

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF PECCA GROUP BERHAD (“PECCA” OR THE “COMPANY”) DATED 29 MARCH 2016 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at www.bursamalaysia.com (“**Website**”).

Availability and Location of Paper/Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, AmInvestment Bank Berhad (a member of AmInvestment Bank Group) (“**AmInvestment Bank**”), or Malaysian Issuing House Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, AmInvestment Bank and Pecca take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from 10.00 a.m. on 29 March 2016 and will close at 5.00 p.m. on 5 April 2016 or for such further period or periods as the Directors of Pecca in their absolute discretion may decide.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.



www.peccaleather.com



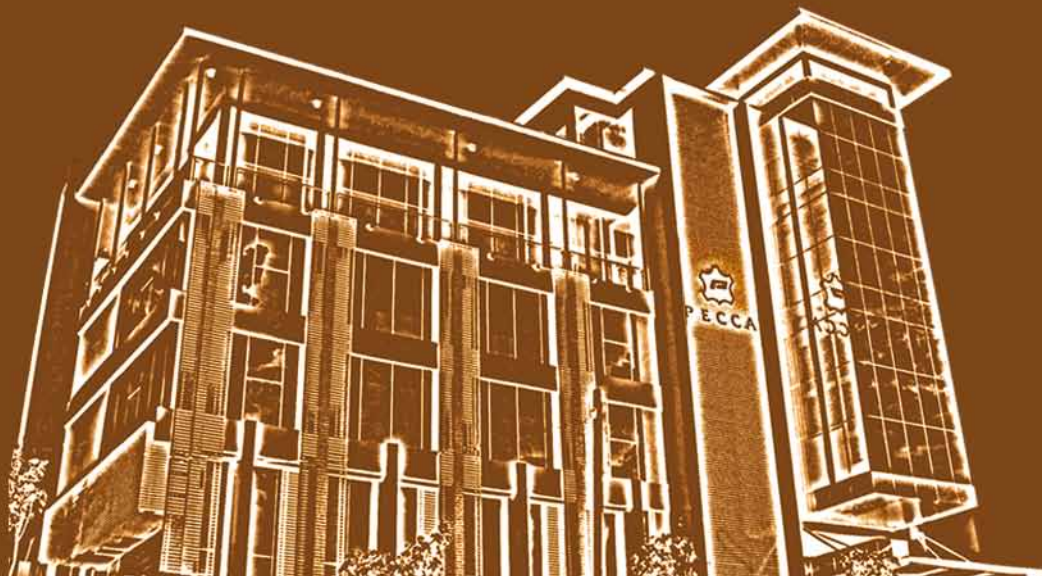
PECCA
GROUP BERHAD

PECCA GROUP BERHAD

(Company No. 909531-D)
(Incorporated in Malaysia under the Companies Act, 1965)

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Industri Desa Aman,
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PECCA GROUP BERHAD
(Company No. 909531-D)
(Incorporated in Malaysia under the Companies Act, 1965)

PROSPECTUS



PECCA
GROUP BERHAD

PECCA GROUP BERHAD

(Company No. 909531-D)
(Incorporated in Malaysia under the Companies Act, 1965)

PUBLIC ISSUE OF 47,796,000 NEW ORDINARY SHARES OF RM0.50 EACH IN PECCA GROUP BERHAD ("PECCA") COMPRISING:-

- 9,400,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 9,400,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES OF PECCA AND ITS SUBSIDIARIES; AND
- 28,996,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR PRIVATE PLACEMENT TO SELECTED INVESTORS;

AND

OFFER FOR SALE OF 43,330,000 ORDINARY SHARES OF RM0.50 EACH IN PECCA COMPRISING:-

- 24,530,000 ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR PRIVATE PLACEMENT TO SELECTED INVESTORS; AND
- 18,800,000 ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY WAY OF PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY;

AT AN ISSUE/ OFFER PRICE OF RM1.42 PER ORDINARY SHARE PAYABLE IN FULL ON APPLICATION IN CONJUNCTION WITH THE LISTING OF PECCA ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

Principal Adviser, Joint Underwriter and Joint Placement Agent



AmInvestment Bank

AmInvestment Bank Berhad

(Company No. 23742-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Underwriter and Joint Placement Agent

HongLeong Investment Bank

Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. TURN TO SECTION 3 FOR "RISK FACTORS".

THIS PROSPECTUS IS DATED 29 MARCH 2016



PROSPECTUS

RESPONSIBILITY STATEMENTS

THE DIRECTORS AND PROMOTERS OF PECCA GROUP BERHAD ("**PECCA**" OR "**OUR COMPANY**") AND THE OFFERORS HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION IN THIS PROSPECTUS. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THERE IS NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THE PROSPECTUS FALSE OR MISLEADING.

AMINVESTMENT BANK BERHAD BEING THE PRINCIPAL ADVISER, JOINT UNDERWRITER AND JOINT PLACEMENT AGENT ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING ("**IPO**").

STATEMENTS OF DISCLAIMER

THE SECURITIES COMMISSION MALAYSIA ("**SC**") HAS APPROVED THE IPO AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE APPROVAL AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

THE VALUATION UTILISED FOR THE PURPOSE OF THE CORPORATE EXERCISE SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE SUBJECT ASSETS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

APPROVAL HAS BEEN OBTAINED FROM BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") FOR THE LISTING OF AND QUOTATION FOR THE SECURITIES BEING OFFERED. ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE IPO, OUR COMPANY OR OUR SECURITIES.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE HEREIN BY US AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS. BURSA SECURITIES MAKES NO REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF THIS PROSPECTUS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS WHATSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THIS PROSPECTUS.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORM, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249, AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("**CMSA**").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE IPO FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE SECURITIES OF PECCA ARE CLASSIFIED AS SHARIAH COMPLIANT BY THE SHARIAH ADVISORY COUNCIL OF THE SC BASED ON THE LATEST AUDITED FINANCIAL YEAR ENDED 30 JUNE 2015. THIS CLASSIFICATION REMAINS VALID FROM THE DATE OF ISSUE OF THE PROSPECTUS UNTIL THE NEXT SHARIAH COMPLIANCE REVIEW UNDERTAKEN BY THE SHARIAH ADVISORY COUNCIL OF THE SC. THE NEW STATUS IS RELEASED IN THE UPDATED LIST OF SHARIAH-COMPLIANT SECURITIES, ON THE LAST FRIDAY OF MAY AND NOVEMBER.

THE PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT <http://www.bursamalaysia.com>. THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME.

YOU MAY OBTAIN A COPY OF THE ELECTRONIC PROSPECTUS FROM THE WEBSITE OF AFFIN HWANG INVESTMENT BANK BERHAD AT <http://trade.affinhwang.com>, THE WEBSITE OF AFFIN BANK BERHAD AT <http://www.affinonline.com>, THE WEBSITE OF CIMB INVESTMENT BANK BERHAD AT <http://www.eipocimb.com>, THE WEBSITE OF CIMB BANK BERHAD AT <http://www.cimbclicks.com.my>, THE WEBSITE OF MALAYAN BANKING BERHAD AT <http://www.maybank2u.com.my>, THE WEBSITE OF RHB BANK BERHAD AT <http://www.rhbgroup.com> AND THE WEBSITE OF PUBLIC BANK BERHAD AT <http://www.pbebank.com> VIA HYPERLINK TO THE WEBSITE OF BURSA SECURITIES.

THE INTERNET IS NOT A FULLY SECURED MEDIUM. INTERNET APPLICATIONS MAY BE SUBJECT TO RISKS IN DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

IF YOU ARE IN DOUBT ABOUT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM OUR COMPANY, THE PRINCIPAL ADVISER OR THE ISSUING HOUSE, A PAPER/ PRINTED COPY OF THIS PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER/ PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/ PRINTED COPY OF THIS PROSPECTUS, WHICH ARE IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC, SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "**THIRD PARTY INTERNET SITES**"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:-

- (I) OUR COMPANY DOES NOT ENDORSE AND IS NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES. ACCORDINGLY, OUR COMPANY IS NOT RESPONSIBLE FOR THE AVAILABILITY OF, THE CONTENT ON, OR ANY DATA, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;
- (II) OUR COMPANY IS NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY OF THE TERMS OF ANY OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. OUR COMPANY IS ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND

- (III) ANY DATA FILE OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR DISCRETION AND RISK. OUR COMPANY IS NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, YOU ARE ADVISED THAT:-

- (I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS, I.E. TO THE EXTENT THAT THE CONTENT OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION MAY BE VIEWED VIA WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT RESPONSIBLE FOR THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS, WHICH HAS BEEN OBTAINED FROM THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION AND SUBSEQUENTLY COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES; AND
- (II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF THE ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURED MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS THAT YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE IPO ARE SUBJECT TO THE LAWS OF MALAYSIA. THIS PROSPECTUS WILL NOT BE DISTRIBUTED OUTSIDE MALAYSIA. OUR COMPANY, THE PROMOTERS, THE OFFERORS AND THE PRINCIPAL ADVISER HAVE NOT AUTHORISED AND ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THIS PROSPECTUS OUTSIDE MALAYSIA. OUR COMPANY, THE PROMOTERS, THE OFFERORS AND THE PRINCIPAL ADVISER HAVE NOT TAKEN ANY ACTION TO PERMIT A PUBLIC OFFERING OF THE SECURITIES IN ANY JURISDICTION OTHER THAN MALAYSIA BASED ON THIS PROSPECTUS. ACCORDINGLY, THIS PROSPECTUS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER FOR PURCHASE OR INVITATION TO BUY THE SECURITIES OFFERED UNDER THE IPO IN ANY JURISDICTION OR IN ANY CIRCUMSTANCE IN WHICH AN OFFER IS NOT AUTHORISED OR LAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF THE SECURITIES OFFERED UNDER THE IPO IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. OUR COMPANY, THE PROMOTERS, THE OFFERORS AND THE PRINCIPAL ADVISER REQUIRE YOU TO BE INFORMED AND TO OBSERVE SUCH RESTRICTIONS.

THIS PROSPECTUS IS PUBLISHED SOLELY IN CONNECTION WITH THE IPO. THE SECURITIES BEING OFFERED IN THE IPO ARE OFFERED SOLELY ON THE BASIS OF THE INFORMATION CONTAINED AND REPRESENTATIONS MADE IN THIS PROSPECTUS. NEITHER OUR COMPANY NOR THE PROMOTERS/OFFERORS HAVE AUTHORISED ANYONE TO PROVIDE INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS.

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR WITH OR BY ANY REGULATORY AUTHORITY OR OTHER RELEVANT BODY OF ANY JURISDICTION OTHER THAN MALAYSIA.

OUR COMPANY WILL NOT, PRIOR TO ACTING ON ANY ACCEPTANCE IN RESPECT OF THE IPO, MAKE OR BE BOUND TO MAKE ANY ENQUIRY AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA AND WILL NOT ACCEPT OR BE DEEMED TO ACCEPT ANY LIABILITY IN RELATION THERETO WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION THEREWITH.

IT SHALL BE YOUR SOLE RESPONSIBILITY, IF YOU ARE OR MAY BE SUBJECTED TO THE LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA, TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER THE IPO WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OF SUCH COUNTRIES OR JURISDICTIONS.

FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR THE IPO WOULD BE IN COMPLIANCE WITH THE TERMS OF THE IPO AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED. OUR COMPANY WILL FURTHER ASSUME THAT YOU HAD ACCEPTED THE IPO IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECT ONLY TO THE LAWS OF MALAYSIA IN CONNECTION THEREWITH.

HOWEVER, OUR COMPANY RESERVES THE RIGHT, IN OUR ABSOLUTE DISCRETION, TO TREAT ANY ACCEPTANCE AS INVALID IF OUR COMPANY BELIEVES THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

NO ACTION HAS BEEN OR WILL BE TAKEN TO ENSURE THAT THIS PROSPECTUS COMPLIES WITH THE LAWS OF ANY COUNTRIES OR JURISDICTION OTHER THAN THE LAWS OF MALAYSIA. IT SHALL BE YOUR SOLE RESPONSIBILITY TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS ON THE LAWS TO WHICH THE IPO OR YOU ARE OR MIGHT BE SUBJECTED TO. NEITHER OUR COMPANY NOR THE PRINCIPAL ADVISER NOR ANY OTHER ADVISERS IN RELATION TO THE IPO SHALL ACCEPT ANY RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY APPLICATION MADE BY YOU SHALL BECOME ILLEGAL, UNENFORCEABLE, VOIDABLE OR VOID IN ANY COUNTRY OR JURISDICTION.

THE CIRCULATION OF THIS PROSPECTUS AND THE IPO MAY BE RESTRICTED IN CERTAIN JURISDICTIONS OUTSIDE MALAYSIA AND THEREFORE PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES SHALL SEEK ADVICE ON AND OBSERVE ANY SUCH RESTRICTIONS. THIS PROSPECTUS DOES NOT CONSTITUTE AN ISSUE, OFFER OR INVITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH ISSUE, OFFER OR INVITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH ISSUE, OFFER OR INVITATION.

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INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for our Company's entire enlarged issued and fully paid-up share capital on the Main Market of Bursa Malaysia Securities Berhad is set out below:-

<u>Date</u>	<u>Event</u>
29 March 2016	: Issuance of Prospectus/ opening date of the Initial Public Offering ("IPO")
5 April 2016	: Closing date of the IPO
7 April 2016	: Tentative date for balloting of applications
18 April 2016	: Tentative date for allotment of IPO shares
19 April 2016	: Tentative listing date

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES.

THE APPLICATION PERIOD WILL REMAIN OPEN UNTIL 5.00 P.M. ON 5 APRIL 2016 OR FOR SUCH FURTHER PERIOD OR PERIODS AS OUR DIRECTORS, PROMOTERS AND OFFERORS TOGETHER WITH OUR UNDERWRITERS IN THEIR ABSOLUTE DISCRETION MAY MUTUALLY DECIDE. WE WILL NOT ACCEPT LATE APPLICATIONS.

IN THE EVENT THAT THE CLOSING DATE OF THE IPO IS EXTENDED, THE DATES FOR THE BALLOTING, ALLOTMENT AND ALLOCATION OF THE IPO SHARES AND THE LISTING OF OUR COMPANY WILL BE EXTENDED ACCORDINGLY. ANY EXTENSION OF THE ABOVEMENTIONED DATES WILL BE ANNOUNCED BY WAY OF ADVERTISEMENT IN A WIDELY CIRCULATED BAHASA MALAYSIA AND ENGLISH DAILY NEWSPAPER IN MALAYSIA.

PRESENTATION OF INFORMATION

Words referring to the singular shall, where applicable, include the plural and *vice versa*, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include a company or a corporation.

Any enactment referred to in this Prospectus is a reference to that enactment for the time being amended or re-enacted.

All references to "Pecca" or "the Company" or "our Company" in this Prospectus are to Pecca Group Berhad, references to "Pecca Group" or "the Group" or "our Group" are to our Company and our subsidiaries, and references to "we" or "us" or "our" or "ourselves" are to our Company, and where the context requires, our Company and our subsidiaries.

