to approximately RM23.0 million, of which RM17.09 million has yet to be utilised.

Our Directors are of the opinion that after taking into consideration the cash and cash equivalents, the expected profits to be generated from our operations, amounts available under our existing banking facilities and new banking facilities that may be granted to our Group, as well as proceeds expected to be raised from the Public Issue, our Group will have adequate working capital to meet our present and foreseeable requirements for at least a period of 12 months from the date of this Prospectus.

8.5.2 Cash Flow

The following is a summary of our Group's combined statements of cash flows for the FYE 2012 to FYE 2015 and FPE 2015 and should be read in conjunction with the Reporting Accountant's letter on the combined financial information as set out in Section 8.1 of this Prospectus.

8.5.2.1 FYE 2012

Cash Flow	Combined as at 30.06.2012 RM'000
Net cash from operating activities	1,722
Net cash from investing activities	2,582
Net cash for financing activities	(7,222)
Net decrease in cash and cash equivalents	**(2,918)**
Cash and cash equivalents at beginning of the financial year	9,011
Cash and cash equivalents at end of financial year*	**6,093**

Note:-

* Components of cash and cash equivalents as at 30 June 2012:-

	As at 30.06.2012 RM'000
Fixed deposits with licensed banks	4,877
Cash and bank balances	6,093
	10,970
Less: Pledged deposit	(4,877)
	6,093

Brief commentaries of our Group's summarised combined statement of cash flow for FYE 2012 are as follows:-

(a) Net Cash from Operating Activities

For FYE 2012, we generated an operating cash flow of approximately RM11.44 million. After adjusting for net outflow of approximately RM7.46 million from working capital changes, interest paid of approximately RM1.22 million and income tax paid of approximately RM1.04 million, we generated net cash from operating activities of approximately RM1.72 million.

The net cash outflow of approximately RM7.46 million from working capital changes mainly derived from increase in inventories of approximately RM1.52 million, increase in trade and other receivables of approximately RM6.96 million and increase in trade and other payables of approximately RM1.02 million.

(b) Net Cash from Investing Activities

For FYE 2012, our Group's net cash from investing activities amounted to approximately RM2.58 million. This was mainly attributed to purchase of plant and equipment of approximately RM1.10 million, purchase of other investments of approximately RM0.01 million, proceeds from disposal of plant and equipment of approximately RM0.57 million, interest income received of approximately RM0.19 million and net withdrawal of fixed deposits pledged with a licensed bank of approximately RM2.93 million.

(c) Net Cash for Financing Activities

For FYE 2012, the net cash for financing activities of our Group amounted to approximately RM7.22 million. This was mainly attributed to the net repayment of term loans of approximately RM0.57 million, net repayment of bankers' acceptances of approximately RM1.49 million, repayment of hire purchase and finance lease obligations of approximately RM1.49 million, proceeds from issuance of shares of RM0.12 million, advances from a Director of approximately RM0.01 million and dividend paid of approximately RM3.80 million,.

8.5.2.2 FYE 2013

Cash Flow	Combined as at 30.06.2013 RM'000
Net cash from operating activities	17,545
Net cash for investing activities	(1,446)
Net cash for financing activities	(13,950)
Net increase in cash and cash equivalents	**2,149**
Cash and cash equivalents at beginning of the financial year	6,093
Cash and cash equivalents at end of financial year*	**8,242**

Note:-

* Components of cash and cash equivalents as at 30 June 2013:-

	As at 30.06.2013 RM'000
Fixed deposits with licensed banks	3,218
Cash and bank balances	8,242
	11,460
Less: Pledged deposit	(3,218)
	8,242

Brief commentaries of our Group's summarised combined statement of cash flow for FYE 2013 are as follows:-

(a) Net Cash from Operating Activities

For FYE 2013, we generated an operating cash flow of approximately RM15.27 million. After adjusting for net inflow of approximately RM3.05 million from working capital changes, interest paid of approximately RM1.03 million and income tax refunded of approximately RM0.26 million, we generated net cash from operating activities of approximately RM17.55 million.

The net cash inflow of approximately RM3.05 million from working capital changes mainly derived from decrease in inventories of approximately RM0.19 million, decrease in trade and other receivables of approximately RM3.43 million and decrease in trade and other payables of approximately RM0.57 million.

(b) Net Cash for Investing Activities

For FYE 2013, our Group's net cash for investing activities amounted to approximately RM1.45 million. This was mainly attributed to the purchase of plant and equipment of approximately RM3.59 million, purchase of other investments of approximately RM0.03 million, proceeds from disposal of plant and equipment of approximately RM0.20 million, interest income received of approximately RM0.31 million and net withdrawal of fixed deposits pledged with a licensed bank of approximately RM1.66 million.

(c) Net Cash for Financing Activities

For FYE 2013, the net cash for financing activities of our Group amounted to approximately RM13.95 million. This was mainly attributed to the net repayment of term loans of approximately RM1.14 million, net repayment of bankers' acceptances of RM6.49 million, repayment of hire purchase and finance lease obligations of approximately RM1.26 million and dividend paid of approximately RM5.06 million.

8.5.2.3 FYE 2014

Cash Flow	Combined as at 30.06.2014 RM'000
Net cash from operating activities	25,347
Net cash for investing activities	(4,065)
Net cash for financing activities	(11,705)
Net increase in cash and cash equivalents	**9,577**
Cash and cash equivalents at beginning of the financial year	8,242
Cash and cash equivalents at end of financial year*	**17,819**

Note:-

* Components of cash and cash equivalents as at 30 June 2014:-

	As at 30.06.2014 RM'000
Fixed deposits with licensed banks	2,237
Cash and bank balances	17,819
	20,056
Less: Pledged deposit	(2,237)
	17,819

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Brief commentaries of our Group's summarised combined statement of cash flow for the FYE 2014 are as follows:-

(a) Net Cash from Operating Activities

For FYE 2014, we generated an operating cash flow of approximately RM21.50 million. After adjusting for net inflow of approximately RM8.0 million from working capital changes, interest paid of approximately RM0.98 million and income tax paid of approximately RM3.17 million, we generated net cash from operating activities of approximately RM25.35 million.

The net cash inflow of approximately RM8.0 million from working capital changes mainly derived from increase in inventories of approximately RM3.43 million, decrease in trade and other receivables of approximately RM0.62 million and increase in trade and other payables of approximately RM10.81 million.

(b) Net Cash for Investing Activities

For FYE 2014, our Group's net cash for investing activities amounted to approximately RM4.07 million. This was mainly attributed to the purchase of plant and equipment of approximately RM5.84 million, advances to a Director of approximately RM0.12 million, proceeds from disposal of plant and equipment of RM0.67 million, proceed from disposal of other investment of approximately RM0.04 million, interest income received of approximately RM0.20 million and net withdrawal of fixed deposits pledged with a licensed bank of approximately RM0.98 million.

(c) Net Cash for Financing Activities

For FYE 2014, the net cash for financing activities of our Group amounted to approximately RM11.70 million. This was mainly attributed to the net repayment of term loans of approximately RM1.08 million, repayment of hire purchase and finance lease obligations of approximately RM0.97 million, advances from a Director of approximately RM0.01 million and dividend paid of approximately RM9.66 million.

8.5.2.4 FYE 2015

Cash Flow	Combined as at 30.06.2015 RM'000
Net cash from operating activities	9,031
Net cash for investing activities	(2,361)
Net cash for financing activities	(4,890)
Net increase in cash and cash equivalents	**1,780**
Effects of foreign exchange translation	170
Cash and cash equivalents at beginning of the financial year	17,819
Cash and cash equivalents at end of financial year*	**19,769**

Note:-

* Components of cash and cash equivalents as at 30 June 2015:-

	As at 30.06.2015 RM'000
Fixed deposits with licensed banks	2,307
Cash and bank balances	19,769
	22,076
Less: Pledged deposit	(2,307)
	19,769

Brief commentaries of our Group's summarised combined statement of cash flow for the FYE 2015 are as follows:-

(a) Net Cash from Operating Activities

For FYE 2015 we generated an operating cash flow of approximately RM27.36 million. After adjusting for net outflow of approximately RM12.51 million from working capital changes, interest paid of approximately RM0.89 million and income tax paid of approximately RM4.93 million, we generated net cash from operating activities of approximately RM9.03 million.

The net cash outflow of approximately RM12.51 million from working capital changes mainly derived from increase in inventories of approximately RM7.74 million, increase in trade and other receivables of approximately RM3.35 million and decrease in trade and other payables of approximately RM1.42 million.

(b) Net Cash for Investing Activities

For FYE 2015, our Group's net cash for investing activities amounted to approximately RM2.36 million. This was mainly attributed to the acquisition from non-controlling interest of approximately RM0.12 million, purchase of plant and equipment of approximately RM3.11 million, purchase of 5% equity interest in Coöperatie Leder Inbouw Nederland U.A of approximately RM0.10 million, repayment from a Director of approximately RM0.12 million, proceeds from disposal of plant and equipment of RM0.71 million, interest income received of approximately RM0.21 million and net placement of fixed deposits pledged with a licensed bank of approximately RM0.07 million.

(c) Net Cash for Financing Activities

For FYE 2015, the net cash for financing activities of our Group amounted to approximately RM4.89 million. This was mainly attributed to the net repayment of term loans of approximately RM1.11 million, net drawdown of bankers' acceptances of RM5.0 million, repayment of hire purchase and finance lease obligations of approximately RM0.86 million, proceeds from issuance of shares of RM0.10 million, advances from a Director of approximately RM0.26 million and dividend paid of approximately RM8.28 million.

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8.5.2.5 FPE 2015

Cash Flow	(I) Combined as at 30.11.2015 RM'000	(II) Proforma Consolidated After (I) and Adjusted for Public Issue and Utilisation of Proceeds RM'000
Net cash from operating activities	14,593	14,593
Net cash for investing activities	(8,273)	(25,573)
Net cash (for)/ from financing activities	(383)	45,674
Net increase in cash and cash equivalents	**5,937**	**34,694**
Effects of foreign exchange translation	441	441
Cash and cash equivalents at beginning of the financial year	19,769	19,769
Cash and cash equivalents at end of financial year [(i)]	**[(ii)] 26,147**	**54,904**

Notes:-

(i) Components of cash and cash equivalents as at 30 November 2015:-

	(I) As at 30.11.2015 RM'000	(II) After (I) and Adjusting for Public Issue and Utilisation of Proceeds as at 30.11.2015 RM'000
Fixed deposits with licensed banks:-		
- placed for more than 3 months	10,338	10,338
- placed for less than 3 months [(ii)]	5,000	5,000
Sub-total	15,338	15,338
Cash and bank balances	21,147	49,904
	36,485	65,242
Less: Fixed deposits with licensed banks:-		
- pledged	(2,338)	(2,338)
- placed for more than 3 months	(8,000)	(8,000)
Sub-total	10,338	10,338
	26,147	**54,904**

(ii) Inclusive of fixed deposits placed with licensed banks for less than 3 months of RM5.0 million categorised and included as cash and cash equivalents.

Save and except for the restrictive covenants under our loan documentation entered into by our Group as summarised below, our Directors are of the opinion that there are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances and are therefore confident that we can meet our cash obligations:-

(a) obtain the bank's prior written consent before any bonus issue is declared or made or any distribution of share capital is made.

(b) obtain the bank's prior written consent before any declaration and/or payment of dividend is made;

(c) ensure the dividend payment does not exceed the net PAT for the financial year;

(d) obtain the bank's written consent before any inter-related companies financing for utilisation of facilities is made; and

(e) obtain the bank's written consent before permitting any loans or advances to others, or making investments in other companies.

Brief commentaries of our Group's summarised combined statement of cash flow *(prior to the Public Issue and utilisation of proceeds)* for the FPE 2015 are as follows:-

(a) Net Cash from Operating Activities

For FPE 2015 we generated an operating cash flow of approximately RM10.53 million. After adjusting for net inflow of approximately RM6.21 million from working capital changes, interest paid of approximately RM0.36 million and income tax paid of approximately RM1.79 million, we generated net cash from operating activities of approximately RM14.59 million.

The net cash inflow of approximately RM6.21 million from working capital changes mainly derived from decrease in inventories of approximately RM2.75 million, decrease in trade and other receivables of approximately RM3.25 million and increase in trade and other payables of approximately RM0.21 million.

(b) Net Cash for Investing Activities

For FPE 2015, our Group's net cash for investing activities amounted to approximately RM8.27 million. This was mainly attributed to the purchase of plant and equipment of approximately RM0.49 million, proceeds from disposal of plant and equipment of RM0.01 million, interest income received of approximately RM0.24 million and net placement of fixed deposits pledged with a licensed bank of approximately RM8.03 million.

(c) Net Cash for Financing Activities

For FPE 2015, the net cash for financing activities of our Group amounted to approximately RM0.38 million. This was mainly attributed to the net repayment of term loans of approximately RM0.46 million, repayment of hire purchase and finance lease obligations of approximately RM0.04 million and advances from a Director of approximately RM0.12 million.

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8.5.3 Borrowings

As at 30 November 2015, our Group had total outstanding bank borrowings of approximately RM16.81 million, all of which were interest-bearing and denominated in RM, the details of which are set out below:-

	As at 30 November 2015		
	Short Term (Payable within 12 Months) RM'000	**Long Term (Payable after 12 Months) RM'000**	**Total RM'000**
Trade facilities	5,000	-	5,000
Hire purchase liabilities(1)	18	-	18
Term loans (2)	1,346	10,449	11,795
Total	**6,364**	**10,449**	**16,813**
Gearing ratio(3) (times)			

Notes:-

(1) Hire purchase liabilities were utilised to finance the purchase of machinery and equipment and motor vehicles.

(2) Term loans were utilised to finance the purchase of land, construction and renovations of the office cum factory and hostel building, and purchase of the residential property.

(3) Calculated based on proforma shareholders' funds after the Dividend Payment, Subdivision, Allotment and Acquisitions.

As at 30 November 2015, our Group's floating and fixed rate borrowings are set out below:-

	FPE 2015		
	(1) Floating Rate Borrowings RM'000	**(2) Fixed Rate Borrowings RM'000**	**Total RM'000**
Borrowings	11,795	5,018	16,813

Notes:-

(1) Includes term loan.

(2) Includes trade facilities and hire purchase liabilities.

As at 30 November 2015, our interest bearing borrowings amounted to approximately RM16.81 million, of which approximately RM11.79 million was for the term loans to finance the purchase of land, construction and renovations of the office cum factory and hostel building, and the purchase of the residential property. The balance of approximately RM5.02 million comprised the utilisation of trade facilities of RM5.0 million for working capital purposes and hire purchase of approximately RM0.02 million to finance the purchase of machinery and equipment, and motor vehicles.

For the FPE 2015, the effective average interest rate for our term loans was approximately 5.04% per annum and ranges from 4.42% to 6.98% per annum for our hire purchases.

As at the LPD, our Group does not have any non-interest bearing borrowings or foreign borrowings.

There has been no default or any known events that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group throughout the past four (4) FYE 2012 to FYE 2015 and FPE 2015 and the subsequent financial period up to the LPD which our Directors are aware of.

In addition, as at the LPD, neither our Company nor any of our subsidiaries is in breach of any terms and conditions or covenants associated with the credit arrangements or bank borrowings which materially affected our financial position and results or business operations or investments by holders of our securities.

Currently, our Group does not have any interest rate hedging policy. We will monitor the interest rate movement and will take the necessary steps to minimise interest rate risk whenever deemed appropriate such as implementing a hedging policy. However, no assurance can be given that any future significant movement in interest rate will not have a material adverse impact on our business, operating results and financial position.

8.5.4 Treasury Policies and Objectives

Our Group has been funding our operations through shareholders' equity, cash generated from our operations and external sources of funds. Our external sources of funds consist of credit terms granted by our suppliers and borrowings from financial institutions. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding whereas our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities. The normal credit terms granted to our Group by our suppliers is 30 days to 90 days.

Our Group's borrowings from financial institutions consists of term loans, hire purchase and lease facilities which are used for purchase of properties, motor vehicles, machinery and equipment whereas the bank overdrafts, banker acceptances and trust receipts are used for working capital for our business operations. As at LPD, our Group has banking facilities amounting to RM17.09 million, which has yet to be utilised.

Our short term borrowings are payable within one (1) year. The interest rates for these short term borrowings are based on prevailing cost of funds plus or minus a margin as the case may be as agreed upon by our bankers when the respective loans were granted.

Our long term borrowings are payable after one (1) year. The interest rates for these long term borrowings are based on the prevailing cost of funds minus a margin as agreed upon by our bankers when the respective loans were granted.

The decision to either utilise banking facilities or internally generated funds for our operations depend on, inter alia, our cash reserve, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

Our minimum cash reserves at any point in time is dependent on, inter alia, the expected cash inflows or receipts from customers, liquidity of our short term placement of funds and our future working capital requirements.

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8.5.5 Financial Instruments for Hedging Purpose

We are exposed to foreign currency risk as a result of transactions entered into in currencies other than RM. Our exposure primarily consists of trade receivables and trade payables. We also hold cash and cash equivalents denominated in currencies other than in RM such as USD, EUR, AUD, JPY, NZD and SGD. We make limited use of currency forward contracts from time to time to manage our foreign exchange exposures on purchases in other currencies such as USD and EUR. As at 30 November 2015 our Group did not hold any financial instruments for hedging purposes and as at the LPD, our Group has no foreign currency trust receipts outstanding.

8.5.6 Material Capital Commitment

As at the LPD, our Group does not have any material capital commitments.

8.5.7 Material Contingent Liabilities

As at the LPD, our Group does not have any material contingent liabilities.

8.5.8 Material Litigation, Claims or Arbitration

As at the LPD, neither our Company nor our subsidiaries is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our subsidiaries and our Board has no knowledge of any proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Company or our Group.

8.5.9 Key Financial Ratios

The following table sets forth the key financial ratios based on our combined statements of financial position for the financial years/ periods indicated below:-

Key Financial Ratios	<---------------------- Audited			---------------------->	Unaudited	Audited
	30.06.2012	30.06.2013	30.06.2014	30.06.2015	30.11.2014	30.11.2015
Trade receivables turnover period [(1)] (days)	115	102	84	77	74	63
Trade payables turnover period [(2)] (days)	53	52	76	56	35	55
Inventory turnover period [(3)] (days)	83	80	66	81	88	66
Current ratio [(4)] (times)	2.91	4.19	2.67	2.73	2.62	2.94

Notes:-

(1) Based on combined trade receivable balances as at the dates of the respective combined statements of financial position over our Group's total revenue of the respective financial years/ annualised total revenue of the respective financial periods.

(2) Based on combined trade payables balances as at the dates of the respective combined statements of financial position over our Group's total cost of sales of the respective financial years/ annualised total cost of sales of the respective financial periods.

(3) Based on combined inventory balances as at the dates of the respective combined statements of financial position over our Group's total cost of sales of the respective financial years/ annualised total cost of sales of the respective financial periods.

(4) Based on combined current assets as at the dates of the respective combined statements of financial position over current liabilities as at the dates of the respective statements of financial position after the Dividend Payment, Subdivision, Allotment and Acquisitions.

8.5.9.1 Trade Receivables

The table below sets forth a summary of our Group's trade receivables for the financial years/ periods indicated:-

Trade Receivables	<---------- Audited			---------->	Unaudited	Audited
	30.06.2012	30.06.2013	30.06.2014	30.06.2015	30.11.2014	30.11.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables [1]	19,602	18,425	22,963	27,221	22,169	23,236
Revenue	62,127	66,100	99,546	129,536	108,682	135,048
Trade receivables turnover period [2] (days)	115	102	84	77	74	63

Notes:-

(1) Based on combined trade receivables balances as at the dates of the respective combined statements of financial position.

(2) Based on combined trade receivables balances as at the dates of the respective combined statements of financial position over our Group's total revenue of the respective financial years/ annualised total revenue of the respective financial periods.

The normal credit period generally granted to our customers is between 30 days and 90 days. Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness, quantum of amount owing as well as the reason for the customers' inability to pay within the normal credit period.

As at 30 June 2013, our trade receivables turnover period was 102 days as compared to 115 days as at 30 June 2012. This longer receivables turnover period for 30 June 2012 was mainly due to long outstanding debts from a customer who had continuously delayed its payment to our Group. The outstanding debts were subsequently collected when our Group commenced legal proceeding against the said customer.

As at 30 June 2014, our trade receivables turnover period of 84 days as compared to 102 days as at 30 June 2013 was mainly due to collection of outstanding debts from Pecca Leather Inc (US) when it ceased its operations during the FYE 2014.

As at 30 June 2015, our trade receivables turnover period was 77 days as compared to 84 days as at 30 June 2014 mainly due to shorter credit period granted from 60 days to 30 days to one of our major customer, namely, Fuji Seats (Malaysia) Sdn Bhd.

As at 30 November 2015, our trade receivables turnover period was 63 days as compared to 77 days as at 30 June 2015 mainly due to overall further improvement on the collection from our overseas customers.