Any reference in this Prospectus, the Application Form(s), Electronic Share Application or Internet Share Application to any legislation, statute or statutory provision is a reference to that legislation, statute or statutory provision for the time being as amended or re-enacted, and to any repealed legislation, statute or statutory provision which it re-enacts (with or without modification). Any word defined in the Act, CMSA, Listing Requirements or any statutory modification thereof and used in this Prospectus and the Application Form(s) shall, where applicable, have the meaning ascribed to it under the Act, CMSA, Listing Requirements or any statutory modification thereof (as the case may be).

Any reference to a time of day in this Prospectus, the Application Form(s), Electronic Share Applications or Internet Share Applications shall be a reference to Malaysia time unless otherwise stated.

The term "entity" includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust.

The word "approximately" used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest tenth/ hundredth or one/ two decimal places. Any numeric discrepancies in the tables included in this Prospectus between the listed amounts and the totals thereof are due to rounding differences.

The information on our websites, or any website directly or indirectly linked to such websites does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations, are forward-looking statements.

Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed, or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies, and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements include, without limitation, statements relating to:-

- (a) our future overall business development, operations and financial performance;
- (b) estimated, forecasted or projected financial information in relation to the future development and financial performance of our business;
- (c) potential growth opportunities including advancements in products, services and developments in technology;
- (d) financing plans;
- (e) business strategies, trends, competitive position and future plans;
- (f) competitive position and the effects of competition;
- (g) our future earnings, cash flow and liquidity;
- (h) the general industry environment, including the demand for our products and services in Malaysia; and
- (i) the regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors, including, without limitation:-

- (a) the general economic and business conditions, social, political and economic developments, demand and supply for our products and services and investment environment in Malaysia and globally;
- (b) the competitive environment in our industry;
- (c) fixed and contingent obligations and commitments;
- (d) delays, cost overruns or problems with the execution of our expansion plans;
- (e) continued availability of capital and financing;
- (f) interest rates, tax rates and foreign exchange rates;
- (g) significant capital expenditure requirements;

FORWARD-LOOKING STATEMENTS (Cont'd)

- (h) future regulatory changes affecting us or the automotive industry or automotive leather upholstery industry in Malaysia;
- (i) liability for remedial actions under environmental and/or health and safety regulations;
- (j) the cost and availability of adequate insurance coverage; and
- (k) any other factors beyond our control.

Additional factors that could cause our actual results, performance or achievements, or industry results to differ materially include, but are not limited to, those discussed elsewhere in Section 3 of this Prospectus on "Risk Factors" and Section 8.4 of this Prospectus on "Management's Discussion and Analysis of Financial Condition, Results of Operations and Prospects". Our Company cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. Subject to any applicable laws, rules, regulations and guidelines having the force of law, our Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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DEFINITIONS

In this Prospectus, unless where the context requires otherwise, the following words and abbreviations shall have the following meanings:-

Acquisition of 60% PAviation	:	The acquisition by Pecca of 60.0% 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
Acquisition of PLeather	:	The acquisition by Pecca of 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
Acquisition of EEmpire	:	The acquisition by Pecca of the entire issued and paid-up share capital of EEmpire comprising 6,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM5,980,000 satisfied wholly by cash
Acquisitions	:	Collectively, the Acquisition of EEmpire, Acquisition of PLeather and Acquisition of 60% PAviation
Act	:	The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
ADA	:	Authorised Depository Agent
ADA Code	:	ADA (Broker) Code
Admission	:	Admission of the Shares to the Official List of the Main Market of Bursa Securities
Allotment	:	The allotment and issuance of two (2) Shares in Pecca with one (1) Share each to Datuk Teoh Hwa Cheng and Chong Swee Main respectively.
AmlInvestment Bank Principal Adviser	or	AmlInvestment Bank Berhad (23742-V)
Application Form(s)	:	The printed Application Form(s) for the application for the IPO Shares
Application(s)	:	The application for the IPO Shares by way of Application Forms or by way of Electronic Share Application or Internet Share Application
Asia Pacific Entrepreneur Award	International Excellence	:
		Asia Pacific International Entrepreneur Excellence Award awards outstanding entrepreneurs who have shown business excellence in the respective industry. This award recognises leadership qualities, abilities in achieving the company's vision and empowering staff, and the leader's acute management skills. The evaluation criteria includes business and company strength, certification and accreditation, R&D, innovation, financial performance and corporate social responsibility
ATM(s)	:	Automated Teller Machine(s)
AUD	:	Australian Dollar
BNM	:	Bank Negara Malaysia

DEFINITIONS (Cont'd)

Board or Directors	:	Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W), a subsidiary of Bursa Securities
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CDS	:	Central Depository System
Central Depositories Act	:	The Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
CMSA	:	Capital Markets and Services Act, 2007 or any statutory modification, amendments or re-enactment thereof for the time being in force
DCA	:	Department of Civil Aviation, Malaysia
Deloitte	:	Deloitte Malaysia, a member firm of Deloitte Touche Tohmatsu Limited (Deloitte)
Deposited Security	:	A security in our Company standing to the credit of a Securities Account of a Depositor subject to the provision of the Central Depositories Act and the Rules
Depositor	:	A holder of a Securities Account
Dividend Payment	:	Distribution by PLeather to its shareholders the following dividends:- <ul style="list-style-type: none"> (i) First interim dividend amounted to approximately RM2.58 million which was declared on 2 December 2014 and paid on 10 December 2014; and (ii) Second interim dividend amounted to approximately RM5.70 million which was declared on 28 May 2015 and paid on 19 June 2015. <p>The aforementioned dividends was declared and paid from PLeather's PAT generated for the FYE 2015 Please refer to Section 4.2 (a) of this Prospectus for further details</p>
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EEmpire	:	Everest Empire Sdn Bhd (956220-V)
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet and/or an electronic storage medium, including but not limited to CD-ROMs or floppy disks
Electronic Share Application or ESA	:	An application for the Offer Shares through Participating Financial Institutions' ATM
EPS	:	Earnings per Share
EUR	:	Euro
FAA	:	Federal Aviation Administration, USA

DEFINITIONS (Cont'd)

FMM	:	Federation of Malaysian Manufacturers
FIC	:	Foreign Investment Committee
FPE	:	Financial period(s) for the five (5) months ended or, as the case may be, ending 30 November
FYE	:	Financial year(s) ended or, as the case may be, ending 30 June
GDP	:	Gross domestic product
Golden Bull Award	:	The qualifying criteria for the Golden Bull Award is based on companies with annual sales turnover of RM5 million to RM75 million for the past three (3) financial years. Evaluation of the award nominees is conducted based on criteria such as prospects of the management, vision and mission statements, corporate uniqueness and philosophy, growth prospects for the next three (3) to five (5) years, major innovations, market presence, information technology usage and financial performance. The annual Golden Bull Award is open to all SMEs, including previous winners. In total, one hundred (100) winners will be selected for the Outstanding SMEs Category, twenty (20) winners will be selected for the Emerging SMEs Category and ten (10) winners will be selected for the Super Golden Bull Category annually
GP	:	Gross profit
Independent Valuers or PPC Registered	:	PPC International Sdn Bhd (405011-U)
Internet Participating Financial Institution(s)	:	Participating organisation(s) in the Internet Share Application, as listed in Section 14.6.2 of this Prospectus
Internet Share Application	:	Application for the IPO Shares through an Internet Participating Financial Institution
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 and Offer for Sale
IPO Share(s)	:	Collectively, the Public Issue Shares and Offer Shares
ISO	:	International Organisation for Standardisation
ISO/TS	:	International Organisation for Standardisation/ Technical Specification
Issuing House or MIH	:	Malaysian Issuing House Sdn Bhd (258345-X)
JO	:	Job Order
Joint Underwriters or Joint Placement Agents	:	AmlInvestment Bank Berhad (23742-V) and Hong Leong Investment Bank Berhad (10209-W)
Listing	:	Admission to the Official List and the listing of and quotation for our entire issued and paid up share capital of RM94,000,000 comprising 188,000,000 Shares on the Main Market of Bursa Securities

DEFINITIONS (Cont'd)

Listing Requirements	:	The Main Market Listing Requirements of Bursa Securities
Listing Scheme	:	Collectively, the Dividend Payment, Subdivision, Allotment, Acquisitions, IPO and Listing collectively
LOI	:	Letter of Intent
LPD	:	29 February 2016, being the latest practicable date prior to the printing of this Prospectus by our Company
M&A	:	Memorandum and Articles of Association
MEF	:	Malaysian Employers Federation
Malaysian Public or Public	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	:	A day on which the stock market of Bursa Securities is open for trading in securities
MITI	:	Ministry of International Trade and Industry
MRZ	:	MRZ Leather Holdings Sdn Bhd (623330-M)
NBV	:	Net book value
NTA	:	Net tangible assets
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
Offer Shares	:	The 43,330,000 Shares, which are the subject of the Offer for Sale
Offerors or Selling Shareholders	:	Collectively, MRZ and Datuk Teoh Hwa Cheng. Their respective Offer Shares are as follows:

Offerors	No. of Offer Shares	% of Enlarged Share Capital
MRZ	35,130,000	18.69
Datuk Teoh Hwa Cheng	8,200,000	4.36
Total	43,330,000	23.05

Official List	:	The official list of the Main Market of Bursa Securities
OHSAS	:	Occupational Health & Safety Advisory Services
Participating Financial Institution(s)	:	Refers to the participating financial institutions for Electronic Share Application as listed in Section 14.5.2 of this Prospectus
PAT	:	Profit after taxation

DEFINITIONS (Cont'd)

PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple
Pecca or Company	:	Pecca Group Berhad (909531-D)
Pecca Group or the Group	:	Pecca and its subsidiaries, collectively
Pecca Share(s) or Share(s)	:	Ordinary share(s) of RM0.50 each in Pecca
PAviation	:	Pecca Leather Aviation Services Sdn Bhd (862902-W)
PLeather	:	Pecca Leather Sdn Bhd (518370-H)
Pink Form Shares	:	The 9,400,000 Public Issue Shares of our Company representing 5.0% of the enlarged issued and paid-up share capital of our Company at the IPO Price to be issued to the eligible Directors, employees and business associates of our Group
PO	:	Purchase Order
Prescribed Security	:	Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the Central Depositories Act and the Rules
Promoters	:	Collectively, MRZ, Datuk Teoh Hwa Cheng and Datin Sam Yin Thing
Prospectus	:	This Prospectus dated 29 March 2016 issued by our Company in respect of the IPO
Public Issue	:	The invitation by our 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
Public Issue Shares	:	The 47,796,000 new Shares, which are the subject of the Public Issue
PVC	:	Polyvinyl Chloride
QA/QC	:	Quality Assurance/ Quality Control
R&D	:	Research and development
Record of Depositors	:	A record provided by the Bursa Depository to our Company under Chapter 24.0 of the Rules
RFP	:	Request for Proposal
RFQ	:	Request for Quotation
RM and sen	:	Ringgit Malaysia and sen respectively
Rules	:	The Rules of the Bursa Depository
SAC	:	Shariah Advisory Council of the SC
SC	:	Securities Commission Malaysia
SC Guidelines	:	Equity and Prospectus Guidelines issued by the SC

DEFINITIONS (Cont'd)

Seatcoverpro	: Seatcoverpro Sdn Bhd (846403-P)
Securities Account	: An account established by Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor
SGD	: Singapore Dollars
Share Registrar	: Boardroom Corporate Services (KL) Sdn Bhd (3775-X)
SME(s)	: Small medium sized enterprise(s)
SMIDEC	: Small and Medium Industries Development Corporation
SO	: Sales Order
Sq Ft	: Square feet
Subdivision	: Subdivision of 2 ordinary shares of RM1.00 each in Pecca into 4 new Shares on the basis of 2 new Shares for every 1 existing ordinary share of RM1.00 each
THC Auto	: THC Auto Supply Sdn Bhd (<i>formerly known as Pecca Auto Sdn Bhd</i>) (877139-W)
THC LHoldings	: THC Leather Holdings Sdn Bhd (<i>formerly known as Pecca Holdings Sdn Bhd</i>) (822378-T)
THC Venture	: THC Venture Sdn Bhd (<i>formerly known as Pecca Koike Sdn Bhd</i>) (887044-V)
UK	: United Kingdom
USA or US	: United States of America
USD	: United States Dollars
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
Wohlstand	: Wohlstand Jet Solution Sdn Bhd (1084736-H)

Words referring to the singular shall, where applicable, include the plural and *vice versa*, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include a company or a corporation.

Any enactment referred to in this Prospectus is a reference to that enactment for the time being amended or re-enacted.

GLOSSARY OF TECHNICAL TERMS

- 3-D** : Three-dimensional, an image that provides the perception of length
- AQL** : Acceptable Quality Level refers to a statistical measurement of the maximum number of defective goods considered acceptable in a particular batch or sample size. It defines the maximum tolerable deviation from quality standards under the ISO 2859-1 standard that is commonly used for product or raw material inspection
- AIAG** : Automotive Industry Action Group, this refers to a global not-for-profit association of companies involved in the automotive industry which work collaboratively to streamline industry processes. It is comprised of retailers, suppliers, manufacturers, service providers, academia and the government
- BO** : Blanket Order refers to a purchase order issued by the client to its supplier to purchase undetermined quantity of goods in multiple deliveries over a period of time
- Bureau Veritas** : Bureau Veritas (M) Sdn Bhd, a company of the Bureau Veritas Group which was established since 1828 and based in Paris, is a leading global service-provider in testing, inspection and certification in the area of quality, safety, environmental protection and social responsibilities management systems. With around 400,000 clients globally, Bureau Veritas offers innovative solutions and helps clients to reduce risk, improve performance as well as to meet the growing challenges of quality and sustainable development
- CNC** : Computer Numerical Control refers to a technology which a computer converts the design produced by Computer Aided Design softwares (CAD), into numbers. The numbers can be considered to be the coordinates of a graph and they control the movement of the cutter. In this way the computer controls the cutting and shaping of the material
- CSIPO** : Chinese State Intellectual Property Office, this refers to the government agency responsible for patent works and coordination of foreign related affairs in the field of intellectual property in China
- EMS** : Environmental Management System, this refers to a set of processes and practices that enables an organisation to reduce its environmental impacts and increase its operating efficiency
- FBO** : Fixed-based Operator, this refers to a commercial business granted the right by a particular airport to provide aeronautical services such as fuelling, hangering, parking, aircraft rental, aircraft maintenance, flight instruction as well as other ancillary services to airlines and private aircraft owners
- FMVSS** : Federal Motor Vehicle Safety Standards, this refers to USA's federal regulations specifying the minimum design, construction, performance and durability requirements for motor vehicles and regulated safety-related components, systems and design features. It is among the leading international standards which manufacturers of motor vehicle and equipment seek to conform and certify compliance

GLOSSARY OF TECHNICAL TERMS (Cont'd)