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Ageing Analysis of Trade Receivables as at 30 November 2015

The ageing analysis of our Group's trade receivables as at 30 November 2015 is as follows:-

	Within Normal Credit Period			Exceeded Credit Period	
	0 – 30 days	31 – 60 days	61 – 90 days	>91 days	Total
Trade receivables (RM'000)	11,786	10,240	1,164	46	23,236
Percentage of total trade receivables (%)	50.72	44.07	5.01	0.20	100.0
Subsequent collections as at the LPD (RM'000)	11,587	9,947	1,082	45	22,661
Trade receivables and after subsequent collections (RM'000)	199	293	82	1	575
Percentage of trade receivables and after subsequent collections against total trade receivables and after subsequent collections (%)	34.61	50.96	14.26	0.17	100.0

As at the LPD, we have collected approximately RM22.66 million representing 97.53% out of a total of approximately RM23.24 million of outstanding trade receivables as at 30 November 2015.

In this regard, all our trade receivables have been collected save for approximately RM0.58 million, which represented approximately 2.47% of the total trade receivables outstanding as at 30 November 2015. Out of this outstanding amount RM962 or 0.17% exceeded our normal credit period of up to 90 days. This outstanding amount was mainly due to a request from a customer for some cash discount which resulted in the delay in the payment by the said customer.

For all trade receivables exceeding the normal credit period of 90 days, our management will take all possible steps to closely monitor the progress of the collections to minimise the likelihood of the outstanding debts turning into bad debts. As such, our Directors are of the opinion that all outstanding debts, if any, are recoverable. This is evident by the fact that approximately RM22.62 million representing 97.52% of our trade receivables categorised as 'within normal credit period' was collected as at the LPD and the remaining of approximately RM0.05 million representing 97.83% of our trade receivables categorised as 'exceeded credit period' has also been collected as at the LPD.

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8.5.9.2 Trade Payables

The following table provides a summary of our Group's trade payables for the years/ periods as indicated:-

Trade Payables	<------ Audited	------	------	------>	Unaudited	Audited
	30.06.2012	30.06.2013	30.06.2014	30.06.2015	30.11.2014	30.11.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables[(1)]	6,147	6,047	14,709	14,083	15,320	14,677
Cost of sales	42,111	42,806	70,192	91,405	79,625	97,433
Trade payables turnover period [(2)] (days)	53	52	76	56	70	55

Notes:-

(1) Based on combined trade payables balances as at the dates of the respective combined statements of financial position.

(2) Based on combined trade payables balances as at the dates of the respective combined statements of financial position over our Group's total cost of sales of the respective financial years/ annualised total cost of sales of the respective financial periods.

The normal credit period granted to our Group by our suppliers range from 30 days to 90 days. To enjoy prompt payment discounts and maintain good relationships with our suppliers, we will make payment to the suppliers as they fall due.

Our trade payables turnover period as at 30 June 2012, 30 June 2013, 30 June 2014, 30 June 2015 and 30 November 2015 were 53 days, 52 days, 76 days, 56 days and 55 days respectively, which was within the normal credit period. We are of the view that timely settlement of payment facilitates better services and prices, as well as strengthening our relationships with our suppliers.

As at 30 June 2013, our trade payables turnover period was 52 days which was shorter compared to 30 June 2012 of 53 days. This was mainly attributed to early payments to certain suppliers who granted cash discounts.

As at 30 June 2014, our trade payables turnover period was 76 days which was higher than as at 30 June 2013 of 52 days. This was mainly due to payments made by us which were based on the normal credit terms granted by the suppliers when certain suppliers discontinued the granting of cash discounts for early payments.

As at 30 June 2015, our trade payables turnover period was 56 days which was shorter than as at 30 June 2014 of 76 days. This was mainly due to the shorter credit terms of 6 days granted by the Zendaleather S.A. from August 2014 to April 2015 as compared to 60 days granted by Pasubio Spa for the supply of leather hides as our Group was a new customer to Zendaleather S.A.

As at 30 November 2015, our trade payables turnover period was 55 days which was marginally shorter than as at 30 June 2015 of 56 days and in line with the credit period granted by our suppliers.

Ageing Analysis of Trade Payables as at 30 November 2015

The ageing analysis of our Group's trade payables as at 30 November 2015 is as follows:-

	Within Normal Credit Period			Exceeded Credit Period		Total
	0 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	>121 days	
Trade payables (RM'000)	3,716	6,366	4,199	391	5	14,677
Percentage of total trade payables (%)	25.32	43.37	28.61	2.67	0.03	100.00
Subsequent payments as at the LPD (RM'000)	3,142	5,854	3,550	391	5	12,942
Trade payables and after subsequent payments (RM'000)	574	512	649	-	-	1,735
Percentage of trade payables and after subsequent payments against total trade payables and after subsequent payments (%)	33.08	29.51	37.41	-	-	100.00

As at 30 November 2015, our outstanding total trade payables were approximately RM14.68 million with approximately RM0.40 million or 2.70% of our total trade payables that were more than 90 days.

As at the LPD, approximately RM12.94 million or 88.18% of our total outstanding trade payables of approximately RM14.68 million as at 30 November 2015 have been paid.

The amounts still remain unpaid as at the LPD amounted to approximately RM1.74 million of which all is within the normal credit period of 90 days.

8.5.9.3 Inventory

The following table is a summary of our Group's inventory for the years/ periods indicated:-

	<---------- Audited ---------->				Unaudited	Audited
Inventory	**30.06.2012 RM'000**	**30.06.2013 RM'000**	**30.06.2014 RM'000**	**30.06.2015 RM'000**	**30.11.2014 RM'000**	**30.11.2015 RM'000**
Inventory [(1)]	9,533	9,338	12,771	20,325	19,267	17,578
Cost of sales	42,111	42,806	70,192	91,405	79,625	97,433
Inventory turnover period [(2)] (days)	83	80	66	81	88	66

Notes:-

(1) Based on combined inventory balances as at dates of the respective combined statements of financial position.

(2) Based on combined inventory balances as at the dates of the respective combined statements of financial position over the Group's total cost of sales of the respective financial years/ annualised total cost of sales of the respective financial periods.

Our inventory turnover period as at 30 June 2012, 30 June 2013, 30 June 2014, 30 June 2015 and 30 November 2015 were 83 days, 80 days, 66 days, 81 days and 66 days respectively.

As at 30 June 2013, our inventory turnover period was 80 days which was marginally lower compared to 30 June 2012 of 83 days.

As at 30 June 2014, our inventory turnover period was 66 days which was lower than as at 30 June 2013 due to better inventory management attributable to the lower stock of leather and PVC due to less variation in respect of colours and grains specifications requirements among our different OEM/ PDI customers.

As at 30 June 2015, our inventory turnover period was 81 days which was higher than as at 30 June 2014 of 66 days mainly attributable to the increase in the cost of leather due to the depreciation of RM against the currency for the purchase of leather hides which is denominated in USD. In addition, the commencement of mass production for the car models, namely Proton Iriz, Exora MC2 and Toyota Hilux which required variation in specifications involving colours and grains of leather and PVC also contributed to the higher inventory turnover period as our Group has to stock up more varieties of leather and PVC in different colours and grains.

As at 30 November 2015, our inventory turnover period was 66 days which was shorter than as at 30 June 2015 of 81 days mainly attributable to the continuous improvement in our inventory management whereby the supplier(s) will be holding the inventory on our behalf and delivery of material will be staggered based on our requirements.

8.5.9.4 Current Ratio

The following table sets forth a summary of our Group's current ratio for the years/ periods indicated:-

Current Ratios	<---------- Audited			---------->	Unaudited	Audited
	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2015 RM'000	30.11.2014 RM'000	30.11.2015 RM'000
Current assets	50,905	47,479	59,156	71,979	69,403	80,378
Current liabilities	17,465	11,333	22,140	26,402	26,472	27,299
Current ratio* (times)	2.91	4.19	2.67	2.73	2.62	2.94

Note:-

* Current ratio is calculated based on current assets divided by current liabilities.

As at 30 June 2013, our Group's current ratio was approximately 4.19 times, which was higher than approximately 2.91 times as at 30 June 2012. This was mainly attributed to the decrease in short term borrowings as a result of lower utilisation of banker acceptances and trust receipts.

As at 30 June 2014, our Group's current ratio was approximately 2.67 times, which was lower than the current ratio of approximately 4.19 times as at 30 June 2013. This was mainly due to the increase in trade payables due to the increase in our Group's consumption of raw materials in tandem with our Group's increase in revenue.

As at 30 June 2015, our Group's current ratio was approximately 2.73 times, which was higher than the current ratio of approximately 2.67 times as at 30 June 2014. This was mainly due to the increase in inventories and trade receivables in tandem with our Group's increase in revenue.

As at 30 November 2015, our Group's current ratio was approximately 2.94 times, which was higher than the current ratio of approximately 2.73 times as at 30 June 2015. This was mainly due to additional fixed deposit pledged with licensed banks resulted from the better management of inventories and trade receivables.

8.6 TREND ANALYSIS

As at LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:-

(a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this Section, Section 3 and Section 4 of this Prospectus;

(b) material commitment for capital expenditure, as set out in Section 8.5.6 of this Prospectus;

(c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this Section and in Section 3 of this Prospectus;

(d) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's total revenue and/or profits save for those that have been disclosed in this Section, business and industry overview as set out in Section 4 and Section 10 of this Prospectus, and future plans and strategies as set out in Section 4.20 of this Prospectus;

(e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this Section and in Section 3 of this Prospectus; and

(f) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this Section and in Sections 3 of this Prospectus.

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8.7 DIVIDEND POLICY

Save as disclosed below and note no. 27 to the combined financial statements of the Accountants' Report in Section 9 of this Prospectus, no dividend was declared and paid by our Group for the past four (4) FYE 2012 to FYE 2015:-

FYE	Type of Dividend	Dividend Rate Per Ordinary Share of RM1.00 each (sen)	(RM'million)	Payment Date(s)
2010	Interim, tax-exempt	75.00	6.03	11.05.10
2011	Interim, tax-exempt	41.20	2.99	23.06.11
2012	Interim, tax-exempt	41.31	3.80	16.05.12/ 06.06.12
2013	Interim, tax-exempt	57.34	5.06	19.06.13
2014	Interim, single-tier	105.00	9.66	26.03.14/ 03.05.14/ 16.05.14
2015	Interim, single-tier	90.00	8.28	10.12.2014/ 19.06.2015

It is our Board's policy to recommend and distribute dividends of 40% of our annual Group's PAT attribution to the shareholders of our Company. This will allow our shareholders to participate in our Group's profits. Any final dividend declared is subjected to the approval of our shareholders at our annual general meeting.

Our ability to pay dividends or make other distributions to our shareholders is subject to various factors such as having profits and excess funds not required to be retained to fund our working capital requirements. Our Board will also take into consideration, amongst others, the following factors when recommending dividends:-

(a) the availability of adequate distributable reserves and cash flow;

(b) our operating cash flow requirements and financing commitments;

(c) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;

(d) any material impact of tax laws and other regulatory requirements; and

(e) the prior approval from some bankers, if any.

Actual dividends proposed and declared may vary depending on the financial performance and cash flow of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.
No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

8.8 ORDER BOOK

The leather upholstery industry normally doesn't sign long term contractual agreements with its customers as the supply of leather upholstery for car seat covers is dependent on the life-cycle of individual variants of car models.

The average life cycle for a specific car model is typically 5 to 7 years. Within each model, there are typically several variants whereby the interior styling, including the upholstery of the vehicle, are different and would be changed or updated at least twice during the life cycle of the model.

(Prepared for inclusion in the Prospectus)

Crowe Horwath™

Crowe Horwath AF 1018
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Member Crowe Horwath International

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1 4 MAR 2016

The Board of Directors
Pecca Group Berhad
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan.

Dear Sirs/Madam

ACCOUNTANTS' REPORT
PECCA GROUP BERHAD

Report on the Combined Financial Statements

We have audited the accompanying historical combined financial statements of Pecca Group Berhad ("Pecca or the Group"), which comprise the combined statements of financial position as at 30 June 2012, 2013, 2014, 2015 and 30 November 2015, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years then ended 30 June 2012, 2013, 2014, 2015 and the five-month financial period ended 30 November 2015, and a summary of significant accounting policies and other explanatory information, as set out on pages 3 to 81.

Directors' Responsibility for the Combined Financial Statements

The directors of Pecca are responsible for the preparation of the combined financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines - Equity issued by the Securities Commission Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of combined financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Crowe Horwath™

ACCOUNTANTS' REPORT
PECCA GROUP BERHAD (CONT'D)
(Incorporated in Malaysia)
Company No: 909531-D

Opinion

In our opinion, the combined financial statements of Pecca give a true and fair view of the financial position as of 30 June 2012, 2013, 2014, 2015 and 30 November 2015 and of its financial performance and cash flows for the financial years and the five-month financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines - Equity issued by the Securities Commission Malaysia.

Other Matter

The significant events subsequent to the financial period ended 30 November 2015 have been disclosed in Note 33 to combined financial statements.

Restriction on Distribution and Use

We understand that this report will be used solely for the purpose of inclusion in the prospectus of Pecca in connection with the listing of and quotation for the entire issued and paid-up share capital of Pecca on the Main Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Crowe Horwath	**Ooi Song Wan**
Firm No: AF 1018	Approval No: 2901/10/16 (J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur

PECCA GROUP BERHAD

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
ASSETS							
NON-CURRENT ASSETS							
Property, plant and equipment	4	32,989	34,103	36,900	36,474	35,853	35,538
Other investments	5	182	210	167	269	167	269
Intangible assets		-	-	-	*	-	*
		33,171	34,313	37,067	36,743	36,020	35,807
CURRENT ASSETS							
Inventories	6	9,533	9,338	12,771	20,325	19,267	17,578
Trade receivables	7	19,602	18,425	22,963	27,221	22,169	23,236
Other receivables, deposits and prepayments	8	9,730	8,122	3,250	2,357	8,893	3,079
Amount owing by directors		-	-	116	-	116	-
Derivative assets	9	-	134	-	-	-	-
Tax refundable		1,070	-	-	-	-	-
Fixed deposits with licensed banks	10	4,877	3,218	2,237	2,307	2,264	15,338
Cash and bank balances		6,093	8,242	17,819	19,769	16,694	21,147
		50,905	47,479	59,156	71,979	69,403	80,378
TOTAL ASSETS		84,076	81,792	96,223	108,722	105,423	116,185

* Amount less than RM1,000.

PECCA GROUP BERHAD

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
EQUITY AND LIABILITIES							
EQUITY							
Share capital	11	9,200	9,200	9,200	9,260	9,260	9,260
Retained profits	12	40,561	46,041	50,859	60,525	56,124	67,735
TOTAL EQUITY		49,761	55,241	60,059	69,785	65,384	76,995
Non-controlling interest		120	120	120	(43)	143	(100)
		49,881	55,361	60,179	69,742	65,527	76,895
NON-CURRENT LIABILITIES							
Deferred tax liabilities	13	612	1,008	1,542	1,542	1,542	1,542
Long-term borrowings	14	16,118	14,090	12,362	11,036	11,882	10,449
		16,730	15,098	13,904	12,578	13,424	11,991
CURRENT LIABILITIES							
Trade payables	15	6,147	6,047	14,709	14,083	15,320	14,677
Other payables and accruals	16	2,510	2,156	3,921	3,184	2,410	2,793
Amount owing to directors		5	6	13	268	69	387
Derivative Liabilities	9	-	-	83	116	63	21
Short-term borrowings	17	8,803	2,245	1,921	6,279	6,321	6,364
Provision for taxation		-	879	1,493	2,472	2,289	3,057
		17,465	11,333	22,140	26,402	26,472	27,299
TOTAL LIABILITIES		34,195	26,431	36,044	38,980	39,896	39,290
TOTAL EQUITY AND LIABILITIES		84,076	81,792	96,223	108,722	105,423	116,185

PECCA GROUP BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
Revenue	21	62,127	66,100	99,546	129,536	45,284	56,267
Cost of sales		(42,111)	(42,806)	(70,192)	(91,405)	(33,177)	(40,597)
Gross profit		20,016	23,294	29,354	38,131	12,107	15,670
Other income		429	1,374	1,001	1,015	237	357
		20,445	24,668	30,355	39,146	12,344	16,027
Selling and distribution expenses		(3,913)	(5,014)	(5,084)	(4,701)	(2,020)	(2,303)
Administrative expenses		(7,301)	(6,047)	(5,502)	(9,782)	(2,944)	(3,822)
Profit from operations		9,231	13,607	19,769	24,663	7,380	9,902
Finance costs		(1,267)	(983)	(976)	(893)	(361)	(377)
Profit before taxation ("PBT")	22	7,964	12,624	18,793	23,770	7,019	9,525
Income tax expense	23	(2,324)	(2,084)	(4,315)	(5,907)	(1,771)	(2,372)
Profit after taxation ("PAT")		5,640	10,540	14,478	17,863	5,248	7,153
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the financial year		5,640	10,540	14,478	17,863	5,248	7,153
PAT for the financial year attributable to:-							
- Owners of the Group		5,640	10,540	14,478	17,940	5,259	7,210
- Non-controlling interest		-	-	-	(77)	(11)	(57)
		5,640	10,540	14,478	17,863	5,248	7,153

PECCA GROUP BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	Note	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
Total comprehensive income for the financial year attributable to:-							
- Owners of the Group		5,640	10,540	14,478	17,940	5,259	7,210
- Non-controlling interest		-	-	-	(77)	(11)	(57)
		5,640	10,540	14,478	17,863	5,248	7,153
Earnings Per Share (Sen)							
- basic	24	3.00	5.61	7.70	9.54	2.80	3.84
- diluted		N/A	N/A	N/A	N/A	N/A	N/A

PECCA GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS

	Note	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
CASH FLOWS FROM /(FOR) OPERATING ACTIVITIES							
Profit before taxation		7,964	12,624	18,793	23,770	7,019	9,525
Adjustments for:-							
Allowance for impairment losses on receivables written back		(14)	(647)	-	-	-	-
Inventories written off		-	-	-	174	-	-
Bad debts written off		-	-	8	-	-	-
Depreciation of property, plant and equipment		2,676	2,776	3,038	3,308	1,431	1,425
Interest expense		1,220	1,035	987	886	335	360
Gain on disposal of plant and equipment		(208)	(200)	(658)	(485)	(7)	(5)
Interest income		(192)	(308)	(204)	(212)	(69)	(242)
Unrealised (gain)/loss on foreign exchange		(3)	(14)	(459)	(77)	179	(536)
Operating profit before working capital changes		11,443	15,266	21,505	27,364	8,888	10,527
(Increase)/Decrease in inventories		(1,522)	195	(3,433)	(7,729)	(6,496)	2,747
(Increase)/Decrease in trade and other receivables		(6,959)	3,432	619	(3,364)	(4,684)	3,249
Increase/(Decrease) in trade and other payables		1,020	(573)	10,810	(1,425)	(1,179)	217
CASH FROM OPERATIONS		3,982	18,320	29,501	14,846	(3,471)	16,740
Interest paid		(1,220)	(1,035)	(987)	(886)	(335)	(360)
Income tax (paid)/refunded		(1,040)	260	(3,167)	(4,929)	(976)	(1,787)
NET CASH FROM /(FOR) OPERATING ACTIVITIES		1,722	17,545	25,347	9,031	(4,782)	14,593

PECCA GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES							
Acquisition from non-controlling interest		-	-	-	(120)	-	-
Purchase of property, plant and equipment	25	(1,097)	(3,585)	(5,844)	(3,107)	(395)	(494)
Purchase of other investments		(15)	(28)	-	(102)	-	-
Purchase of intangible asset		-	-	-	*	-	
Repayment from/(Advances to) a director		-	-	(116)	116	-	-
Proceeds from disposal of plant and equipment		575	200	667	710	18	10
Proceeds from disposal of other investment		-	-	43	-	-	-
Interest received		192	308	204	212	69	242
Net withdrawal/(placement) of fixed deposits pledged and placed more than 3 months with a licensed bank		2,927	1,659	981	(70)	(27)	(8,031)
NET CASH FROM/(FOR) INVESTING ACTIVITIES		2,582	(1,446)	(4,065)	(2,361)	(335)	(8,273)

* Amount less than RM1,000.