IPQC	:	In-Process Quality Control, this refers to a new paradigm in quality-control that involves rapid and simple inspection, as product quality feedback, on each manufacturing equipment, processes and operators when the manufacturing of the product batch is in process. It enforces the flow of established manufacturing and packaging procedures to minimise human error
JIT	:	Just-in-time refers to an inventory strategy deployed to increase efficiency and decrease waste by receiving goods only as they are needed in the production process, thereby reducing inventory costs
MRO	:	Maintenance, repair and overhaul, this refers to a set of processes or activities involved in the maintaining, repairing or overhauling of mechanical and electrical devices or equipment. Maintenance involves periodic inspection and replacement of non-functioning components of a mechanism to prevent future potential malfunctions. Repair involves replacement or restoration of malfunctioned components of a mechanism. Overhaul is a process of disassembling a mechanism to thoroughly identify all faulty or non-performing components that are required to be replaced or repaired, which is subsequently reassembled to restore full performance. In the aviation industry, MRO typically relates to the maintenance services of aircrafts
MS	:	Management System, this refers to a framework of processes and procedures used by the practicing organisation to manage and continuously improve their operating efficiency to achieve their objectives
OE Fit	:	Our leather car seat covers are designed in many varying forms, shapes and sizes depending on car models, specifications and methods of installation as follows:- <ul style="list-style-type: none"> (a) We supply and install the leather car seat covers onto the new car seats manufactured by Tier 1 car seat manufacturers. The Tier 1 car seat manufacturers will supply the completely assembled car seats fitted with our leather seat covers to car manufacturers or assemblers for final installation onto the cars for the OEM market segment; or (b) The car seats are dismantled for the purposes of removing or stripping off the pre-installed fabric car seat covers. Our OE Fit leather seat covers are subsequently installed onto the bare car seats. The car seats installed with our OE Fit leather seat covers will then be reinstalled onto the cars. This OE Fit product caters to the end users in the REM market segment
OE Leather Car Seat Cover	:	A car seat cover category whereby car manufacturer clients provide the specification, such as the design, seat profile and combination of materials configuration (leather, PVC and carpet)
OEM	:	Original Equipment Manufacturer, in the automotive sector, this refers to the company that typically design the final product and develop its distribution networks

GLOSSARY OF TECHNICAL TERMS (Cont'd)

PCT	:	Patent Cooperation Treaty, this refers to an international agreement for an unified procedure in filing patent applications in over 140 countries, which allows the inventor to seek protection globally by a single application
PDI	:	Pre-Delivery Inspection, this refers to the final process in automotive manufacturing, which prepares the vehicle before delivery to end-customers
Production Part Approval	:	An industry guideline that details the specific reports and documentation necessary to gain part approval in the automotive industry. It is governed by a manual published by the Automotive Industry Action Group
PSW	:	Part Submission Warrant, in the automotive industry, this refers to a document that summarises the entire Production Part Approval Process of a tender, including, amongst others, the part name, supplier's contact information, customer's contact information and material report
Pull Belt System	:	A car seat cover installation technique that utilises elastic loops and hooks attached on the back of the car seat cover to be strapped onto the base of the car seat to enable firm attachment
QMS	:	Quality Management System, this refers to a set of policies and procedures that enable an organisation to identify, measure, control and improve core processes to consistently meet clients' specification and expectation
Quick Fit	:	Our patented one (1) piece PVC car seat covers designed to fit onto the back of the seat and seat cushion. It is designed to be fitted onto a car seat without having to dismantle the car seat and to remove the original fabric car seat covers. Our Quick Fit product caters for the REM market segment
REM	:	Replacement Equipment Manufacturer, in the automotive sector, this refers to manufacturers that produce replacement parts and components that extend or enhance the use of existing vehicles. It is naturally comprised of suppliers for OEM as they have matching specifications
Smart Fit	:	Our patented leather car seat covers separated into two (2) pieces comprising covers for the back of the seat and seat cushion. It is designed to be fitted onto a car seat without having to dismantle the car seat from the car and to remove the original fabric car seat covers. Our Smart Fit product also encompasses car door trims. Presently, our Smart Fit product caters for the PDI market segment. We plan to supply our Smart Fit product to the REM market segment when open our own retail outlets
SPC	:	Statistical Process Control, this refers to a method to monitor and control quality during the manufacturing process on a real time basis to ensure maximum production of conforming product and reduce the waste to a minimum level. SPC can be applied to any process where the output of conforming products can be measured. Key tools used in SPC includes control charts

GLOSSARY OF TECHNICAL TERMS (Cont'd)

- Stylelab** : In-house Automotive Interior Design and Styling Department of PLeather
- Tier 1 Car Seat Manufacturers** : In the automotive supply chain, the Tier-1 manufacturers are the direct suppliers of finished components and parts to the OEM for installation in the OEM vehicle assembly line. In regards to automotive car seats, the Tier-1 manufacturers essentially produce the finished seats by means of assembly of various seat components comprising seat frames, automotive seat systems and leather/ PVC/ fabric upholstery depending on the seat cover specification by the car manufacturer
- TUV NORD** : TUV NORD CERT GmbH, a company of the TÜV NORD Group, is a service-provider for comprehensive testing and certification on the basis of national and international specifications and standards for products, services and management systems. The company employs over 10,000 employees and operating in over 70 countries, and is renowned for its broad range of services with over 700 national and international accreditations, as well as voluntary testing standards in personnel, product and system certification
- VAVE** : Value Analysis/ Value Engineering is a problem solving activity that focuses on improving the value of the functions that are required to accomplish the goal or objective of any product, process, service or organisation. Its goal is the systematic application of recognised techniques that identify the functions of the product or service, establish the worth of those functions and provide only the necessary functions to meet the required performance at the lowest overall cost. VAVE eliminates or minimises wasted material, time and product cost to improve value to the customer. Part of the VAVE exercise implemented by our Group is to propose the swapping of leather and PVC configuration at selected sections of the leather car seat covers which have minimum contact with the end user in order to meet the lower target cost requirement of customer and at the same time does not compromise the overall quality of the product supplied
- VDA and VDA 6.3** : The German Association of the Automotive Industry (Verband der Automobilindustrie e. V.).
- The VDA 6.3 defines a process based audit standard in accordance with the VDA Manual 6 part 3 for evaluating and improving controls in a manufacturing organisation's new product introduction and manufacturing processes. The standard reflects customer specific requirements in the automotive industry. The compliance to VDA 6.3 standard is a pre-requisite qualifying condition and allows a company to become a potential approved vendor to German based car manufacturers and to maintain a high quality standard within the organisation
- Velcro Installation** : A brand of fastening tape consisting opposing pieces of fabric, one with a dense arrangement of tiny nylon hooks and the other with a dense nylon pile, that interlock when pressed together

CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name/ Designation	Address	Profession	Nationality
Dato' Mohamed Suffian bin Awang (Independent Non-Executive Chairman)	Lot 2199-2, Desa Permai Kg Sungai Soi 25300 Kuantan Pahang Darul Makmur Malaysia	Company Director	Malaysian
Datuk Teoh Hwa Cheng (Group Managing Director)	23A, Elitis Teja Valencia 47000 Sungai Buloh Selangor Darul Ehsan Malaysia	Company Director	Malaysian
Datin Sam Yin Thing (Executive Director)	23A, Elitis Teja Valencia 47000 Sungai Buloh Selangor Darul Ehsan Malaysia	Company Director	Malaysian
Tan Jin Sun (Executive Director)	76, The Mansions Changkat Intisari Desa Parkcity 52200 Kuala Lumpur Malaysia	Company Director	Malaysian
Sam Chee Keng (Executive Director)	96, Elitis Tirai Rimba Valencia 47000 Sungai Buloh Selangor Darul Ehsan Malaysia	Company Director	Malaysian
Dato' Dr Norraesah binti Haji Mohamad (Independent Non-Executive Director)	45, Persiaran Burhanuddin Helmi Taman Tun Dr Ismail 60000 Kuala Lumpur Wilayah Persekutuan Malaysia	Company Director	Malaysian
Leong Kam Weng (Independent Non-Executive Director)	22A, Jalan PJU 7/23 Mutiara Damansara 47810 Petaling Jaya Selangor Darul Ehsan Malaysia	Advocate and Solicitor	Malaysian

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CORPORATE DIRECTORY (Cont'd)**AUDIT AND RISK MANAGEMENT COMMITTEE**

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARIES : Tai Yit Chan (MAICSA 7009143)
56, Jalan SS 22/29
Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tan Ai Ning (MAICSA 7015852)
7-8-1, Menara Hartamas
Jalan Sri Hartamas 3
50480 Kuala Lumpur
Malaysia

REGISTERED OFFICE : Lot 6.05, Level 6, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Telephone No. : (03) 7720 1188
Facsimile No. : (03) 7720 1111

CORPORATE DIRECTORY (Cont'd)

- HEAD OFFICE** : No. 1, Jalan Perindustrian Desa Aman 1A
Industri Desa Aman
Kepong
52200 Kuala Lumpur
Malaysia
Telephone No. : (03) 6275 1800/ 6275 3800
Facsimile No. : (03) 6275 9867
E-mail : enquiry@peccaleather.com
Website : www.peccaleather.com
- SHARE REGISTRAR** : Boardroom Corporate Services (KL) Sdn Bhd (3775-X)
Lot 6.05, Level 6, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Telephone No. : (03) 7720 1188
Facsimile No. : (03) 7720 1111
- AUDITORS AND REPORTING ACCOUNTANTS** : Crowe Horwath
Chartered Accountants
Kuala Lumpur Office
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Telephone No. : (03) 2788 9999
Facsimile No. : (03) 2788 9998
- SOLICITORS FOR THE IPO** : Jeff Leong, Poon & Wong
Advocates & Solicitors
B-11-8, Level 11
Megan Avenue II
Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Telephone No. : (03) 2203 3388
Facsimile No. : (03) 2203 3390
- INDEPENDENT REGISTERED VALUERS** : PPC International Sdn Bhd (405011-U)
8th Floor, Campbell Complex
98, Jalan Dang Wangi
50100 Kuala Lumpur
Malaysia
Telephone No. : (03) 2692 3236
Facsimile No. : (03) 2692 6457
- PRINCIPAL BANKERS** : United Overseas Bank (Malaysia) Bhd (271809-K)
Kuala Lumpur Main Branch
Menara UOB, Jalan Raja Laut
50350 Kuala Lumpur
Malaysia
Telephone No. : (03) 2692 7722
Facsimile No. : (03) 2691 3110

CORPORATE DIRECTORY (Cont'd)

HSBC Bank Malaysia Berhad (127776-V)
43 & 45, Jalan Metro Perdana 7
Taman Usahawan Kepong
Kepong Utara
52100 Kuala Lumpur
Malaysia
Telephone No. : (03) 6254 6800
Facsimile No. : (03) 6259 5025

HSBC Amanah Malaysia Berhad (807705-X)
43 & 45, Jalan Metro Perdana 7
Taman Usahawan Kepong
Kepong Utara
52100 Kuala Lumpur
Malaysia
Telephone No. : (03) 6254 6800
Facsimile No. : (03) 6259 5025

**INDEPENDENT BUSINESS
AND MARKET RESEARCH
CONSULTANTS** : Frost & Sullivan GIC Malaysia Sdn Bhd (768648-K)
Suite C-11-02, Block C
Plaza Mont' Kiara
2, Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Malaysia
Telephone No. : (03) 6204 5800
Facsimile No. : (03) 6201 7402

ISSUING HOUSE : Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Telephone No. : (03) 7841 8000
Facsimile No. : (03) 7841 8150

**PRINCIPAL ADVISER,
JOINT UNDERWRITER AND
JOINT PLACEMENT AGENT** : AmInvestment Bank Berhad (23742-V)
22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia
Telephone No. : (03) 2036 2633
Facsimile No. : (03) 2070 8596

**JOINT UNDERWRITER AND
JOINT PLACEMENT AGENT** : Hong Leong Investment Bank Berhad (10209-W)
Level 8, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Malaysia
Telephone No. : (03) 2168 1168
Facsimile No. : (03) 2164 8880

LISTING SOUGHT : Main Market of Bursa Securities

SHARIAH STATUS : Approved by the SAC of the SC

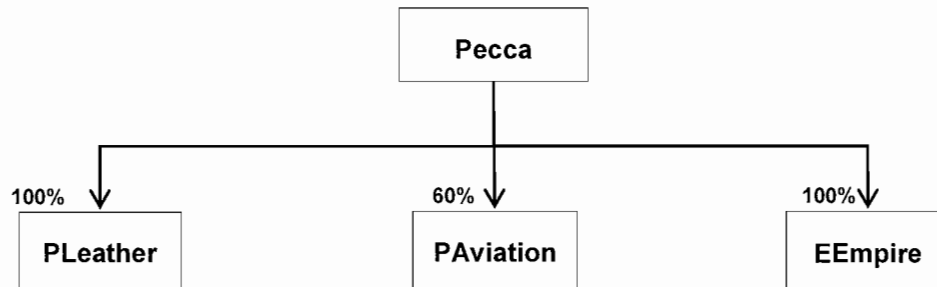
1. INFORMATION SUMMARY

THE FOLLOWING INFORMATION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT OUR GROUP. YOU SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN OUR COMPANY'S SHARES.

1.1 BACKGROUND INFORMATION ON OUR GROUP

We were incorporated in Malaysia under the Act on 27 July 2010 as a private limited company under the name of Pecca Malaysia Sdn Bhd. Subsequently, we changed our name to Pecca Group Sdn Bhd on 28 April 2014. We were converted into a public limited company and assumed our present name on 12 June 2014.

Our Group structure upon Listing is as follows:-



Further details on our Group are set out in Section 4.1 of this Prospectus.

Pecca is an investment holding company with three (3) subsidiaries, namely PLeather, PAviation and EEmpire, the details of which are as follows:-

Company	Description
PLeather	Commenced operations in December 2000 and is principally involved in the styling, manufacturing, distribution and installation of leather upholstery for car seat covers, as well as the supply of leather cut pieces to the automotive leather upholstery industry. PLeather is also involved in other related business activities such as styling, manufacturing, distribution and installation of car door trim covers and covers for car accessories (such as steering wheels, gearshift knobs, handbrake levers, console box and operating manual book), provision of sewing services for fabric car seat covers, provision of wrapping and stitching services, and the supply of raw materials to the automotive upholstery industry.
PAviation	Commenced operations in December 2015 and principally involved in the manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat covers and other leather related products, such as side wall panels, ceiling panels and leather trim for commercial aircrafts and private jets. PAviation has submitted its application to the DCA to obtain certification and related approval in accordance with the licensing requirements of the DCA and the FAA internationally for its venture into the aviation leather upholstery and parts refurbishment in the aviation industry. PAviation's application for its venture into parts refurbishment has been approved by the DCA on 9 March 2016 whilst the approval for its venture into the aviation leather upholstery is pending and is expected to be obtained by end of 2016, the details of which are set out in Section 4.1.4(b)(i) of this Prospectus.
EEmpire	Currently dormant. The intended principal activity is to operate retail outlets selling Smart Fit, Quick Fit and car accessory covers in Malaysia.

1. INFORMATION SUMMARY (Cont'd)

1.2 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our Directors believe that we have the following competitive advantages and key strengths to provide the platform for our Group's sustainability and growth:-

- (a) Our established track record and market reputation;
- (b) Our business operations adopt high quality standards and controls in the automotive industry;
- (c) Our Smart Fit product with ease of installation for car seat covers and car door trim covers;
- (d) Our key management's experience and expertise in the leather industry; and
- (e) Our in-house design and styling capabilities.

Further details on our Group's competitive advantages and key strengths are set out in Section 4.19 of this Prospectus.