PECCA GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES							
Net repayment of term loans		(572)	(1,144)	(1,080)	(1,104)	(464)	(457)
Net (repayment)/drawdown of bankers' acceptances		(1,489)	(6,490)	-	5,000	4,715	-
Repayment of hire purchase and finance lease obligations		(1,486)	(1,257)	(972)	(861)	(331)	(45)
Proceeds from issuance of shares:							
- owners of the Group		-	-	-	60	60	*
- non-controlling interest		120	-	-	40	40	-
Advances from a director		5	1	7	255	56	119
Dividends paid		(3,800)	(5,060)	(9,660)	(8,280)	-	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(7,222)	(13,950)	(11,705)	(4,890)	4,076	(383)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,918)	2,149	9,577	1,780	(1,041)	5,937
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		-	-	-	170	(84)	441
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		9,011	6,093	8,242	17,819	17,819	19,769
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	26	6,093	8,242	17,819	19,769	16,694	26,147

PECCA GROUP BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY

AUDITED	Note	Non-distributable Share Capital RM'000	Distributable Retained Profits RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Balance at 1.7.2011		9,200	38,721	-	47,921
PAT/Total comprehensive income for the financial year		-	5,640	-	5,640
Issuance of shares to non-controlling interest		-	-	120	120
Distributions to owners of the Company:					
- Dividends	27	-	(3,800)	-	(3,800)
Balance at 30.6.2012/1.7.2012		9,200	40,561	120	49,881
PAT/Total comprehensive income for the financial year		-	10,540	-	10,540
Distributions to owners of the Company:					
- Dividends	27	-	(5,060)	-	(5,060)
Balance at 30.6.2013/1.7.2013		9,200	46,041	120	55,361
PAT/Total comprehensive income for the financial year		-	14,478	-	14,478
Distributions to owners of the Company:					
- Dividends	27	-	(9,660)	-	(9,660)
Balance at 30.6.2014/1.7.2014		9,200	50,859	120	60,179

PECCA GROUP BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Non-distributable Share Capital	Distributable Retained Profits	Non-Controlling Interest	Total Equity
AUDITED		RM'000	RM'000	RM'000	RM'000
Balance at 30.6.2014/1.7.2014		9,200	50,859	120	60,179
PAT/Total comprehensive income for the financial year		-	17,940	(77)	17,863
Acquisition of non-controlling interest		-	-	(120)	(120)
Acquisition by non-controlling interest		-	6	34	40
Contributions by and distributions to owners of the Company:					
- Issuance of shares		60	-	-	60
- Dividends	27	-	(8,280)	-	(8,280)
Total transactions with owners		60	(8,280)	-	(8,220)
Balance at 30.6.2015/1.7.2015		9,260	60,525	(43)	69,742
PAT/Total comprehensive income for the financial period		-	7,210	(57)	7,153
Balance at 30.11.2015		9,260	67,735	(100)	76,895
UNAUDITED					
Balance at 1.7.2014		9,200	50,859	120	60,179
PAT/Total comprehensive income for the financial period		-	5,259	(11)	5,248
Acquisition by non-controlling interest		-	6	34	40
Contributions by and distributions to owners of the Company:					
- Issuance of shares		60	-	-	60
Balance at 30.11.2014		9,260	56,124	143	65,527

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

For the purpose of listing the Group on the Main Market of Bursa Malaysia Securities Berhad, the Group underwent a restructuring exercise via the acquisition of subsidiaries as disclosed in Note 33.1 to the combined financial statements.

The information of the entities within the Group is as follows:

(a) Pecca Malaysia Sdn. Bhd. was incorporated on 27 July 2010 as a private limited company in Malaysia under the Companies Act 1965. The Company's name was subsequently changed to Pecca Group Sdn Bhd on 28 April 2014. Thereafter on 12 June 2014, the Company was converted into a public limited company and assumed its present name Pecca Group Berhad.

(b) PLeather was incorporated on 28 June 2000 in Malaysia under the Companies Act 1965, as a private limited company and principally engaged in the business of 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.

(c) PAviation was incorporated on 2 July 2009 in Malaysia under the Companies Act 1965, as a private limited company and intended to principally engage in the business of manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat covers and other leather related products for commercial and private aircrafts. The Company has commenced its business operations in December 2015.

(d) EEmpire was incorporated on 8 August 2011 in Malaysia under the Companies Act 1965, as a private limited company. The Company has been dormant since date of incorporation.

Notes:-

Pecca Group Berhad	*- Pecca or the Company*
Pecca Leather Sdn. Bhd.	*- PLeather*
Pecca Leather Aviation Services Sdn. Bhd.	*- PAviation*
Everest Empire Sdn. Bhd.	*- EEmpire*

(Collectively defined as "the Group")

2. BASIS OF PREPARATION

2.1 For the purposes of the combined financial statements, the entities of the Group consist of companies under common control during the financial years ended 2012, 2013, 2014 and 2015, and the six months period ended 30 November 2015 ("Relevant Financial Period"), and continue to be under common control after 30 November 2015.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.1 These combined financial statements are the combination or aggregation of all the financial statements of the entities of the Group and have been prepared based on the separate financial statements for the relevant financial years/periods as follows:

Company	Relevant Financial Period
Pecca	Financial year ended ("FYE") 30 June 2012* FYE 30 June 2013 ("FYE 30.6.2013")* FYE 30 June 2014 ("FYE 30.6.2014")* FYE 30 June 2015 ("FYE 30.6.2015")** Financial period ended ("FPE") 30 November 2015 ("FPE 30.11.2015")** FPE 30 November 2014 ("FPE 30.11.2014")***
PLeather	FYE 30.6.2012# FYE 30.6.2013** FYE 30.6.2014** FYE 30.6.2015** FPE 30.11. 2015** FPE 30.11.2014***
PAviation	FYE 30.6.2012# FYE 30.6.2013** FYE 30.6.2014** FYE 30.6.2015** FPE 30.11. 2015** FPE 30.11.2014***
EEmpire	Financial period from 8 August 2011 (date of incorporation) to 30 June 2012* FYE 30.6.2013* FYE 30.6.2014* FYE 30.6.2015** FPE 30.11. 2015** FPE 30.11.2014***

- *Audited and prepared in accordance with the Financial Reporting Standards in Malaysia ("FRSs").*
* - *Audited and prepared in accordance with Private Entity Reporting Standards ("PERSs").*
** - *Audited and prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs").*
*** - *Unaudited and prepared in accordance with the MFRSs.*

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs. The accounting policies of commonly controlled entities have been changed where necessary to align them with the policies adopted by the Group. There were no material financial impacts on the transition from PERSs to MFRSs for Pecca and EEmpire.

The separate audited statutory financial statements of Pecca, PLeather, PAviation and EEmpire for the relevant financial years were not subject to any modified audit opinions.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.2 The Group has not applied in advance the following accounting standards (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the financial period commencing from 1 July 2015:-

MFRSs (Including The Consequential Amendments)	**Effective Date**
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.2 The above accounting standards (including the consequential amendments) are not relevant to the Group's operations except as follows:-

(a) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. There will be no impacts on the combined financial statements of the Group upon its initial application.

(b) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the combined financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed 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 and production 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.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(c) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(e) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(f) 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.

3.2 BASIS OF COMBINATION

The Group resulting from the restructuring exercise, as disclosed in Note 1 above, comprises entities under common control. Accordingly, the combined financial statements have been accounted for using the principles of merger accounting.

Subsidiaries are entities (including structured entities) 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.

Intragroup transactions, balances, income and expenses are eliminated on combination. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF COMBINATION (CONT'D)

(a) Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the Relevant Financial Period.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's accounts is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year/period.

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the combined 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.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(c) 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 consideration paid or received is recognised directly in equity of the Group.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF COMBINATION (CONT'D)

(d) Loss Of Control

Upon the loss of control of a subsidiary, the Group recognises 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 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 on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.3 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 as a gain in profit or loss.

3.4 FUNCTIONAL AND FOREIGN CURRENCIES

(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 combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the 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.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS

Financial instruments 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 liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a 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. 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.

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

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

As at the end of the reporting period, there were no financial assets classified under this category.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

(b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as 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. Derivatives are also classified as held for trading unless they are designated as hedges.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities (Cont'd)

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

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

(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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(e) Hedge Activities

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

(i) Hedge Accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(e) Hedge Activities (Cont'd)

(ii) Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued prospectively when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(iii) Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged item affects profit or loss. If the hedged item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is transferred from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Hedge accounting is discontinued prospectively when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 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 value may not be recoverable. The cost of the investments includes transaction costs.

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

3.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the 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 principal annual rates used for this purpose are:-

Long leasehold land	Over the lease period
Buildings	2%
Plant and machineries	10%
Motor vehicles	20%
Office equipment	10 - 20%
Furniture and fittings	10%
Computers	20 - 50%
Renovations	10%

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 pattem of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

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 plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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 is included in profit or loss in the year the asset is derecognised.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 INTANGIBLE ASSETS

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

The cost of acquiring the rights, interest and benefits to the operations, brands and patents pertaining to the trademarks are capitalised as intangible assets.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate the carrying value may be impaired either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable, If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when 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. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss.

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.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 ASSETS UNDER FINANCE LEASE AND HIRE PURCHASE

Assets acquired under finance lease and hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payments and, are depreciated in accordance with the policy set out in Note 3.7 above. Each finance lease and hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective finance lease and hire purchase agreements.

3.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress included the cost of materials, labour and an appropriate proportion of production overhead.

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

Where necessary, due allowance is made for all obsolete, damaged and slow-moving items.

3.12 INCOME TAXES

Income taxes for the year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or 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 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 sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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 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 income taxes relate to the same taxation authority.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 INCOME TAXES (CONT'D)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

3.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts 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.

3.14 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits 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 the 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.

3.15 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(ii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 RELATED PARTIES (CONT'D)

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3.16 REVENUE AND OTHER INCOME

(a) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(b) Rendering of Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(c) Interest Income and Rental Income

Interest income is recognised on an accrual basis using the effective interest method whilst rental income is recognised on an accrual basis.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 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's 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.

3.18 BORROWING COSTS

Borrowing costs, 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. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

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

3.19 OPERATING SEGMENTS

An operating segment is a component of the company 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 company's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

AUDITED	Long leasehold land RM'000	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Computers RM'000	Renovation RM'000	Total RM'000
Net book value at 1.7.2011	4,832	16,183	3,259	2,427	591	1,362	418	2,259	31,331
Additions	-	469	2,702	403	85	329	92	621	4,701
Disposals	-	(148)	-	(219)	-	-	-	-	(367)
Depreciation charge	(86)	(334)	(670)	(786)	(108)	(165)	(240)	(287)	(2,676)
Net book value at 30.6.2012/1.7.2012	4,746	16,170	5,291	1,825	568	1,526	270	2,593	32,989
Additions	-	12	1,746	715	39	369	362	647	3,890
Depreciation charge	(50)	(335)	(822)	(703)	(111)	(197)	(230)	(328)	(2,776)
Net book value at 30.6.2013/1.7.2013	4,696	15,847	6,215	1,837	496	1,698	402	2,912	34,103
Additions	-	-	5,138	37	119	139	354	57	5,844
Disposal	-	-	(9)	-	-	-	-	-	(9)
Depreciation charge	(50)	(335)	(1,066)	(682)	(118)	(221)	(196)	(370)	(3,038)
Net book value at 30.6.2014	4,646	15,512	10,278	1,192	497	1,616	560	2,599	36,900

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

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

	Long leasehold land RM'000	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Computers RM'000	Renovation RM'000	Total RM'000
AUDITED									
Net book value at 1.7.2014	4,646	15,512	10,278	1,192	497	1,616	560	2,599	36,900
Additions	-	-	2,097	184	155	241	334	96	3,107
Disposals	-	(3)	(105)	(117)	-	-	-	-	(225)
Depreciation charge	(49)	(336)	(1,430)	(492)	(142)	(238)	(248)	(373)	(3,308)
Net book value at 30.6.2015	4,597	15,173	10,840	767	510	1,619	646	2,322	36,474
Additions	-	-	211	-	5	69	190	19	494
Disposals	-	-	-	(5)	-	-	-	-	(5)
Depreciation charge	(21)	(139)	(649)	(147)	(64)	(107)	(139)	(159)	(1,425)
Net book value at 30.11.2015	4,576	15,034	10,402	615	451	1,581	697	2,182	35,538
UNAUDITED									
Net book value at 1.7.2014	4,646	15,512	10,278	1,192	497	1,616	560	2,599	36,900
Additions	-	-	73	64	40	96	106	16	395
Disposals	-	-	-	(11)	-	-	-	-	(11)
Depreciation charge	(20)	(140)	(575)	(295)	(56)	(96)	(95)	(154)	(1,431)
Net book value at 30.11.2014	4,626	15,372	9,776	950	481	1,616	571	2,461	35,853

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

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

	Long leasehold land	Buildings	Plant and machineries	Motor vehicles	Office equipment	Furniture and Fittings	Computers	Renovation	Total
AUDITED	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30.6.2012									
At cost	4,903	16,752	11,563	4,049	918	1,947	1,265	3,212	44,609
Accumulated depreciation	(157)	(582)	(6,272)	(2,224)	(350)	(421)	(995)	(619)	(11,620)
Net book value	4,746	16,170	5,291	1,825	568	1,526	270	2,593	32,989
At 30.6.2013									
At cost	4,903	16,765	11,738	4,764	957	2,315	1,627	3,859	46,928
Accumulated depreciation	(207)	(918)	(5,523)	(2,927)	(461)	(617)	(1,225)	(947)	(12,825)
Net book value	4,696	15,847	6,215	1,837	496	1,698	402	2,912	34,103
At 30.6.2014									
At cost	4,903	16,766	15,884	4,672	1,073	2,454	1,980	3,916	51,648
Accumulated depreciation	(257)	(1,254)	(5,606)	(3,480)	(576)	(838)	(1,420)	(1,317)	(14,748)
Net book value	4,646	15,512	10,278	1,192	497	1,616	560	2,599	36,900

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

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

AUDITED	Long leasehold land RM'000	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and Fittings RM'000	Computers RM'000	Renovation RM'000	Total RM'000
At 30.6.2015									
At cost	4,903	16,763	17,425	4,147	1,225	2,695	2,313	4,012	53,483
Accumulated depreciation	(306)	(1,590)	(6,585)	(3,380)	(715)	(1,076)	(1,667)	(1,690)	(17,009)
Net book value	4,597	15,173	10,840	767	510	1,619	646	2,322	36,474
At 30.11.2015									
At cost	4,903	16,763	17,585	4,143	1,230	2,765	2,504	4,031	53,924
Accumulated depreciation	(327)	(1,729)	(7,183)	(3,528)	(779)	(1,184)	(1,807)	(1,849)	(18,386)
Net book value	4,576	15,034	10,402	615	451	1,581	697	2,182	35,538
UNAUDITED									
At 30.11.2014									
At cost	4,903	16,766	15,928	4,697	1,113	2,550	2,086	3,932	51,975
Accumulated depreciation	(277)	(1,394)	(6,152)	(3,747)	(632)	(934)	(1,515)	(1,471)	(16,122)
Net book value	4,626	15,372	9,776	950	481	1,616	571	2,461	35,853

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

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

(a) The long leasehold land is amortised over a lease period of 99 years.

(b) The long leasehold land and buildings have been pledged to a licensed bank as security for banking facilities granted to the Group.

(c) Included in the carrying amount of the property, plant and equipment at the end of the reporting period were the following:-

(i) Assets acquired under hire purchase and finance lease terms:-

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Plant and machineries	1,726	1,329	599	-	548	-
Motor vehicles	1,729	1,402	838	183	605	135
	3,455	2,731	1,437	183	1,153	135

(ii) Motor vehicles held in trust by certain directors of the Group:-

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Motor vehicles	768	472	220	-	-	-

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

5. OTHER INVESTMENTS

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Available for sale financial assets:-						
Club memberships, at fair value	167	167	167	167	167	167
Unquoted shares, at cost						
- in Malaysia	15	43	-	-	-	-
- outside Malaysia	-	-	-	102	-	102
	182	210	167	269	167	269

The Group designated its investment in club memberships as available-for-sale financial assets and are measured at fair value.

The club memberships are held in trust by a director of the Group.

6. INVENTORIES

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
At cost:-						
Raw materials	7,688	8,277	10,514	17,954	16,466	15,207
Work-in-progress	508	290	1,111	1,478	1,312	915
Finished goods	1,337	771	1,146	893	1,489	1,456
	9,533	9,338	12,771	20,325	19,267	17,578
Recognised in profit or loss:						
- Inventories recognised as cost of sales	42,111	42,806	70,192	91,405	33,177	40,597
- Inventories written off recognised as administrative and other operating expenses	-	-	-	174	-	-

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

7. TRADE RECEIVABLES

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Trade receivables	20,316	18,425	22,963	27,221	22,169	23,236
Allowance for impairment losses:-						
At 1 July	(728)	(714)	-	-	-	-
Reversal during the financial year/period	14	647	-	-	-	-
Write-off during the financial year/period	-	67	-	-	-	-
At 30 June/30 November	(714)	-	-	-	-	-
	19,602	18,425	22,963	27,221	22,169	23,236

The Group's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables is the following:-

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Amount owing by related parties	7,568	5,867	146	-	-	-

The amount owing by related parties is subject to normal trade credit terms.

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Other receivables	9,432	6,884	176	30	3,083	36
Deposits	35	593	108	138	76	126
Prepayments	263	645	2,966	2,189	5,734	2,917
	9,730	8,122	3,250	2,357	8,893	3,079

Included in other receivables is the following:-

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Amount owing by related parties	9,001	6,466	-	-	2,821	-

Included in prepayments at the end of the reporting period for the financial period ended 30 November 2014 was advances paid to suppliers amounting to RM4,882,689.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

9. DERIVATIVE ASSETS/(LIABILITIES)

	Contract/ Notional amount						Fair Value Changes					
	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
Derivative Assets/ (Liabilities)												
Forward foreign currency contracts	-	2,091	6,573	1,065	4,715	1,458	-	134	(83)	(116)	(63)	(21)

Pecca does not apply hedge accounting.

(a) Forward foreign currency contracts are used to hedge the Group's purchases denominated in United States Dollar (FYE 2013, 2014 and FPE 2014) and Euro (FYE 2015 & FPE 2015) for which firm commitments existed at the end of the reporting period. The settlement period of the forward foreign currency contracts after the end of the reporting period are as follows:-

	AUDITED 30.6.2012	AUDITED 30.6.2013	AUDITED 30.6.2014	AUDITED 30.6.2015	UNAUDITED 30.11.2014	AUDITED 30.11.2015
Settlement period	-	Between 1 to 12 months	Between 1 to 12 months	Between 3 to 4 months	Between 3 to 4 months	Between 3 to 4 months

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

9. DERIVATIVE ASSETS/(LIABILITIES) (CONT'D)

(b) The Group has recognised the following gain/(loss) from fair value changes of derivatives during the financial year:-

	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
Gain/(Loss) on fair value changes of derivatives	-	134	(83)	(116)	(63)	(21)

The fair value changes were attributed to changes in the foreign exchange spot and forward rates.

10. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks at the end of the reporting period bore the following effective interest rate per annum:-

	AUDITED 30.6.2012 %	AUDITED 30.6.2013 %	AUDITED 30.6.2014 %	AUDITED 30.6.2015 %	UNAUDITED 30.11.2014 %	AUDITED 30.11.2015 %
Effective interest rate	between 3.00 - 4.15	between 3.15 - 4.15	3.10	3.25	3.25	3.3

The fixed deposits have maturity periods ranging from 1 to 12 months.

The fixed deposits that have been pledged for banking facilities granted to a subsidiary and/or placed for more than three months are as follows:-

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Fixed deposits:						
- pledged	4,877	3,218	2,237	2,307	2,264	2,338
- placed for more than 3 months	-	-	-	-	-	8,000
	4,877	3,218	2,237	2,307	2,264	10,338

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

11. SHARE CAPITAL

	AUDITED 30.6.2012	AUDITED 30.6.2013	AUDITED 30.6.2014	AUDITED 30.6.2015	UNAUDITED 30.11.2014	AUDITED 30.11.2015
Ordinary Shares:-	←		Number of shares '000			→
Authorised	10,200	10,200	10,200	10,200	10,200	500,000
Issued And Fully Paid-Up	9,200	9,200	9,200	9,260	9,260	9,260

Ordinary Shares:-	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Authorised	10,200	10,200	10,200	10,200	10,200	250,000
Issued And Fully Paid-Up	9,200	9,200	9,200	9,260	9,260	9,260

Significant events during the financial period ended 30 November 2015 are disclosed in Note 32 to the financial statements.

12. RETAINED PROFITS

Under the single tier tax system, tax on the profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

13. DEFERRED TAX LIABILITIES

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
At 1 July	333	612	1,008	1,542	1,542	1,542
Recognised in profit or loss (Note 23)	279	396	534	-	-	-
At 30 June	612	1,008	1,542	1,542	1,542	1,542
The deferred tax liabilities are attributable to the following:						
- accelerated capital allowances over depreciation	789	1,004	1,345	1,522	1,497	1,413
- allowance for impairment losses on receivables	(178)	-	-	-	-	-
- other temporary differences	1	4	197	20	45	129
	612	1,008	1,542	1,542	1,542	1,542

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

14. LONG-TERM BORROWINGS

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Hire purchase payables (Note 18)	1,206	720	264	-	204	-
Finance lease payables (Note 19)	489	129	-	-	-	-
Term loans (Note 20)	14,423	13,241	12,098	11,036	11,678	10,449
	16,118	14,090	12,362	11,036	11,882	10,449

15. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 90 days.