1.3 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

Our Promoters, substantial shareholders, Directors and key management are listed below:-

Name	Designation
<u>Promoters and Substantial Shareholders</u> MRZ	-
<u>Promoters, Substantial Shareholders and Directors</u> Datuk Teoh Hwa Cheng Datin Sam Yin Thing	Group Managing Director Executive Director
<u>Directors</u> Dato' Mohamed Suffian bin Awang Tan Jin Sun Sam Chee Keng Dato' Dr Norraesah binti Haji Mohamad Leong Kam Weng	Independent Non-Executive Chairman Executive Director Executive Director Independent Non-Executive Director Independent Non-Executive Director
<u>Key Management</u> Syed Mohammad Hafiz bin Syed Razlan Chan Kok Kee Siah Chee Boon Liew Yoon Fatt K. Karunakaran A/L Karuppannan Sam Chee Siong Ooi Eng Huat Mat Nizam bin Mat Daron	Sales and Marketing Director of PLeather Chief Financial Officer of PLeather Financial Controller of PLeather Chief Operating Officer of PLeather Plant Manager of PLeather Operation Manager of PLeather Executive Director cum Operation Manager of PAviation Deputy General Manager, Sales & Marketing of PLeather

Further details of our Promoters, substantial shareholders, Directors and key management are set out in Section 5 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)

1.4 COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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 Accountant's Report on the combined financial statements as set out in Section 9 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

1. INFORMATION SUMMARY (Cont'd)

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.

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1. INFORMATION SUMMARY (Cont'd)

1.5 PROFORMA STATEMENTS OF FINANCIAL POSITION OF OUR GROUP

The proforma statements of financial position of our Group as at 30 November 2015 as set out below had been prepared solely for illustrative purposes, to show the effects on the statements of financial position of our Group had the Listing Scheme and the utilisation of proceeds been effected on that date. The proforma statements of financial position should be read in conjunction with the accompanying notes and assumptions included in the proforma financial information set out in Section 8.1 of this Prospectus.

	Audited as at 30 November 2015 (RM'000)	Proforma I After Dividend Payment, Subdivision, Allotment and Acquisitions (RM'000)	Proforma II After Public Issue and Utilisation of Proceeds (RM'000)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	-	49,879	67,179
Other investment	-	269	269
Total non-current assets	-	50,148	67,448
CURRENT ASSETS			
Inventories	-	17,578	17,578
Trade receivables	-	23,236	23,236
Other receivables, deposits and prepayments	-	3,079	3,079
Fixed deposits with licensed banks	-	15,338	15,338
Cash and bank balances	100	21,147	49,904
Total current assets	100	80,378	109,135
TOTAL ASSETS	100	130,526	176,583
EQUITY AND LIABILITIES			
Equity			
Share capital	(a)	70,102	94,000
Share premium	-	-	40,818
Merger deficit	-	(60,822)	(60,822)
(Accumulated losses)/ Retained profits	(251)	67,714	65,868
Revaluation reserve	-	10,899	10,899
Total equity attributable to owners of the Company	(251)	87,893	150,763
Non-controlling interests	-	(100)	(100)
Total equity	(251)	87,793	150,663
Non-current liabilities			
Long Term Loan			
Deferred tax liabilities	-	4,984	4,984
Long-term borrowings	-	10,449	-
Total non-current liabilities	-	15,433	4,984
Current liabilities			
Trade payables	-	14,677	14,677
Other payables and accruals	19	2,394	2,394
Amount owing to directors	14	388	388
Amount owing to related parties	318	399	399
Derivative liabilities	-	21	21
Provision for taxation	-	3,057	3,057
Short-term borrowings	-	6,364	-
Total current liabilities	351	27,300	20,936
TOTAL LIABILITIES	351	42,733	25,920
TOTAL EQUITY AND LIABILITIES	100	130,526	176,583
Number of Shares in issue ('000)	(b)	140,204	188,000
NA (RM'000)	(251)	87,793	150,663
(NL)/ NA per Share (RM)	(41.83)	0.63	0.80

1. INFORMATION SUMMARY (Cont'd)

Notes:-

- (a) This represents RM3.00.
 (b) This represents six (6) Shares.

1.6 PRINCIPAL STATISTICS RELATING TO THE LISTING SCHEME

	Number of Shares	Share Capital (RM)
Authorised Share Capital	500,000,000	250,000,000
Existing Issued and Fully Paid-Up Share Capital	140,204,000	70,102,000
New Shares to be issued:		
• Pursuant to the Public Issue	47,796,000	23,898,000
Enlarged issued and paid-up share capital upon Listing	188,000,000	94,000,000
Offer for Sale	43,330,000	21,665,000
IPO PRICE PER SHARE (RM)		1.42
PROFORMA CONSOLIDATED NA		
• Proforma consolidated NA as at 30 November 2015 excluding non-controlling interests (<i>based on the enlarged issued and paid-up share capital of 188,000,000 Shares after the Public Issue and utilisation of proceeds</i>) (RM'000)		150,663
• Proforma consolidated NA per Share excluding non-controlling interests (<i>based on the enlarged issued and paid-up share capital of 188,000,000 Shares</i>) (RM)		0.80
MARKET CAPITALISATION OF OUR COMPANY (<i>based on the IPO Price and enlarged issued and paid-up share capital after the Public Issue</i>) (RM'000)		266,960

Further details on the Listing Scheme are set out in Section 2.3 and Section 4.2 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)**1.7 UTILISATION OF PROCEEDS**

The Public Issue is expected to raise gross proceeds of approximately RM67.87 million, which shall accrue to us. We intend to use the proceeds raised in the following manner:-

	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 24 months	3,750	5.52
(f)	Establishment of market presence in Thailand	Within 24 months	1,500	2.21
(g)	Expansion of PAviation's 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

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.

Further details on the utilisation of proceeds are set out in Section 2.7 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)

1.8 RISK FACTORS

Prospective investors should carefully consider the following risk factors (which are not exhaustive) in addition to other information contained elsewhere in this Prospectus before subscribing for any of the Shares:-

(a) Risks Relating to Our Business and Operations

- (i) Our Group is subjected to risks inherent to the automotive industry and automotive upholstery industry.
- (ii) Our pursuit of new ventures, namely the retail industry via EEmpire and the aviation upholstery and parts refurbishment industry via PAviation, involve risks and we may not be able to realise the anticipated benefits.
- (iii) Fluctuation in foreign exchange rates could have an impact on our Group's financial performance.
- (iv) We rely on skilled labour and are dependent on foreign workers.
- (v) We may not be able to attract and retain Directors, key management team and skilled personnel.
- (vi) We are dependent on our major customers from the OEM (OE Fit) market segment who are Tier 1 car seat manufacturers in Malaysia.
- (vii) Inadequate insurance coverage could have an adverse impact on our business operations.
- (viii) We are exposed to the risk of product liability claims that is inherent in our business and products.
- (ix) Our trademarks and patents for the development and usage of our Smart Fit product may be subjected to infringement, counterfeiting, unauthorised third party use or exploitation.

(b) Risks Relating to the Industry in Which Our Group Operates

- (i) Adverse developments in the political, economic and regulatory conditions in Malaysia and other countries may affect our Group's financial position and business prospects.
- (ii) Fluctuation in automotive leather prices would impact the selling prices of our products.
- (iii) Our Group faces intense competition in the automotive industry.
- (iv) There are no long term contractual agreements between our Group and our customers.
- (v) We are dependent on our suppliers for the supply of the raw materials and components.
- (vi) Our Group's leather products are subject to product substitution.
- (vii) Our Group's performance is dependent on the automotive industry and automotive leather upholstery industry.

1. INFORMATION SUMMARY (Cont'd)

(c) Risks Relating to the Investment in Our Shares

- (i) There has been no prior market for our Shares and an active market for our Shares may not develop.
- (ii) Our Listing may fail, be delayed or aborted.
- (iii) The monies paid in respect of our IPO Shares may not be recovered in the event the Listing and/or trading of our Shares on Bursa Securities do not occur.
- (iv) Our Promoters control the business direction and management of our Group including the voting outcome of our shareholders.
- (v) Our Share price may be volatile.
- (vi) Forward-looking statements in this Prospectus are subject to uncertainties and contingencies.

1.9 AUDIT QUALIFICATIONS

None of the financial statements of the companies within our Group for the FYE 2012 to FYE 2015 and FPE 2015 were subject to any audit qualification.

1.10 SHARIAH STATUS

We have voluntarily submitted an application to the SC for a Shariah compliance review by the SAC as part of the process of determining our Shariah status.

The SAC has classified our securities as Shariah-compliant based on the audited financial statements for the FYE 2015 and the Shariah criteria adopted by the SAC.

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2. PARTICULARS OF THE IPO

This Prospectus is dated 29 March 2016. The IPO is subject to the terms and conditions of this Prospectus.

A copy of this Prospectus has been registered with the SC and lodged with the Registrar of Companies who takes no responsibility for its contents.

The approval of the SC for the IPO (details of which are set out in Section 6.1(a) of this Prospectus) shall not be taken to indicate that the SC recommends the IPO. You should rely on your own evaluation to assess the merits and risks of the IPO.

Bursa Securities has approved our admission to the Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM94,000,000 comprising 188,000,000 Shares on the Main Market of Bursa Securities, vide its letter dated 17 November 2015. Listing of and quotation for our Shares will commence after, amongst others, receipt of confirmation from Bursa Depository of the receipt of allotment and allocation information for the crediting of the IPO Shares and receipt of an undertaking that all notices of allotment will be issued and despatched to all successful applicants prior to the date of listing of and quotation for the Shares, failing which any allotment and allocation made on an Application to subscribe for and/or purchase of our Shares pursuant to this Prospectus is required under Malaysian law to be void.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as a Prescribed Security. In consequence thereof, our Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules. We will not issue any share certificates to successful applicants.

Person submitting Application by way of Application Form or by way of Electronic Share Application or Internet Share Application must have a CDS Account. If you do not have a CDS account, you may open one (1) by contacting any of the ADAs listed in Section 14.11 of this Prospectus. In the case of an Application by way of Application Form, an applicant should state his/her CDS Account number in the space provided in the Application Form. In the case of an Application by way of Electronic Share Application or Internet Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application or Internet Share Application. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application.

Pursuant to the Listing Requirements, our Company must have at least 25.0% of the total number of Shares for which listing is sought in the hands of a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing. In the event that the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of any Application accepted for the IPO will be returned without interest within fourteen (14) days. If any such monies are not repaid within the said period, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

You should rely on the information obtained in this Prospectus or any applicable supplement. No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by our Company. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of our Company since the date hereof. Nonetheless, should our Company become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of Listing, our Company shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

2. PARTICULARS OF THE IPO (Cont'd)

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of the IPO Shares are subject to Malaysian laws and our Company together with the Principal Adviser, Joint Underwriters and Joint Placement Agents, take no responsibility for the distribution of this Prospectus and the offer of any part of the IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or an offer to sell the IPO Shares in any jurisdiction in which such invitation or offer is not authorised or lawful or to any person to whom it is unlawful to make such invitation or offer.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List is not to be taken as an indication of our merit or the merit of our Shares.

IF YOU ARE IN DOUBT CONCERNING THIS PROSPECTUS, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS.

2.1 SHARE CAPITAL

As at the LPD, the authorised share capital of our Company is RM250,000,000 divided into 500,000,000 Shares and the issued and fully paid-up share capital for our Company is RM70,102,000 comprising 140,204,000 Shares.

Upon the allotment and issue of the Public Issue Shares pursuant to our IPO, our enlarged issued and paid-up capital of our Company will be RM94,000,000 comprising 188,000,000 Shares as follows:-

	Number of Shares	Share Capital (RM)
Authorised Share Capital	500,000,000	250,000,000
Existing Issued and Fully Paid-Up Share Capital	140,204,000	70,102,000
New Shares to be issued:		
• Pursuant to the Public Issue	47,796,000	23,898,000
Enlarged issued and paid-up share capital upon Listing	188,000,000	94,000,000
Offer for Sale	43,330,000	21,665,000
IPO PRICE PER SHARE (RM)		1.42
PROFORMA CONSOLIDATED NA		
• Proforma consolidated NA as at 30 November 2015 excluding non-controlling interests <i>(based on the enlarged issued and paid-up share capital of 188,000,000 Shares after the Public Issue and utilisation of proceeds) (RM'000)</i>		150,663
• Proforma consolidated NA per Share excluding non-controlling interests <i>(based on the enlarged issued and paid-up share capital of 188,000,000 Shares) (RM)</i>		0.80
MARKET CAPITALISATION OF OUR COMPANY <i>(based on the IPO Price and enlarged issued and paid-up share capital after the Public Issue) (RM'000)</i>		266,960

2. PARTICULARS OF THE IPO (Cont'd)

Our market capitalisation upon Listing, based on the IPO Price and our enlarged issued share capital of 188,000,000 Shares will be RM266,960,000. The IPO Price is payable in full upon Application, subject to the terms and conditions of this Prospectus. The board lot size for our enlarged issued and paid-up share capital upon Listing will be standardised at 100 units per board lot.

As at the date of this Prospectus, our Company has only one (1) class of share, namely, ordinary shares of RM0.50 each, all of which rank *pari passu* with one another. The IPO Shares will rank *pari passu* in all respects with our existing Shares, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

Subject to any special rights attaching to any Shares which our Company may issue in the future, the holders of Shares in our Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by our Company as dividends and other distributions and in respect of any surplus in the event of the liquidation of our Company, in accordance with our Articles of Association.

At every general meeting, a shareholder shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting; if two (2) proxies are appointed, only one (1) specifically nominated by the shareholders and if no such nomination, the proxy whose name ranked first, is allowed to vote on a show of hands or attorney to a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member of the Company and the provision of Section 149(1)(a) and (b) of the Act shall not apply to the Company.

There are no limitations on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by law or by the constituent documents of our Company.

2.2 PURPOSES OF THE IPO

The purposes of the IPO are as follows:-

- (a) To enable our Group to gain recognition and enhance our profile through our Listing status and further augment our corporate reputation and assist our Group in expanding our customer base;
- (b) To provide additional funds to meet the working capital requirements of our Group, to facilitate the expansion of our Group's facilities to cater for anticipated increase in sales volume, expansion into the aviation leather upholstery industry and penetration into the REM retail industry by opening our own retail outlets as detailed in Section 4.20 of this Prospectus;
- (c) To enable our Group to gain better access to cost-effective funding from the equity capital market and to have greater financial flexibility to pursue future expansion and growth opportunities; and
- (d) To provide the opportunity for the eligible Directors, employees and business associates of our Group and the Malaysian investing public and institutions to participate in the equity and continuing growth of our Group.

2. PARTICULARS OF THE IPO (Cont'd)

2.3 DETAILS OF THE IPO

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 upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

2.3.1 Public Issue

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

(a) Malaysian Public (via Balloting)

9,400,000 Public Issue Shares representing 5.0% of our 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% shall be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

(b) Eligible Directors, Employees and Business Associates of Our Group

9,400,000 Public Issue Shares representing 5.0% of our enlarged issued and paid-up share capital, will be made available for Application by the eligible Directors, employees and business associates of our Group.

The Pink Form Shares will be allocated to eligible Directors and employees of our Group based on the following criteria as approved by our Board:-

- (i) at least eighteen (18) years old;
- (ii) designation and position;
- (iii) length of service; and
- (iv) contribution to our Group.

The Pink Form Shares to be allocated to the business associates of our Group will take into consideration their contribution to the success of our Group.

Directors of our Company are entitled for the Pink Form Shares as follows:-

Name of Directors	Designation	No. of Shares
Dato' Mohamed Suffian bin Awang	Independent Non-Executive Chairman	100,000
Tan Jin Sun	Executive Director	450,000
Sam Chee Keng	Executive Director	550,000
Dato' Dr Norraesah binti Haji Mohamad	Independent Non-Executive Director	100,000
Leong Kam Weng	Independent Non-Executive Director	100,000
		1,300,000

2. PARTICULARS OF THE IPO (Cont'd)

Details of the Pink Form Shares allocation to our eligible Directors, employees and business associates of our Group are as follows:-

	Number of Persons	Pink Form Shares Allocation
Directors	5	1,300,000
Employees and business associates	Up to 350	8,100,000
		9,400,000

(c) Private Placement

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

The Public Issue will increase our issued share capital from RM70,102,000 comprising 140,204,000 Shares to RM94,000,000 comprising 188,000,000 Shares.

2.3.2 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 our enlarged issued and paid-up share capital. Such Offer Shares will be made available in the following manner:-

(a) Private Placement

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

(b) Bumiputera Investors (via Placement)

18,800,000 Offer Shares representing 10.0% of our enlarged issued and paid-up share capital will be made available by way of private placement to Bumiputera investors approved by MITI.

Details of the Offerors are set out below:-

No.	Name	Address	Position/ Relationship With Our Group Within the Past Four (4) Years	Shareholdings Before IPO ⁽¹⁾		Offer for Sale			Shareholdings After IPO ⁽²⁾	
				No. of Shares	%	No. of Shares	Before IPO ⁽¹⁾	After IPO ⁽²⁾	No. of Shares	%
1.	MRZ	No. 39-1, Jalan 9/62A, Bandar Menjalara, Kepong, 52200 Kuala Lumpur	Substantial Shareholder	120,822,420	86.18	35,130,000	25.05	18.69	85,692,420	45.58
2.	Datuk Teoh Hwa Cheng	23A, Elitis Teja, Valencia, 47000 Sungai Buloh, Selangor Darul Ehsan	Promoter, Director and substantial shareholder	18,367,853	13.10	8,200,000	5.85	4.36	10,167,853	5.41
Total				139,190,273	99.28	43,330,000	30.90	23.05	95,860,273	50.99

2. PARTICULARS OF THE IPO (Cont'd)

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) Based on the enlarged issued and paid-up share capital of 188,000,000 Shares after the Public Issue.

2.3.3 Underwriting and Allocation of the IPO Shares

In summary, the IPO Shares will be allocated in the following manner:-

	Public Issue		Offer for Sale		Total	
	No. of Shares ('000)	% of Enlarged Share Capital	No. of Shares ('000)	% of Enlarged Share Capital	No. of Shares ('000)	% of Enlarged Share Capital
Malaysian Public (via balloting)	9,400	5.00	-	-	9,400	5.00
Eligible Directors, employees and business associates of our Group	9,400	5.00	-	-	9,400	5.00
Private placement to selected investors	28,996	15.42	24,530	13.05	53,526	28.47
Bumiputera investors (via placement)	-	-	18,800	10.00	18,800	10.00
Total	47,796	25.42	43,330	23.05	91,126	48.47

All the 18,800,000 Public Issue Shares available for Application by the Malaysian Public and our eligible Directors, employees and business associates of our Group under Sections 2.3.1(a) and 2.3.1(b) of this Prospectus respectively have been fully underwritten.

The 28,996,000 Public Issue Shares and 24,530,000 Offer Shares to be allocated by way of private placement to selected investors under Sections 2.3.1(c) and 2.3.2(a) of this Prospectus respectively are not underwritten as irrevocable undertakings have been obtained from the selected investors to take up the Public Issue Shares and Offer Shares available under the private placement.

The 18,800,000 Offer Shares made available for Application by Bumiputera investors approved by MITI under Section 2.3.2(b) of this Prospectus are not underwritten as these Offer Shares have been allocated for MITI's approved Bumiputera investors whereby irrevocable undertakings from the Bumiputera investors have been or will be obtained.

In the event of an under-subscription of the 18,800,000 Offer Shares made available for Application by Bumiputera investors approved by MITI under Section 2.3.2(b) of this Prospectus, the unsubscribed Offer Shares shall be made available to selected institutional investors via private placement. Subsequently, any of the Offer Shares that are not taken up shall be made available for Application by the Bumiputera public as part of the balloting process. Any further Offer Shares which are not taken up by the Bumiputera public will be made available for Application by the Malaysian Public and/or private placement to selected investors.

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2. PARTICULARS OF THE IPO (Cont'd)

In the event of an under-subscription of the Public Issue Shares by the Malaysian Public, the unsubscribed Public Issue Shares will be made available to the selected investors. Any Public Issue Shares which are not taken up by our Group's eligible Directors, employees and business associates will be reoffered to our Group's other eligible employees and business associates. Subsequently, any of the unsubscribed Public Issue Shares reoffered which are not taken up will be made available for Application by the Malaysian Public on a fair and equitable manner and/or selected investors via the private placement. Any further Public Issue Shares not subscribed for will be made available for subscription by the Joint Underwriters based on the terms of the Underwriting Agreement.

The allocation of the IPO Shares shall take into account the desirability of distributing the IPO Shares to a reasonable number of applicants with a view of broadening our Company's shareholding base to meet the public spread requirements of Bursa Securities and to establish a liquid and adequate market for our Company's Shares.

There is no minimum subscription amount to be raised from the IPO. All the IPO Shares are either fully underwritten by the Joint Underwriters and/or subscribed by the selected investors pursuant to their irrevocable undertakings.

2.4 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price is RM1.42 per Share. The price was determined and agreed upon by our Company and AmlInvestment Bank as the Principal Adviser, Joint Underwriter and Joint Placement Agent based on various factors which include:-

(a) Our Financial History

We recorded an audited combined PAT attributable to the owners of our Company of approximately RM17.94 million for FYE 2015 and RM7.21 million for FPE 2015. Based on our enlarged issued and paid-up share capital upon Listing of 188,000,000 Shares, our combined net EPS is approximately 9.54 sen for FYE 2015 whilst our annualised combined net EPS for FPE 2015 is approximately 9.20 sen.

Further details on our financial history are set out in Section 8 of this Prospectus.

(b) Our Operating History

Our Group's principal business activities are in styling, distribution and installation of leather upholstery for car seat covers, as well as the supply of leather cut pieces to the automotive upholstery industry. Over the years, we have established ourselves as a reputable vendor with our OEM/ PDI customers with regards to the quality of our products supplied, on time delivery and competitive pricing.

Further details on our operating history and the nature of our business are set out in Section 4 of this Prospectus.

(c) Our Proforma Consolidated NA

Our proforma consolidated NA attributable to equity holders of our Company as at 30 November 2015 stood at approximately RM150.66 million or RM0.80 per Share based on our enlarged issued and paid-up share capital of 188,000,000 Shares upon Listing and after taking into consideration the utilisation of proceeds from the Public Issue.

2. PARTICULARS OF THE IPO (Cont'd)

(d) Our Future Plans and Prospects

Our future plans are focused on the expansion of our Group's facilities to cater for anticipated increase in sales volume, our venture into the aviation leather upholstery business and penetration into the REM retail industry by opening our own retail outlets. Premised on our aforementioned future plans and strategies as detailed in Section 4.20 of this Prospectus as well as the prospects and outlook of the industry as set out in Section 10 of this Prospectus, we believe that we will continue to enjoy positive growth and favourable prospects over the next few years.

(e) Our Competitive Advantages and Key Strengths

Our competitive advantages and key strengths include our established track record and market reputation, our adoption of high quality standards and controls, our Smart Fit product for the installation of car seat covers and car door trim covers, our key management's experience and expertise in the leather industry, and our in-house design and styling capabilities. These competitive advantages and key strengths as detailed in Section 4.19 of this Prospectus provide us with the platform to facilitate our business sustenance and future growth.

(f) Our PE Multiple

Our combined net EPS of approximately 9.54 sen per Share for FYE 2015 and annualised combined net EPS of approximately 9.20 sen for FPE 2015 based on our enlarged issued and paid-up share capital upon Listing of 188,000,000 Shares as set out in Section 2.4 (a) of this Prospectus translates our IPO Price equivalent to a net PE Multiple of approximately 14.88 times for FYE 2015 and 15.43 times for FPE 2015.

Our Directors and the Offerors are of the opinion that the IPO Price is fair and reasonable after careful consideration of the abovementioned factors.

However, you should note that the market price of our Company's Shares upon Listing on Bursa Securities is subject to the vagaries of market forces and other uncertainties which may affect the price of the Shares when they are traded.

You should bear in mind the risk factors as set out in Section 3 of this Prospectus and form your own views of the valuation of the IPO Shares and the reasonableness of the bases used before deciding to invest in our Shares.

2.5 MARKET CAPITALISATION UPON LISTING

Based on the IPO Price and the issued and fully paid-up share capital of 188,000,000 Shares upon listing, our Company's market capitalisation will be RM266,960,000.

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2. PARTICULARS OF THE IPO (Cont'd)

2.6 DILUTION

Dilution is the amount by which the IPO Price to be paid by the applicants for our Shares under the IPO exceeds our proforma NA per Share immediately after the implementation of the Listing Scheme. The proforma NA per Share as at 30 November 2015 based on the issued and paid-up share capital of 140,204,000 Shares before the IPO is approximately RM87.79 million or RM0.63 per Share.

Pursuant to the Public Issue of 47,796,000 new Shares at the IPO Price and after adjusting for the effects of the utilisation of proceeds, the proforma NA of our Group as at 30 November 2015 will increase to approximately RM150.66 million or RM0.80 per Share based on the enlarged issued and paid-up capital of 188,000,000 Shares after the IPO. This represents an immediate increase in adjusted NA of RM0.17 per Share to our existing shareholders and an immediate dilution in NA of RM0.62 per Share to our new investors. The following table illustrates such dilution on a per Share basis:-

	RM
IPO Price	1.42
Proforma NA per Share excluding non-controlling interests as at 30 November 2015 (after the Dividend Payment, Subdivision, Allotment and Acquisitions)	0.63
Increase in proforma NA per Share excluding non-controlling interests after adjusting for the Public Issue and utilisation of proceeds	0.17
Proforma NA per Share excluding non-controlling interests after the IPO	0.80
Dilution in NA per Share to new investors	0.62
Dilution in NA per Share to new investors as a percentage of the IPO Price	43.66%

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2. PARTICULARS OF THE IPO (Cont'd)

Save as disclosed in the table below, which summarises the total number of Shares acquired by our Promoters, Directors and substantial shareholders, the total consideration paid by them and the average effective cash cost per Share to them and to the new investors who subscribe for and/or purchase the IPO Shares pursuant to the Public Issue and Offer for Sale, there has been no other equity transaction and/ or right to acquire during the past three (3) years prior to the date of this Prospectus:-

	Date	No. of Shares Acquired	No. of Shares Subdivided/Converted/Allotted	No. of Shares After Acquisition/Conversion/Allotment	Consideration	Average Price Per Share
					(RM)	(RM)
MRZ	01.12.15	^(a) 120,822,420	-	120,822,420	0.50	0.50
Datuk Teoh Hwa Cheng	27.07.10	1	-	1	1.00	1.00
	16.11.15	-	^(b) 1	2	-	0.50
	17.11.15	-	^(c) 1	3	0.50	0.50
	01.12.15	^(a) 18,271,850	-	18,271,853	0.50	0.50
	01.12.15	^(d) 96,000	-	18,367,853	0.50	0.50
Datin Sam Yin Thing	03.06.14	1	-	1	1.00	1.00
	16.11.15	-	^(b) 1	2	-	0.50
	01.12.15	^(d) 24,000	-	24,002	0.50	0.50
Chong Swee Main	17.11.15	-	^(c) 1	1	0.50	0.50
<u>New Investors</u>						
Public Issue	-	-	47,796,000	47,796,000	1.42	1.42
Offer for Sale	-	43,330,000	-	43,330,000	1.42	1.42

Notes:-

- (a) Pursuant to the Acquisition of PLeather.
- (b) Pursuant to the Subdivision.
- (c) Pursuant to the Allotment.
- (d) Pursuant to the Acquisition of PAviation.

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2. PARTICULARS OF THE IPO (Cont'd)**2.7 UTILISATION OF PROCEEDS**

The Public Issue is expected to raise gross proceeds of approximately RM67.87 million, which shall accrue to us. We intend to use the proceeds raised in the following manner:-

	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 24 months	3,750	5.52
(f)	Establishment of market presence in Thailand	Within 24 months	1,500	2.21
(g)	Expansion of PAviation's 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

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.

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2. PARTICULARS OF THE IPO (Cont'd)

(a) Working Capital

Our requirement for working capital will increase in tandem with the expected business growth of our Group. Therefore, we expect to utilise approximately RM26.97 million as additional working capital to finance our day-to-day operations as follows:-

Working Capital Requirements	Approximate Allocation		
	RM'000	RM'000	%
To finance the increase in direct costs:-			
- trade receivables ⁽¹⁾	8,300		
- trade payables ⁽²⁾	5,700		
- raw materials/ inventories ⁽³⁾	7,000		
Total for direct costs		21,000	77.86
To finance the increase in indirect costs:- ⁽⁴⁾			
- selling and distribution expenses	2,250		
- administrative expenses	2,250		
Total for indirect costs		4,500	16.69
Acquisitions of moulds and jigs		1,470	5.45
Total		26,970	100.00

Notes:-

The increase in the working capital requirement of approximately RM26.97 million is to finance the following:-

- (1) Trade receivables in tandem with the anticipated increase in revenue based on the same trade receivables turnover period of 77 days and 63 days for the FYE 2015 and FPE 2015 as disclosed in Section 8.5.9.1 of this Prospectus. Although there was a decrease in the trade receivables turnover period from 77 days in FYE 2015 to 63 days in FPE 2015, our Group anticipates that our working capital requirements will be increased to finance the trade receivables due to the expected growth in the customer base as well as new contracts to be secured by our Group which is also in line with our operating capacity expansion as disclosed in Section 4.20.1 of this Prospectus.
- (2) Trade payables mainly due to the anticipated increase in purchases of raw materials to cater for the anticipated increase in revenue based on the same trade payables turnover period of 56 days for the FYE 2015 and 55 days for the FPE 2015 as disclosed in Section 8.5.9.2 of this Prospectus especially for the purchase of leather which constitutes approximately 61.41% and 65.02% of our cost of sales for the FYE 2015 and FPE 2015 respectively. Since August 2014, our Group has mainly sourced our supply of leather from Zendaleather S.A., Uruguay instead of Conceria Pasubio Spa, Italy mainly due to the more competitive pricing of leather supply sourced from Zendaleather S.A. The credit term granted by Zendaleather S.A. is 6 days compared to 60 days granted by Conceria Pasubio Spa as our Group is a new customer to Zendaleather S.A, which is part of the JBS Group, the global leader in the food processing industry producing factory processed beef and also selling by-products from the processing of beef meats including leather hides.