16. OTHER PAYABLES AND ACCRUALS

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Other payables	893	140	255	1,318	417	788
Accruals	1,617	2,016	3,666	1,866	1,993	2,005
	2,510	2,156	3,921	3,184	2,410	2,793

Included in other payables is the following:-

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Amount owing to related parties	15	15	-	663	-	399

The amount owing represented advances which were unsecured, interest free and repayable on demand. The amount owing was settled in cash.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

17. SHORT-TERM BORROWINGS

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Bankers' acceptances and trust receipts	6,490	-	-	5,000	4,714	5,000
Hire purchase payables (Note 18)	565	668	481	63	315	18
Finance lease payables (Note 19)	589	380	180	-	76	-
Term loans (Note 20)	1,159	1,197	1,260	1,216	1,216	1,346
	8,803	2,245	1,921	6,279	6,321	6,364

The bankers' acceptances were subjected to the following weighted average effective interest rate at the end of reporting period:-

	AUDITED 30.6.2012 %	AUDITED 30.6.2013 %	AUDITED 30.6.2014 %	AUDITED 30.6.2015 %	UNAUDITED 30.11.2014 %	AUDITED 30.11.2015 %
Financial Liabilities						
Bankers' acceptances and trust receipts	4.66	-	-	4.32	1.83	3.35

The bankers' acceptances and trust receipts are secured by:-

(i) a pledge of the fixed deposits of PLeather;

(ii) a corporate guarantee of a related party, MRZ Leather Holdings Sdn. Bhd ("MRZ"); and

(iii) a joint and several guarantee of a director.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

18. HIRE PURCHASE PAYABLES

The hire purchase payables were obtained to finance the purchase of the Group's plant and machineries and comprise the following:-

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Minimum hire purchase payments:						
- not later than one year	647	727	540	68	353	21
- later than one year and not later than five years	1,265	772	288	-	241	-
- later than five years	127	92	35	-	14	-
	2,039	1,591	863	68	608	21
Less : Future finance charges	(268)	(203)	(118)	(5)	(89)	(3)
Present value of hire purchase payables	1,771	1,388	745	63	519	18
Non-Current (Note 14)						
- later than one year and not later than five years	1,169	632	248	-	190	-
- later than five years	37	88	16	-	14	-
	1,206	720	264	-	204	-
Current (Note 17)						
- not later than one year	565	668	481	63	315	18
	1,771	1,388	745	63	519	18

The hire purchase payables at the end of the reporting period were subjected to the following effective interest rates per annum:-

	AUDITED 30.6.2012 %	AUDITED 30.6.2013 %	AUDITED 30.6.2014 %	AUDITED 30.6.2015 %	UNAUDITED 30.11.2014 %	AUDITED 30.11.2015 %
Effective interest rates of between	4.19 - 6.59	4.19 - 6.98	4.19 - 6.98	4.42 - 6.98	4.19 - 6.98	4.42 - 6.98

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

19. FINANCE LEASE PAYABLES

The finance lease payables were obtained to finance the purchase of the Group's plant and machineries and comprise the following:-

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Minimum finance lease payments:						
- not later than one year	649	406	220	-	98	-
- later than one year and not later than five years	611	206	-	-	-	-
	1,260	612	220	-	98	-
Less : Future finance charges	(182)	(103)	(40)	-	(22)	-
Present value of finance lease payables	1,078	509	180	-	76	-

The finance lease payables are repayable as follows:-

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Non-Current (Note 14)						
- later than one year and not later than five years	489	129	-	-	-	-
Current (Note 17)						
- not later than one year	589	380	180	-	76	-
	1,078	509	180	-	76	-

The finance lease payables are subject to the following effective interest rates per annum:-

	AUDITED 30.6.2012 %	AUDITED 30.6.2013 %	AUDITED 30.6.2014 %	AUDITED 30.6.2015 %	UNAUDITED 30.11.2014 %	AUDITED 30.11.2015 %
Effective interest rates	between 6.33 - 6.78	between 6.33 - 6.59	6.51	-	6.51	-

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

20. TERM LOANS

	AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
Non-current portion (Note 14):						
- repayable between one and two years	1,216	1,259	1,324	1,392	1,392	1,415
- repayable between two and five years	4,022	4,180	4,279	4,700	4,863	4,587
- repayable after five years	9,185	7,802	6,495	4,944	5,423	4,447
Total non-current portion	14,423	13,241	12,098	11,036	11,678	10,449
Current portion (Note 17):						
- repayable within one year	1,159	1,197	1,260	1,216	1,216	1,346
	15,582	14,438	13,358	12,252	12,894	11,795

Details of the term loans outstanding at the end of the reporting period:-

Term Loan	Number of Monthly Instalments	Monthly Instalment Amount RM'000	Commencement Date of Repayment	Amount Outstanding AUDITED 30.6.2012 RM'000	AUDITED 30.6.2013 RM'000	AUDITED 30.6.2014 RM'000	AUDITED 30.6.2015 RM'000	UNAUDITED 30.11.2014 RM'000	AUDITED 30.11.2015 RM'000
1	144	33	5 April 2007	3,047	2,790	2,516	2,239	2,402	2,120
2	144	90	5 February 2012	9,291	8,670	8,011	7,329	7,723	7,050
3	120	1	1 May 2012	129	118	106	94	101	89
4	144	23	3 April 2012	2,983	2,860	2,725	2,590	2,668	2,536
5	120	1	1 May 2012	132	-	-	-	-	-
				15,582	14,438	13,358	12,252	12,894	11,795

The term loans outstanding at the end of the reporting period were subjected to the following weighted average effective interest rate per annum.

	AUDITED 30.6.2012 %	AUDITED 30.6.2013 %	AUDITED 30.6.2014 %	AUDITED 30.6.2015 %	UNAUDITED 30.11.2014 %	AUDITED 30.11.2015 %
Weighted average effective interest rate	5.04	5.04	5.04	5.05	5.05	5.04

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

20. TERM LOANS (CONT'D)

The term loans are secured by:-

(i) a legal charge over the long leasehold land and building of PLeather;

(ii) a pledge of the fixed deposits of PLeather;

(iii) a corporate guarantee of a related party, MRZ; and

(iv) a joint and several guarantee of certain directors of PLeather.

21. REVENUE

	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
Sales of goods	60,106	60,872	94,248	125,871	43,626	50,598
Rendering of services	2,021	5,228	5,298	3,665	1,658	5,669
	62,127	66,100	99,546	129,536	45,284	56,267

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

22. PROFIT BEFORE TAXATION

	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
Profit before taxation is arrived at after charging/(crediting):-						
Auditors' remuneration:-						
Statutory:						
- current financial year/period	38	38	38	68	24	25
- underprovision in the previous financial year	4	-	-	10	-	-
Bad debts written off	-	-	8	-	-	-
Depreciation of property, plant and equipment	2,676	2,776	3,038	3,308	1,431	1,425
Directors' fees	120	120	120	250	80	137
Directors' non-fee emoluments	696	996	870	1,255	402	474
Interest expense:						
- bankers' acceptances and trust receipts	408	76	134	106	24	71
- bank overdraft	35	16	7	6	2	2
- hire purchase and finance lease	83	163	145	96	29	2
- term loans	694	780	701	678	280	285
Loss/(Gain) on foreign exchange:						
- realised	434	117	(228)	2,312	226	1,192
- unrealised	(3)	(14)	(459)	(77)	179	(536)
Rental of premises	114	23	22	14	-	23
Staff costs:						
- salaries, allowances, bonus and wages	10,305	10,667	13,510	15,000	5,632	5,605
- defined contribution plan	887	824	758	921	324	377
- other benefits	830	781	1,174	1,026	359	625
Allowance for impairment losses on receivables written back	(14)	(647)	-	-	-	-
Gain on disposal of plant and equipment	(208)	(200)	(658)	(485)	(7)	(5)
Interest income	(192)	(308)	(204)	(212)	(69)	(242)
Rental income	-	-	(99)	(218)	(78)	(114)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

23. INCOME TAX EXPENSE

	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
Current tax expense:						
- for the financial year/period	2,045	2,288	3,466	5,907	1,771	2,372
- (over)/underprovision in the previous financial year	*	(600)	315	-	-	-
	2,045	1,688	3,781	5,907	1,771	2,372
Deferred tax expense (Note 13):						
- relating to origination and reversal of temporary differences during the financial year/period	377	619	730	-	-	-
- (over)/underprovision in the previous financial year	(98)	(223)	(196)	-	-	-
	279	396	534	-	-	-
	2,324	2,084	4,315	5,907	1,771	2,372

* Amount less than RM1,000.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

23. INCOME TAX EXPENSE (CONT'D)

	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
Profit before taxation	7,964	12,624	18,793	23,770	7,019	9,525
Tax at the statutory tax rate	1,991	3,156	4,698	5,942	1,755	2,286
Tax effects of:-						
Non-deductible expenses	886	276	312	348	176	161
Utilisation of reinvestment allowances	(402)	(525)	(814)	(316)	(132)	(16)
Non-taxable income	(53)	-	-	(67)	(28)	(59)
(Over)/Underprovision in the previous financial year:						
- current tax	*	(600)	315	-	-	-
- deferred tax	(98)	(223)	(196)	-	-	-
Income tax expense for the financial year/period	2,324	2,084	4,315	5,907	1,771	2,372

* Amount less than RM1,000.

The statutory tax rate is 24% effective from year of assessment 2016, a reduction from the previous financial year's rate of 25%.