2. PARTICULARS OF THE IPO (Cont'd)

- (3) The inventories mainly due to the increase in the lead time for the shipment of leather from the supplier in Uruguay, Zendaleather S.A. as compared to the supplier in Italy, Conceria Pasubio Spa based on the increased inventory turnover period of 81 days for FYE 2015 as compared to 66 days recorded for the FYE 2014 as disclosed in Section 8.5.9.3 of this Prospectus. Although there was a decrease in inventory turnover period from 81 days for FYE 2015 to 66 days in FPE 2015, the inventories level and the consequential inventory turnover period may fluctuate depending on the specifications and requirements of the customers based on the contracts secured which could involve variation in colours and grains of leather resulting in our Group increasing our stock holding of more varieties of leather in different colours and grains at any point of time.
- (4) The increase in indirect costs comprising selling and distribution expenses by 0.30% and administrative expenses by 0.20% in tandem with the anticipated increase in revenue. Further, the selling and distribution expenses is expected to increase due to the higher expected freight and forwarding charges for export sales whilst the administrative expenses is expected to increase due to the increase in operating activities from the anticipated growth in revenue.

With our Group's expansion via our Smart Fit product as set out in Section 4.20.4 of this Prospectus, we would require additional working capital to meet operational obligations as tabulated in the table above.

(b) Repayment of Bank Borrowings

As at the LPD, our Group's total borrowings are approximately RM17.16 million. We intend to allocate approximately RM17.10 million of our Public Issue proceeds towards the repayment of our Group's outstanding bank borrowings, as detailed in the table below:-

No.	Purpose of Bank Borrowings	Maturity	Amount Outstanding as at the LPD (RM'000)
(i)	Term loan to partly finance the purchase of land ^(a)	38 months	2,038
(ii)	Term loan to partly finance the construction of an office-cum-factory and a hostel ^(a)	96 months	6,844
(iii)	Term loan to partly finance the purchase of a residential property ^(b)	75 months	86
(iv)	Term loan to partly finance the renovation cost of the office-cum-factory and a hostel ^(a)	98 months	2,491
(v)	Trade facilities utilisation to finance the sales to customers	Revolving	5,700
			17,159

Notes:-

- (a) The purchase of land and construction of one (1) unit of 4-storey office building with a mezzanine floor annexed to a 4-storey flatted factory building and a 6-storey hostel building together with a guardhouse located at No. 1, Jalan Perindustrian Desa Aman 1A, Industri Desa Aman, Kepong, 52200 Kuala Lumpur which is our Group's head office and production factory. Please refer to item (1) of Section 4.15.1 of this Prospectus for further details.
- (b) The purchase of one (1) unit of 3-bedroom apartment located at B-5-1, 5th Floor, Block B, Damansara Sutera Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur which is our Group's staff accommodation. Please refer to item (2) of Section 4.15.1 of this Prospectus for further details.

2. PARTICULARS OF THE IPO (Cont'd)

The effective interest rates for the banking facilities granted to our Group by the licensed financial institutions ranges from 4.50% to 5.75% per annum for the purposes as set out in the table above .

Please refer to Section 2.8 of this Prospectus for the financial impact of the repayment of the abovementioned borrowings.

(c) Purchase of New Machineries for the Production of Car Leather Seat Covers

We are planning to purchase new machineries to support our business activities comprising the following:-

Description of Machineries	No. of Unit	Total (RM'000)
Sewing machine	100	1,500
Computerised stitching machine	3	900
Cutting machine	3	3,850
Perforation machine	2	700
Others (such as airbag sewing machines and soundproof generator sets)	-	600
Total		7,550

Our annual production capacity is expected to increase to a total of about 170,000 sets of car seat covers with the expected additional 50,000 sets of car seat covers annually from our purchase of the new machineries as tabulated in the above table from the current annual production capacity of 120,000 sets of car seat covers as set out in Section 4.15.3 of this Prospectus.

With the capability to produce an aggregate of 170,000 sets of car seat covers annually, we will be able to cater for the anticipated increase in sales volume from new contracts to be secured by our Group.

Please refer to Section 4.20.1 of this Prospectus for further details of our purchase of machineries.

(d) Construction of an Additional Storey of Production Floor Area on the Existing Factory Building

To cater for the purchase of new machineries and to increase our operating capacity by 50,000 sets of car seat covers to 170,000 sets of car seat covers annually as disclosed in Section 2.7(c) of this Prospectus, we will build an additional storey to enhance the production area on our existing factory building which is expected to be completed by the first quarter of 2017.

Please refer to Section 4.20.1 of this Prospectus for further details on our operating capacity expansion.

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2. PARTICULARS OF THE IPO (Cont'd)**(e) Opening of Retail Outlets**

We are planning to enter into the REM retail industry whereby we will be selling our products directly to end users. We intend to open fifty (50) retail outlets to focus on selling our Smart Fit and Quick Fit car seat covers, and car accessory covers across Malaysia. We believe that Smart Fit and Quick Fit will be attractive to end users, as an affordable option of leather upholstery for their cars. In addition, selling of Smart Fit and Quick Fit directly to end users will help us to preserve our patented product as well as our branding. Our retail outlets will also supply the OE Fit car seat covers in the event that there is such demand especially for car models that our Smart Fit and Quick Fit car seat covers are not readily available.

The opening of fifty (50) retail stores across Malaysia will allow us to further enhance our branding and create an additional revenue stream.

Please refer to Section 4.20.2 of this Prospectus for further details on our opening of retail outlets.

(f) Establishment of Market Presence in Thailand

We are planning to set up our operations in Thailand with sales, R&D and installation personnel, as well as a customer service centre to provide localised customer support in order to expand our market presence and customer base in Thailand as Thailand is an important hub in the South East Asian automotive market.

Our Group has earmarked RM1.50 million of the Public Issue proceeds for the aforementioned expansion of our market presence in Thailand for the following:-

Descriptions	Total (RM'000)
Inventory of leather car seat covers	1,300
Purchase of raw materials (such as leather, PVC, foam and carpet) for preparation of new templates and patterns	80
Rental of a premise per annum	120
Total	1,500

Please refer to Section 4.20.4 of this Prospectus for further details on our plan to establish our market presence in the Thailand market.

(g) Expansion of PAviation's Business

We plan to leverage on our technical expertise and understanding of leather upholstery by venturing into the aviation leather upholstery industry through our subsidiary, PAviation.

PAviation's business activities involve the manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat covers and other leather related products, such as side wall panels, ceiling panels and leather trim for commercial aircrafts and private jets.

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2. PARTICULARS OF THE IPO (Cont'd)

We plan to utilise RM1.0 million from the Public Issue proceeds for the venture of PAviation's business into the aviation industry involving the following: -

Descriptions	Total (RM'000)
Expenses to obtain the relevant approvals and certifications	50
Tools and equipment	150
Setting up of paint booth for parts refurbishment [^]	60
Purchase of raw materials (namely leather and other raw materials for the aviation industry)	685
Setting up an office (renovation, furniture and fittings and office equipment)	55
Total	1,000

Note:-

[^] Refurbishment of aircraft parts such as toilet covers, toilet shrouds, toilet lids, seat escutcheon, food trays, arm rests and arm caps amongst others whereby the sections/ parts that are old/ damaged will be repaired/ replaced with new plastic and/or fibre glass components that shall be glued together, sanded down and repainted in the paint booth.

Our venture into the aviation leather upholstery industry will create an additional revenue stream and facilitate the growth of our Group as a whole.

Please refer to Section 4.20.3 of this Prospectus for further details.

(h) Estimated Listing Expenses

The estimated listing expenses for our Listing are as follows:-

Estimated Listing Expenses	Amount (RM'000)
Professional fees ⁽¹⁾	2,075
Fees to authorities	153
Underwriting, placement and brokerage fees	2,500
Other miscellaneous expenses and contingencies ⁽²⁾	272
Total	5,000

Notes:-

(1) Includes fees for the Principal Adviser, Reporting Accountants, Solicitors, Independent Registered Valuers and Independent Business and Market Research Consultants and other professional advisers as well as the Issuing House.

(2) Includes fees for the printing of prospectus, forms and envelopes, advertising of prospectus and other miscellaneous fees.

Our Company will bear all expenses and fees incidental to the Listing which includes underwriting and selling commissions, placement fees, brokerage fees, professional fees, fees to authorities, advertising and other fees, the aggregate of which is estimated to be RM5.0 million.

2. PARTICULARS OF THE IPO (Cont'd)

The Offer for Sale is expected to raise gross proceeds of approximately RM61.53 million. The entire proceeds of the Offer for Sale shall accrue entirely to the Offerors and no part of the proceeds will be received by our Company. The Offerors shall bear all expenses such as placement, management and miscellaneous fees relating to the Offer Shares estimated to be approximately RM1.84 million.

2.8 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

Our utilisation of the proceeds from the Public Issue is expected to have a positive financial impact on our Group as follows:-

(a) Enhancement of Working Capital

We will utilise RM26.97 million of the Public Issue proceeds for our working capital requirements as outlined in Section 2.7(a) of this Prospectus. Consequently, our balance of cash and cash equivalents will improve from approximately RM26.15 million to approximately RM54.90 million (based on our Group's proforma combined cash and cash equivalents as at 30 November 2015 after taking into consideration the Public Issue and utilisation of proceeds as disclosed in Section 8.5.2.5 of this Prospectus). This will allow us to be less reliant on external funding to finance our expected growth in business activities.

(b) Interest Savings

We will utilise RM17.10 million of the Public Issue proceeds to pare down a majority of our Group's existing bank borrowings as set out in Section 2.7(b) of this Prospectus. As such, based on an estimated average interest rate of 5.50% per annum, we expect to have interest savings of approximately RM0.94 million per annum.

It is our objective to minimise our gearing to enable our Group to have the flexibility and ability to raise financing if there is such need in order for us to finance our future growth and expansion including investing in new facilities as and when it is needed and/or attractive opportunities arise.

(c) Expansion of Product, Production Capacity and Market

We plan to expand our Smart Fit product as there is an increasing trend moving towards the inclusion of common features such as electronic adjustable seats, seat airbag and other types of latest seat functionalities in cars. This augurs well for our Smart Fit product as no dismantling of car seats and pre-installed fabric and/or other upholsteries are required, as such practice could result in potential voiding of the car manufacturers' warranty and/or the issue of unwanted deployment of airbags.

Our plan to establish market presence in Thailand by setting up an operations in Thailand to provide localised customer support as set out in Section 2.7(f) and correspondingly disclosed in Section 4.20.4 of this Prospectus are expected to contribute positively to our Group's future revenue stream.

In addition, our expansion in operating capacity with the purchase of new machineries and the construction of an additional storey of production floor area on the existing factory building, the opening of fifty (50) retail outlets nationwide and the venture of PAviation's business into the aviation industry as set out in Section 2.7 (c), (d), (e) and (g) as correspondingly disclosed in Sections 4.20.1 to 4.20.3 of this Prospectus are expected to contribute to our revenue growth in the future.

2. PARTICULARS OF THE IPO (Cont'd)

2.9 COMMISSIONS AND BROKERAGE

(a) Brokerage Fee

Brokerage is payable by our Company in respect of the Public Issue under Section 2.3.1(a) of this Prospectus at the rate of 1.0% of the IPO Price in respect of the successful Applications which bear the stamp of member participating organisation companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysia Investment Banking Association and/ or MIH.

(b) Placement Fee

The Joint Placement Agents have agreed to place the IPO Shares available under private placement as set out in Sections 2.3.1 (c) and 2.3.2 (a) of this Prospectus.

Accordingly, our Company will pay the placement fee to be incurred on the sale of the Public Issue Shares under Section 2.3.1(c) of this Prospectus at the rate of up to 2.0% of the value of the Public Issue Shares reserved for private placement (being the number of Public Issue Shares reserved for private placement multiplied by the IPO Price) to be placed out successfully by our Joint Placement Agents.

The Offerors will pay the placement fee to be incurred on the sale of the Offer Shares under Section 2.3.2 (a) of this Prospectus at the rate of up to 2.0% of the value of the Offer Shares reserved for private placement (being the number of Offer Shares reserved for private placement multiplied by the IPO Price) to be placed out successfully by our Joint Placement Agents.

(c) Underwriting Commission

Our Company will pay the Joint Underwriters an underwriting commission at the rate of 2.0% of the value of the total underwritten Public Issue Shares under Sections 2.3.1(a) and 2.3.1(b) of this Prospectus (being the number of the underwritten Public Issue Shares multiplied by the IPO Price).

2.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The salient terms of the Underwriting Agreement dated 8 March 2016 entered into between our Company and the Joint Underwriters ("**Underwriting Agreement**"), including provisions which may allow the Joint Underwriters to withdraw from their obligations under the Underwriting Agreement after the IPO as extracted from the Underwriting Agreement, are set out below.

Unless otherwise stated, all capitalised terms herein shall bear the same meanings as prescribed in the Underwriting Agreement.

2.10.1 Agreement to Underwrite

Each of the Joint Underwriters severally and not jointly (nor jointly and severally) agrees to underwrite, subject to the Clawback and Reallocation, the Underwritten Shares in the numbers and proportions as set out below upon the terms and conditions contained in this Underwriting Agreement.

JOINT UNDERWRITERS	NUMBER OF UNDERWRITTEN SHARES
AmlInvestment Bank Berhad	9,400,000
Hong Leong Investment Bank Berhad	9,400,000
TOTAL	18,800,000

2. PARTICULARS OF THE IPO (Cont'd)

2.10.2 Conditions Precedent

- 1) The obligations of the Joint Underwriters (which are severally and not jointly (nor jointly and severally)) under this Underwriting Agreement are conditional, *inter alia*, upon:-
 - (a) receipt of written confirmation by the Company that on or prior to the Closing Date, there is no Material Adverse Effect nor any development reasonably likely to result in any Material Adverse Effect, nor the occurrence of any event or the discovery of any fact which is inaccurate, untrue or incorrect which makes any of the representations and warranties contained in Clause 3 of this Underwriting Agreement untrue and incorrect nor the occurrence of any breach of the undertakings contained in Clause 3 of this Underwriting Agreement before the Closing Date;
 - (b) the Prospectus being in the form and substance satisfactory to the Joint Underwriters;
 - (c) the delivery to the Joint Underwriters on the Closing Date of such reports and confirmations as the Joint Underwriters may reasonably require to ascertain that there is no material change subsequent to the date of this Underwriting Agreement that will adversely affect the performance or financial position of the Company or its Subsidiaries;
 - (d) the IPO not being prohibited by any statute, order, rule, regulation or directive issued by any legislative, executive or regulatory body or authority in Malaysia, including but not limited to Bursa Securities and the SC;
 - (e) the Company having complied with and the IPO is in compliance with the Act, the CMSA, policies, guidelines and requirements of Bursa Securities and/or the SC and all revisions, amendments and/or supplements thereto;
 - (f) all Approvals required in relation to the IPO, the Admission and the Listing having been obtained and are in full force and effect as at the Closing Date and that all conditions of the Approvals (except for any which can only be complied with after the IPO has been completed) have been complied with to the satisfaction of the Joint Underwriters and such Approvals has not been withdrawn, amended, suspended, terminated, lapsed or been revoked;
 - (g) the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the CMSA in relation to the IPO and the lodgement of the Prospectus with the CCM on or before their release under the IPO or in accordance with the CMSA together with copies of all documents required under the CMSA; and
 - (h) there is no breach of and/or failure to perform any of the warranties and undertakings by the Company contained in this Underwriting Agreement on or prior to the Closing Date.
- 2) If any of the conditions set out in Clause 2.3 of this Underwriting Agreement is not satisfied by the Closing Date or such later date as consented to in writing by the Joint Underwriters, any of the Joint Underwriters shall, subject to prior consultation, but not requiring concurrence of the other Joint Underwriter, thereupon be entitled to terminate this Underwriting Agreement by notice in writing.

2. PARTICULARS OF THE IPO (Cont'd)

2.10.3 Termination/ Lapse of Agreement

- 1) Notwithstanding anything contained in this Underwriting Agreement, any of the Joint Underwriters may, subject to prior consultation, but not requiring concurrence of the other Joint Underwriter, by notice in writing to the Company given at any time before the Listing Date, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares, *inter alia*, if:-
- (a) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 3 of this Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the aggrieved Joint Underwriter; or
 - (b) there is withholding of information by the Company which is required to be disclosed to any of the Joint Underwriters pursuant to this Underwriting Agreement, and if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Joint Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of the Public Issue Shares; or
 - (c) there shall have occurred, happened or come into effect any Material Adverse Effect; or
 - (d) there shall have occurred, happened or come into effect any of the following circumstances which has an adverse effect on the condition or financial position of the Company:-
 - (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or foreign exchange controls or the occurrence of any combination of any of the foregoing;
 - (ii) any new law, regulation, directive, policy or ruling or any material change in law, regulation, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof or any event or series of events beyond the reasonable control of any of the Joint Underwriters; or
 - (iii) approval for the IPO is withdrawn, modified and/or subject to terms and conditions not acceptable to any of the Joint Underwriters;

which, (in the reasonable opinion of any of the Joint Underwriters), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company, the success of the IPO, or the distribution or sale of the Public Issue Shares, or which has or is likely to have the effect of making any material part of this Underwriting Agreement incapable of performance in accordance with its terms; or
 - (e) there is failure on the part of the Company to perform any of its obligations contained in this Underwriting Agreement.

3. RISK FACTORS

IN EVALUATING AN INVESTMENT IN THE IPO SHARES, YOU SHOULD CAREFULLY CONSIDER ALL INFORMATION CONTAINED IN THIS PROSPECTUS INCLUDING BUT NOT LIMITED TO THE FOLLOWING GENERAL AND SPECIFIC RISKS.

3.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS**3.1.1 Our Group is subjected to risks inherent to the automotive industry and automotive upholstery industry**

Our Group is principally engaged in the styling, manufacturing, distribution and installation of car seat covers and the supply of leather cut pieces to the automotive leather upholstery industry. Our Group is also involved in the styling, manufacturing, distribution and installation of car door trim covers and covers for other car accessories, the provision of sewing services for fabric car seat covers, the wrapping and stitching services for car accessories and the supply of raw materials. As such, we are subject to certain risks inherent to the automotive industry and automotive upholstery industry.

The risks in these industries include, *inter alia*, constraints in skilled labour supply, entry of new players, increases in the price of raw materials and other production costs, availability of raw materials, unfavourable changes in government and international policies such as tax legislations, changes in economic, business and credit conditions, and collectability of debts.

Our Group has constantly minimised these risks through, *inter-alia*, increasing the efficiency of operations, diversifying the pool of suppliers, expanding our geographical presence and customer base in both Malaysia and overseas markets as well as carrying out continuous review and improvement of our operations and production processes. However, there can be no assurance that any abrupt change to these factors will not have a material adverse effect on our Group's business operations.

3.1.2 Our pursuit of new ventures, namely the retail industry via EEmpire and the aviation upholstery and parts refurbishment industry via PAviation, involve risks and we may not be able to realise the anticipated benefits

We plan to expand into the retail industry via EEmpire and the aviation upholstery and parts refurbishment industry via PAviation, which would expose us to the risks inherent to these new ventures. The direct penetration into the REM retail market segment might not generate the results expected as our Group is relatively new to this market segment and most of our Group's current business is predominantly in the OEM and PDI market segments. In addition, we are exposed to the risk associated with the retail segment such as changes in taste and preferences of consumers, damages and thefts, and lack of recognition and track record in the retail industry, amongst others. The diversification into the aviation industry exposes us to various risks which include, *inter alia*, the lack of recognition and track record in the aviation industry being a new player, constraints in obtaining skilled and aviation approved labour supply, limited market size as compared to the automotive industry, as well as, high regulatory compliance requirements in the aviation industry.

Our Group is leveraging on the exposures of our Promoters in the automotive aftermarket business segment as set out in Section 4.20.2 of this Prospectus to expand into the retail industry via EEmpire. Further, our experience in the leather upholstery and automotive industry would facilitate us to adapt to the aviation upholstery and parts refurbishment industry, as both these industries have similarities in terms of having stringent requirements, albeit one from the end customers while the other more from the regulatory perspective. If these new ventures do not realise their anticipated benefits or if we fail to address the challenges associated with the said new ventures, our business, financial condition and results of operation could be adversely affected.

3. RISK FACTORS (Cont'd)

3.1.3 Fluctuation in foreign exchange rates could have an impact on our Group's financial performance

As set out in Section 4.10 of this Prospectus, the main component of our Group's purchase of raw materials is leather which is imported and denominated in USD. However, only a portion of our Group's revenue is derived from exports as set out in Section 4.5.3 of this Prospectus and is denominated mainly in USD, EUR, SGD and AUD. As such, any fluctuation of foreign currencies, particularly with reference to USD against the RM, will result in our Group incurring foreign currency exchange gains or losses. Based on the analysis on our Group's PBT for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 on the assumptions that all other things remain unchanged except for the 5% and 10% appreciation or depreciation of RM against the USD, the impact on our Group's results in terms of foreign currency exchange gains or losses incurred would range from approximately 6.61% to 19.21% on our Group's PBT as set out below:-

Group	FYE 2012 RM'000	Change %	FYE 2013 RM'000	Change %	FYE 2014 RM'000	Change %	FYE 2015 RM'000	Change %	FPE 2015 RM'000	Change %
Combined PBT	7,964		12,624		18,793		23,770		9,525	
Increase by 5%	7,212	(9.44)	11,789	(6.61)	16,988	(9.60)	21,762	(8.45)	8,772	(7.91)
Increase by 10%	6,460	(18.88)	10,953	(13.24)	15,183	(19.21)	19,755	(16.89)	8,020	(15.80)
Decrease by 5%	8,716	9.44	13,459	6.61	20,598	9.60	25,778	8.45	10,278	7.91
Decrease by 10%	9,468	18.88	14,295	13.24	22,403	19.21	27,785	16.89	11,030	15.80

We maintain foreign currency accounts to off-set some of our sales against the purchases in foreign currencies to provide a certain degree of natural hedge. As and when the need arises, our management will make the necessary arrangements to hedge against exchange rate fluctuation, taking into account the exposure period and the relevant transaction costs.

Further, depending on the circumstances, certain of our customers allow us to revise or renegotiate the selling prices of our leather car seat covers which have enabled us to recover, to a certain extent, the foreign currency differences arising from the foreign currency fluctuation.

Notwithstanding the above, there is no assurance that any adverse fluctuation in foreign exchange rates would not have an impact on our Group's financial performance.

3.1.4 We rely on skilled labour and are dependent on foreign workers

Cost of production labour represented approximately 13.88%, 11.93%, 12.34%, 11.90% and 9.48% of our Group's total cost of sales for the FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively as tabulated in Section 8.4.2.2.2 of this Prospectus. Of these, foreign workers represented approximately 60.06%, 65.57%, 67.71%, 70.65%, 68.82% and 66.32% of our Group employees for the FYE 2012, FYE 2013, FYE 2014, FYE 2015, FPE 2015 and the LPD respectively as detailed in Section 5.9 of this Prospectus.

As at the LPD, our Group has a total of approximately 268 employees in the Production Department, of which 250 are foreign workers as set out below according to their respective nationalities:-

Countries	No. of Employees
Malaysia	18
Bangladesh	24
Nepal	219
Vietnam	5
Myanmar	1
Thailand	1
Total	268

3. RISK FACTORS (Cont'd)

The production of leather upholstery for car seats and accessories rely heavily on skilled labour, in areas such as cutting, sewing and quality control inspection. As leather is the largest component in our Group's cost structure, skilled labour forms an important element in ensuring maximum yield in the leather usage and minimising wastage in the manufacturing process. Inadequate supply of labour may disrupt the production processes.

All the employees including the foreign workers recruited are not skilled and need to undergo a systematic in-house training program to equip them with the skillset before they are involved in the production processes.

Any shortage of foreign workers will disrupt our operations resulting in the delay or interruption of our supply to our customers, which in turn will affect our profitability. Our Group has not experienced any disruptions arising from disputes among our workers nor were there any disputes between the workers and our Group.

In order to minimise the risk of labour shortages, our Group has been continuously recruiting new employees who are required to undergo in-house training conducted by the heads of the respective departments. Our new employees in the Production Department are required to undergo a competency test and we also provide on-the-job training to new employees to ensure that they are equipped with the necessary experience and skills.

On 19 March 2016, the Government announced a restructuring in the foreign levy rates from RM1,250 to RM1,850 per annum for the employment of foreign workers in the manufacturing, construction and service sectors. Currently, the levy charges of RM1,250 per annum for the employment of our foreign workers are recoverable via monthly deductions from the foreign workers' salaries. With the increase in the levy charges, our Group has decided to absorb the incremental portion of RM600 per annum and the expected financial impact to our Group is RM200,000 per annum (as at the LPD, our Group has a total of 323 foreign workers as disclosed in Section 5.9 of this Prospectus). This is not expected to have a material adverse impact on the profitability of our Group.

Our Group is continuously exploring other alternatives to automate our production processes, where possible, such as cutting, sewing and stitching, and the embroidering processes to reduce our dependency on labour. At the same time, we will also explore ways to improve the efficiency and productivity of our foreign workers, which could offset any potential increase in the associated cost of employing foreign workers.

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3. RISK FACTORS (Cont'd)

3.1.5 We may not be able to attract and retain Directors, key management team and skilled personnel

Our Group is led by our Group Managing Director, Datuk Teoh Hwa Cheng, with an experienced and capable management team with good track records. Datuk Teoh Hwa Cheng has extensive experience and in-depth knowledge in the leather related industry. With his wealth of experience and expertise, our Group's management is able to identify and seize market opportunities to help our Group stay ahead of the competition.

We are of the view that the continued success and ability of our Group to compete and expand in the automotive leather upholstery industry will depend significantly upon the abilities and continued dedication of our Directors, key management as well as skilled personnel of our Group.

However, we strive to maintain and further establish our Group's success by ensuring that we have the ability to retain our existing Directors, key management as well as skilled personnel as we recognise the importance of attracting and retaining the key management team and skilled personnel to support our business operations in the long term.

3.1.6 We are dependent on our major customers from the OEM (OE Fit) market segment who are Tier 1 car seat manufacturers in Malaysia

Our Group derives major revenue from the production of leather car seat covers for the OEM (OE Fit) market segment for Tier 1 car seat manufacturers in Malaysia, such as Toyota Boshoku UMW Sdn Bhd, Fuji Seats (Malaysia) Sdn Bhd, Tan Chong & Sons Motor Company Sdn Bhd, Lear Automotive Malaysia Sdn Bhd (*formerly known as TS-Lear Automotive (M) Sdn Bhd*), Auto Part Manufacturers Co Sdn Bhd and Mitsubishi Motors (M) Sdn Bhd, who are our major customers as detailed in Section 4.12 of this Prospectus, who in turn, supply their products directly to automotive assemblers such as Toyota, Perodua, Nissan, Proton, Hyundai and Mitsubishi.

Nevertheless, our Group also derives revenue from PDI (Smart Fit) and REM market segments, such as the supply of the leather car seat covers to Tan Chong & Sons Motor Company Sdn Bhd who has gradually shifted from being our OEM (OE Fit) market segment customer to the PDI (Smart Fit) segment customer from FYE 2013 onwards.

We have also exported our products to Netherlands, Australia and USA which individually contributed at least 5% of our Group's total revenue (in any one of the financial years/period) during the past four (4) FYE 2012 to FYE 2015 and FPE 2015 via our distribution partners. In Australia, besides working with our distribution partners, we have an online ordering system, where the customers can place their orders via our website. In addition to Netherlands, Australia and USA, the other overseas markets which our Group have exported our products to for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 are as set out in Section 4.5.3 of this Prospectus whilst the details on our mode of distribution to the said export markets are disclosed in Section 4.5.4.1 (c) of this Prospectus.

Therefore, the availability of a diversified customer base has positioned our Group to rely less on a single customer. For the past four (4) FYE 2012 to FYE 2015 and FPE 2015, none of our customers continuously contributed more than 10% of our Group's total revenue as set out in Section 4.12 of this Prospectus.

In view of the above, our Group has been continuously expanding our customer base to include more marques as well as to expand our market presence in Malaysia and overseas.

3. RISK FACTORS (Cont'd)

3.1.7 Inadequate insurance coverage could have an adverse impact on our business operations

Our Group's assets, such as the manufacturing plant, storage area, office and hostel building, plant and equipment, as well as inventory are insured against any unforeseen circumstances which includes, *inter alia*, fire, flood, loss, damage, robbery and theft. We are aware of the adverse consequences arising from inadequate insurance coverage that could have an adverse impact on our business operations.

In order to minimise such risks, our Group regularly reviews and ensures adequate insurance coverage are obtained for our Group's assets, including but not limited to product liability insurance. Nevertheless, there can be no assurance that the insurance coverage would be adequate for the replacement costs of the assets or any consequential loss arising therefrom.

3.1.8 We are exposed to the risk of product liability claims that is inherent in our business and products

The nature of our Group's business exposes us to the risk of product liability claims that is inherent in the manufacturing and marketing of our products. As a designer and manufacturer, we may be subject to product liability claims due to product defects. A substantial claim or a substantial number of claims relating to our products could have a material and adverse impact on our business, operating results and financial position.

If our products prove to be defective and result in losses to our customers, we may be liable to product liability claims under the Malaysian law or any other jurisdictions' law in which our products are supplied and sold. As a result, we may have to incur significant legal costs and divert our administrative resources regardless of the outcome of the claims. In addition, any such claim could damage our relationships with our customers and business reputation. We may also be forced to defend lawsuits and if unsuccessful, to pay a substantial amount of damages.

Although we have not experienced any product liability claim since the commencement of our business, there is no assurance that the aforementioned will not occur in the future. Nonetheless, the management is of the view that our products have passed the stringent production and quality control processes, and are adequately covered and insured by the product liability insurance.

3.1.9 Our trademarks and patents for the development and usage of our Smart Fit product may be subjected to infringement, counterfeiting, unauthorised third party use or exploitation

We believe that one of the critical factors that differentiate us from our competitors is our trademarks and our patents relating to the development of our Smart Fit product. In order to defend our patents and trademarks used in our products, we have ensured that such patents and trademarks are filed for registration and/or duly registered under the relevant intellectual property offices around the world.