24. EARNINGS PER SHARE

	AUDITED 30.6.2012	AUDITED 30.6.2013	AUDITED 30.6.2014	AUDITED 30.6.2015	UNAUDITED 30.11.2014	AUDITED 30.11.2015
Profit attributable to owners of the Group (RM'000)	5,640	10,540	14,478	17,940	5,259	7,210
Enlarged issued and paid-up shares upon listing (in '000)	188,000	188,000	188,000	188,000	188,000	188,000
Basic earnings per share (sen)	3.00	5.61	7.70	9.54	2.80	3.84

The diluted earnings per share is not applicable as there were no dilutive potential ordinary shares existing during the relevant financial year/period.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

25. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	AUDITED 1.7.2011 to 30.6.2012 RM'000	**AUDITED 1.7.2012 to 30.6.2013** RM'000	**AUDITED 1.7.2013 to 30.6.2014** RM'000	**AUDITED 1.7.2014 to 30.6.2015** RM'000	**UNAUDITED 1.7.2014 to 30.11.2014** RM'000	**AUDITED 1.7.2015 to 30.11.2015** RM'000
Cost of property, plant and equipment purchased	4,701	3,890	5,844	3,107	395	494
Amount financed through:						
- hire purchase and finance lease	(335)	(305)	-	-	-	-
- term loans	(3,269)	-	-	-	-	-
Cash disbursed for purchase of property, plant and equipment	1,097	3,585	5,844	3,107	395	494

26. CASH AND CASH EQUIVALENTS

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise the following:-

	AUDITED 1.7.2011 to 30.6.2012 RM'000	**AUDITED 1.7.2012 to 30.6.2013** RM'000	**AUDITED 1.7.2013 to 30.6.2014** RM'000	**AUDITED 1.7.2014 to 30.6.2015** RM'000	**UNAUDITED 1.7.2014 to 30.11.2014** RM'000	**AUDITED 1.7.2015 to 30.11.2015** RM'000
Cash and bank balances	6,093	8,242	17,819	19,769	16,694	21,147
Fixed deposits with a licensed bank	4,877	3,218	2,237	2,307	2,264	15,338
Cash and cash equivalents	10,970	11,460	20,056	22,076	18,958	36,485
Less: Deposits pledged and placed more than 3 months to a licensed bank (Note 10)	(4,877)	(3,218)	(2,237)	(2,307)	(2,264)	(10,338)
	6,093	8,242	17,819	19,769	16,694	26,147

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

27. DIVIDENDS

	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
Interim dividends paid in respect the following financial year/period:-						
30 June 2012:						
- tax-exempt dividend of RM0.1956 per ordinary share	1,800	-	-	-	-	-
- tax-exempt dividend of RM0.2174 per ordinary share	2,000	-	-	-	-	-
30 June 2013:						
- dividend of RM0.093 per share less 25% tax	-	644	-	-	-	-
- tax-exempt dividend of RM0.48 per ordinary share	-	4,416	-	-	-	-
30 June 2014:						
- first single-tier dividend of RM0.655 per ordinary share	-	-	6,026	-	-	-
- second single-tier dividend of RM0.20 per ordinary share	-	-	1,840	-	-	-
- third single-tier dividend of RM0.195 per ordinary share	-	-	1,794	-	-	-
30 June 2015:						
- first single-tier dividend of RM0.28 per ordinary share	-	-	-	2,576	-	-
- second single-tier dividend of RM0.62 per ordinary share	-	-	-	5,704	-	-
	3,800	5,060	9,660	8,280	-	-

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

28. RELATED PARTY DISCLOSURES

(a) Identities of related parties

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and companies in which certain directors have substantial financial interests.

(b) Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial year/period:-

	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
Interest charged to a related party, Tint Auto (M) Sdn. Bhd.	-	-	107	67	-	-
Provision of management and accouting services charges to related parties:						
- Jaya Mapan Sdn. Bhd.	-	7	25	-	-	-
- Coöperatie Leder Inbouw Nederland U.A.,	-	74	19	-	-	-
Purchases from a related party, Tint Auto (M) Sdn. Bhd.	-	(313)	(3,985)	-	-	-
Purchase of a motor vehicle from a director	-	-	295	-	-	-
Purchase of available for sale investment from a related party, Pecca Holdings Sdn. Bhd.	-	-	-	(102)	-	-
Purchase of equity interest in Coöperatie Leder Inbouw Nederland U.A., from a related party, THL Leather Holdings Sdn.Bhd.	-	-	-	102	-	-

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

28. RELATED PARTY DISCLOSURES (CONT'D)

(b) Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial year/period (cont'd):-

	AUDITED 1.7.2011 to 30.6.2012 RM'000	**AUDITED 1.7.2012 to 30.6.2013** RM'000	**AUDITED 1.7.2013 to 30.6.2014** RM'000	**AUDITED 1.7.2014 to 30.6.2015** RM'000	**UNAUDITED 1.7.2014 to 30.11.2014** RM'000	**AUDITED 1.7.2015 to 30.11.2015** RM'000
Purchase of intangible assets from a related party, MRZ Leather Holdings Sdn. Bhd.	-	-	-	*	-	-
Rental charged to a related party, Tint Auto (M) Sdn. Bhd.	-	-	99	218	78	91
Sales commission charged by a related party, THC Venture Sdn. Bhd.	119	-	-	-	-	-
Sales of equity interest in Coöperatie Leder Inbouw Nederland U.A., to a related party, THC Leather Holdings Sdn. Bhd.	-	991	-	-	-	-
Sales to related parties						
- Pecca Leather Inc	7,197	4,796	1,229	-	-	-
- Coöperatie Leder Inbouw Nederland U.A.,	5,823	4,499	5,213	4,040	1,865	2,172
- MRZ Car Seat Sdn. Bhd.	1,546	2,518	2,765	1,610	1,148	-
- KT Universal Venture Sdn.Bhd.	252	25	13	1	-	-
- MX Too Sdn. Bhd. #	-	-	-	2	-	7
- Tint Auto (M) Sdn. Bhd.	-	-	-	1	-	-
Short-term employee benefits charged by related parties @	-	-	(107)	(132)	-	-

\# a company in which a close member of the family of Datuk Teoh Hwa Chang has a substantial financial interest.

@ close members of the family of both Datuk Teoh Hwa Cheng and Datin Sam Yin Thing.

All other related parties are companies in which both Datuk Teoh Hwa Cheng and Datin Sam Yin Thing have substantial financial interests.

* Amount less than RM1,000.

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

28. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation to key management personnel

Key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group and certain members of senior management of the Group.

The remuneration paid to key management personnel of the Group during the financial year/period is as follows:-

	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 to 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
Key management personnel compensation:						
- short-term employee benefits	1,114	1,116	990	1,815	516	751

29. OPERATING SEGMENTS

No segmental analysis by business and geographical segments are prepared as the Group operates predominantly in one industry in Malaysia.

Major Customers

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

	AUDITED 1.7.2011 to 30.6.2012 RM'000	AUDITED 1.7.2012 to 30.6.2013 RM'000	AUDITED 1.7.2013 to 30.6.2014 RM'000	AUDITED 1.7.2014 to 30.6.2015 RM'000	UNAUDITED 1.7.2014 To 30.11.2014 RM'000	AUDITED 1.7.2015 to 30.11.2015 RM'000
Customer A	14,817	18,427	13,252	*	*	*
Customer B	13,246	*	*	*	*	*
Customer C	7,101	*	*	*	*	*
Customer D	7,196	*	*	*	*	*
Customer E	*	7,477	*	*	*	*
Customer F	*	*	16,847	29,749	7,625	19,318
Customer G	*	*	12,058	37,356	13,726	12,935

* Less than 10% of the Group's revenue for the relevant financial year/period.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. FOREIGN EXCHANGE RATE

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	AUDITED 30.6.2012	AUDITED 30.6.2013	AUDITED 30.6.2014	AUDITED 30.6.2015	UNAUDITED 30.11.2014	AUDITED 30.11.2015
	RM	RM	RM	RM	RM	RM
Australian Dollar	-	2.92	3.03	2.90	2.88	3.07
Euro	4.00	4.12	4.38	4.20	4.21	4.51
Japanese Yen	-	0.03	0.03	0.03	0.03	0.03
New Zealand Dollar	2.52	2.47	2.81	2.55	2.65	2.79
Pound Sterling	4.88	4.85	5.47	5.94	5.31	6.40
Singapore Dollar	2.49	2.50	2.57	2.80	2.60	3.02
United States Dollar	3.19	3.16	3.21	3.78	3.38	4.26
Thai Baht	-	-	0.10	0.11	0.10	0.11

31. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in foreign currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Euro and United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. Occasionally, 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.

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure

AUDITED 30.6.2012	**Euro** RM'000	**United States Dollar** RM'000	**New Zealand Dollar** RM'000	**Australian Dollar** RM'000	**Japanese Yen** RM'000	**Other Foreign Currencies** RM'000	**Ringgit Malaysia** RM'000	**Total** RM'000
Financial Asset								
Trade receivables	1,184	7,197	28	-	31	50	11,112	19,602
Cash and bank balances	1,673	188	-	-	-	-	4,232	6,093
	2,857	7,385	28	-	31	50	15,344	25,695
Financial Liability								
Trade payables	6	2,710	-	-	-	-	3,431	6,147
Net financial asset	2,851	4,675	28	-	31	50	11,913	19,548
Less: Net financial asset denominated in the entity's functional currency	-	-	-	-	-	-	(11,913)	(11,913)
Currency exposure	2,851	4,675	28	-	31	50	-	7,635

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(j) Foreign Currency Risk (Cont'd)

Foreign currency exposure

AUDITED 30.6.2013	**Euro** RM'000	**United States Dollar** RM'000	**New Zealand Dollar** RM'000	**Australian Dollar** RM'000	**Japanese Yen** RM'000	**Other Foreign Currencies** RM'000	**Ringgit Malaysia** RM'000	**Total** RM'000
Financial Asset								
Trade receivables	1,319	5,601	81	365	66	32	10,961	18,425
Cash and bank balances	325	2,895	49	476	59	16	4,422	8,242
	1,644	8,496	130	841	125	48	15,383	26,667
Financial Liability								
Trade payables	(3)	(4,293)	-	-	-	-	(1,751)	(6,047)
Net financial asset	1,641	4,203	130	841	125	48	13,632	20,620
Less: Net financial asset denominated in the entity's functional currency	-	-	-	-	-	-	(13,632)	(13,632)
Less: Forward foreign currency contracts (contracted notional principal)	-	(2,225)	-	-	-	-	-	(2,225)
Currency exposure	1,641	1,978	130	841	125	48	-	4,763

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure

AUDITED 30.6.2014	**Euro** RM'000	**United States Dollar** RM'000	**New Zealand Dollar** RM'000	**Australian Dollar** RM'000	**Japanese Yen** RM'000	**Other Foreign Currencies** RM'000	**Ringgit Malaysia** RM'000	**Total** RM'000
Financial Asset								
Trade receivables	1,346	163	36	486	298	105	20,529	22,963
Cash and bank balances	1,131	1,040	122	603	-	2	14,921	17,819
	2,477	1,203	158	1,089	298	107	35,450	40,782
Financial Liability								
Trade payables	(11)	(7,790)	-	-	-	(2)	(6,906)	(14,709)
Net financial asset/(liability)	2,466	(6,587)	158	1,089	298	105	28,544	26,073
Less: Net financial asset denominated in the entity's functional currency	-	-	-	-	-	-	(28,544)	(28,544)
Less: Forward foreign currency contracts (contracted notional principal)	-	6,493	-	(1)	-	(1)	-	6,491
Currency exposure	2,466	(94)	158	1,088	298	104	-	4,020