Save for PLeather's application for the patent of interchangeable vehicle interior lining that has been registered in Malaysia (as disclosed in Section 4.14.2(a)(i) of this Prospectus), PLeather's other application for the same patent in Taiwan, Indonesia, USA, Thailand and Japan (as disclosed in Section 4.14.2(a)(ii) of this Prospectus) are still pending registration ("**PLeather's Patents**").

3. RISK FACTORS (Cont'd)

Apart from PLeather's Patents, all other patents for vehicle seat covers and trademarks used in our products are not filed for registration and/or duly registered originally by our Group but was filed for registration and/or duly registered in the name of either MRZ or Seatcoverpro whereby our Group Managing Director, Datuk Teoh Hwa Cheng and Executive Director, Datin Sam Yin Thing are the substantial shareholders. Nonetheless, MRZ and Seatcoverpro have entered into Deeds of Assignment respectively with PLeather to assign and transfer all rights, title and interest in respect of all these patents and trademarks used in our products to our Group. Further details of the Deeds of Assignment are disclosed in Section 13.5(b), (c) and (d) of this Prospectus.

Although Datuk Teoh Hwa Cheng and Datin Sam Yin Thing are the Directors and substantial shareholders of MRZ and Seatcoverpro, the Board of Pecca (save for Datuk Teoh Hwa Cheng and Datin Sam Yin Thing) confirms that the aforementioned Deeds of Assignment executed between our Group and MRZ and Seatcoverpro were not detrimental to the minority shareholders of our Company.

Claw back events might arise if winding up proceedings had commenced on MRZ and/or Seatcoverpro pursuant to the Act, affecting the transactions contemplated under the Deeds of Assignment. Nevertheless, based on the documents and information made available to our solicitors for the IPO, Messrs Jeff Leong Poon & Wong ("JLPW") as well as the statutory declarations made by Datuk Teoh Hwa Cheng and Datin Sam Yin Thing, JLPW is of the view that there is adequate basis to contest any claw back events that might arise.

However, there is no guarantee that we will be able to defend our patents and trademarks against infringement, counterfeiting, unauthorised third party use or exploitation, any of which would reflect negatively on the image of our brand names and patents. Should we fail to protect and retain our intellectual property rights, this may have an adverse impact on our business, operational results and financial position.

In addition, in relation to the trademarks and patents for which the completion of the registration is still in process, there is a possibility that these registrations may not be successful. In such case, the Pecca Group may still manufacture or sell the products which are dependent on the use of such intellectual properties, unless there is an identical or similar patent successfully filed by a third party. The respective intellectual property authorities may accept the application for the registration of identical or similar intellectual properties filed by a third party. If any legal proceeding against the Pecca Group for infringement of intellectual property rights of third parties is successful, the Pecca Group may be prohibited from manufacturing or selling products which are dependent on the use of such intellectual properties. This may have an adverse effect on our reputation, brand equity, business operational results and financial position.

3.2 RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES**3.2.1 Adverse developments in the political, economic and regulatory conditions in Malaysia and other countries may affect our Group's financial position and business prospects**

Adverse developments in the political, economic and regulatory conditions in Malaysia and other countries where our Group operates, sources our supplies or markets our products, could materially and unfavourably affect the financial position and business prospects of our Group. Political, economic and regulatory uncertainties that may develop include, but are not limited to the changes in political leadership, risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, methods of taxation and unfavourable changes in government policies such as introduction of new regulations, import duties and tariffs, and currency exchange controls.

Although our Group seeks to limit such risks through prudent financial management and efficient operating procedures, there can be no assurance that any change to these factors will not materially affect our Group's business and financial performance.

3. RISK FACTORS (Cont'd)**3.2.2 Fluctuation in automotive leather prices would impact the selling prices of our products**

Automotive leather is a major cost component in the manufacturing of automotive leather upholstery and constitutes approximately 61.41% and 65.02% of the total cost of sales for the FYE 2015 and FPE 2015 respectively (as disclosed in Section 8.4.2.2.2 of this Prospectus) or 75.25% and 76.54% of the total cost of raw materials consumed (as disclosed in Section 4.10 of this Prospectus) for the FYE 2015 and FPE 2015 respectively. Generally, leather prices fluctuate with the supply and demand condition in the global market. According to the Heavy Native Steers category of the IMF Primary Commodity Prices, leather hides prices have increased by approximately 17.8% to USD 0.86 per pound from January 2012 to December 2012. In 2013, it increased further to USD 1.05 per pound and up to its all-time high of USD1.15 per pound in September 2014. However, the prices have since moderated to USD0.94 per pound in June 2015 and USD0.70 per pound in February 2016. According to Frost & Sullivan, the decline in leather hide prices mirrors similar trends in global commodity prices and weaker growth in emerging markets on demand, especially for leather-based products.

The tanneries that manufacture automotive leather procure the semi-processed or wet-blue leather whereby only a portion of the leather hide is being used. In this regard, the variation in the price of automotive leather largely corresponds with the difference in quality of the finished leather itself and less by the fluctuation of leather hide prices.

Fluctuation in automotive leather prices would to a certain extent impact our selling prices to our OEM (OE Fit)/ PDI (Smart Fit) customer segments whereby the supply of our products is in accordance with the specifications of the vehicle models depending on the model life cycle of the vehicles. For any new OEM/ PDI project secured, the project development time of approximately six (6) to nine (9) months from the award date to mass production would also expose us to the fluctuation in automotive leather prices. However, for customers that have nominated the source of leather supplier(s) to us, we will not be affected by the fluctuation in the leather hide prices as we have a back to back arrangement for the reimbursement of price differences from our customers. Furthermore, leather hide is a widely traded commodity and any increase or fluctuation in the price of leather hide will affect all the players in the automotive leather upholstery industry and will result in consequential general increase in the pricing of the products.

Nevertheless, there can be no assurance that our business would not be adversely affected if there is an adverse long-term price movement of leather hides.

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3. RISK FACTORS (Cont'd)

3.2.3 Our Group faces intense competition in the automotive industry

We believe that with our established business relationships with our customers, good business track record, prompt delivery, consistent quality and price competitiveness of our products, our Group is ready to face the challenges and the intense competition in the automotive industry both in the domestic market and in the overseas markets where we export our Group's products.

Our Group faces competition locally from DK Leather Corporation Berhad, OEM Autoseats Malaysia Sdn Bhd and Gosford Leather Sdn Bhd, which also supply to local OEM automotive assemblers, such as Honda Malaysia Sdn Bhd, Inokom Corporation Sdn Bhd, Volvo Car Manufacturing Malaysia Sdn Bhd, Tan Chong Motor Holdings Berhad and Perusahaan Otomobil Nasional Berhad as disclosed in paragraph 3.12 of the Independent Market Research Report in Section 10 of this Prospectus.

Although there will be lower entry barriers as the industry becomes more competitive with the progressive market liberalisation in terms of removal or reduction of tariffs (duties and surcharges) and non-tariff obstacles (licensing rules, quotas and other requirements), the continued success of most of the automotive upholstery leather players is dependent on the established close working relationships with the original brand manufacturers. The original brand manufacturers set stringent requirements such as approvals for product testing, close monitoring of rejection rates, monthly grading of suppliers' on-time delivery performance, VAVE and cost-down capabilities of suppliers. Further, it is the original brand manufacturers that determine the final specifications of the products resulting in a very limited number of existing local automotive leather manufacturers who would be able meet their stringent requirements and standards in order to qualify for the role as their suppliers. In addition, economies of scale of our Group also pose significant barriers to entry to potential new players in the industry.

Further, our Stylelab with in-house design and styling capabilities, competitiveness in the quality of our product and pricing, up-to-date manufacturing facilities and capabilities will ensure our continued edge to compete in the local market whilst our commitment to our timely delivery and competitive pricing including our ability to meet the stringent requirements set by the local original brand manufacturers have also provided us with the advantage to be competitive in the production of our products for the export markets.

Although our Group intends to grow and compete effectively, there is no assurance that our Group will be able to maintain or surpass our existing market share in the future. According to Frost & Sullivan, we are the largest automotive leather upholstery supplier for the OEM and PDI passenger vehicle segments in Malaysia in 2015. We command a market share of about 36.3% in 2011, 38.4% in 2012, 57.8% in 2013, 65.2% in 2014 and 67.7% in 2015 based on the number of installed-leather-upholstery passenger vehicle units for OEM and PDI market segments for each respective year, with the exclusion of REM market segment.

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3. RISK FACTORS (Cont'd)

3.2.4 There are no long term contractual agreements between our Group and our customers

There are no long term contractual agreements between our Group and our customers. This is the norm in the industry in which our Group operates where the supply of leather upholstery for car seat covers is dependent on the life-cycle of individual car models and/or variants. According to Frost & Sullivan, the OEMs typically introduce new car models via facelift every three (3) to four (4) years or full model change every seven (7) years. Frost & Sullivan anticipates this trend to bode well for the automotive leather upholstery industry as car accessories are now an integral part of the OEM's customer fulfilment strategy for both new and facelift car models in order to attract new buyers. 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.

Despite the absence of long term contracts with our customers, our Group has an established and proven track record in consistently providing high quality products and services, which has earned our Group the confidence and recognition of our local and overseas customers. This is evident as approximately 57.93% and 43.78% of our Group's total revenue for the FYE 2015 and FPE 2015 respectively was derived from our major customers that have established business relationships with us for at least six (6) years whereas approximately 80.89% and 78.11% of our Group's total revenue for the FYE 2015 and FPE 2015 respectively was derived from our major customers that have established business relationships with us for at least four (4) years as disclosed in Section 4.12 of this Prospectus. As at the LPD, we are the supplier of leather car seat covers for all the car models for Perodua, Mitsubishi and Nissan. We are also the supplier for most of the models that have localised leather program for Hyundai and Toyota which further testified to our proven track record on our product quality and services. This in turn has enabled our Group to enjoy long and stable relationships with various groups of customers, ranging from car assemblers to distributors and end users. In addition, for car assemblers to change suppliers in the middle of the life cycle of a specific model, new development and testing would be required to be conducted. This new development and testing process on average would require approximately six (6) to nine (9) months while for the existing supplier to redevelop the existing design would require approximately two (2) to three (3) months.

Furthermore, our Group seeks to limit this risk by broadening our clientele base, which includes, inter-alia, venturing into new markets abroad.

Nevertheless, there can be no assurance that the absence of long term contractual agreements with customers will not have any adverse effect on our Group's business.

3.2.5 We are dependent on our suppliers for the supply of the raw materials and components

The raw materials used by the manufacturers for the production of automotive leather upholstery consist mainly of leather hides, PVC, plastic parts and foam. The manufacturers in this industry rely on imports of leather hides. Although leather hides are sourced outside of Malaysia, the automotive leather upholstery industry is not dependent on any individual country for the supply of leather hides as leather hides are widely traded commodity in the world. The other raw materials such as PVC, plastic parts and foam are available from a range of manufacturers and suppliers locally and overseas. Hence, the players in this industry are not relying on any particular manufacturer for the supply of raw materials and components.

3. RISK FACTORS (Cont'd)

The main raw material consumed by our Group is leather hides. To ensure the uniformity and consistency in colour and embossed print of our products, we opt to source the supply of leather hides from limited number of suppliers. For the past three (3) FYE 2012 to FYE 2014, our Group was dependent on Conceria Pasubio Spa (Italy) for the supply of leather hides. Conceria Pasubio Spa (Italy) accounted for approximately 65.07%, 63.66%, 58.59%, 24.52% and 3.90% of our Group's total purchases for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 respectively. Our Group has adopted a multiple sourcing policy to reduce the dependency on single leather hides supplier resulting in Zendaleather S.A. (Uruguay) being our major supplier for leather hides for FYE 2015 and FPE 2015 and accounted for approximately 33.04% and 28.73% of our Group's total purchases respectively. We are also required by our customer, Toyota Boshoku UMW Sdn Bhd, to source the leather hides directly from its nominated supplier for selected models of car manufactured by Toyota, namely Camry and Hilux which has resulted in Toyota Tsusho (Malaysia) Sdn Bhd being our major supplier for the FYE 2015 and FPE 2015 accounting for approximately 19.98% and 41.26% of our Group's total purchases respectively. In addition, our Group has increased the purchase of leather hides from Industria Conciaria Europa SPA (Italy) from approximately 3.94% in FYE 2015 to approximately 11.46% in FPE 2015 of our Group's total purchase. The increase in the purchase of leather hides from Zendaleather S.A. (Uruguay), Toyota Tsusho (Malaysia) Sdn Bhd and Industria Conciaria Europa SPA (Italy) has resulted in the consequential reduction in the supply of leather hides from Conceria Pasubio Spa (Italy) for FYE 2015 and FPE 2015 as indicated above. In addition, our Group also sources leather hides from a small pool of tanneries from Thailand.

In order to mitigate the reliance on any single supplier, we have established vendor development programmes (as disclosed in Section 4.11 of this Prospectus) and a list of approved suppliers. Our established relationships with our suppliers had grown to mutually benefit both our Group and the suppliers whereby our Group represents a major customer to the suppliers. This assures our Group of our ability to source for a constant supply of raw materials at reasonable prices, which in turn minimise and avoid any disruption to our operations.

In practice, we normally keep sufficient level of stocks of leather hide, PVC and other main materials. This is due to the lead time of approximately 2.5 months between the order and delivery of leather hides from our supplier. For other materials, the lead time averages from 2 weeks to a month as most of them are sourced locally.

Our Group has not experienced any interruption to the supply of these key raw materials in the past. Nevertheless, there can be no assurance that any change to factors such as diseases, natural disaster, environment and political issues will not have any material adverse effect on the supply of raw material to our Group.

3.2.6 Our Group's leather products are subject to product substitution

The demand for leather upholstery instead of the standard material of textile or fabric for automotive upholstery is likely to grow in tandem with growing consumer affluence and the increase in the production of vehicles. Simultaneously, improvements in textile technology have also led to invention of synthetic leather that exhibit similar aesthetic properties to leather. Synthetic leather thus can be considered as a close substitute, yet it does not command similar prestige and quality as leather.

Nevertheless, we believe that automotive assemblers and end users would still prefer to use leather instead of synthetic leather as leather is a premium material for the automotive upholstery and has been the preferred choice since the invention of automobiles given its durability and tactile characteristics. The availability of synthetic leather provides the platform for industry players to use complementary materials to achieve greater cost advantage that meets the OEM configuration.

3. RISK FACTORS (Cont'd)

3.2.7 Our Group's performance is dependent on the automotive industry and automotive leather upholstery industry

The performance of our Group relies heavily on the automotive industry and automotive leather upholstery industry. There is no assurance that our revenue will grow or be maintained at a profitable level should there be a decline in the performance of the automotive industry and automotive leather upholstery industry generally.

Nevertheless, as our products and services cater for three (3) distinctive segments within the automotive industry, i.e. OEM, PDI and REM, this provide the assurance to our Group that the production and operations of our Group are diversified and we are not dependent on any single segment of the automotive leather upholstery industry thus providing us with the necessary infrastructure for our Group to adjust our marketing strategy accordingly to face any potential challenges in the automotive leather upholstery industry.

Further, our Group via PAviation is venturing into the manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat covers and other leather related products, for the commercial aircrafts and private jets which are in the aviation industry. These will diversify the revenue stream of our Group thereby reducing our dependency on a single industry, i.e. the automotive industry.

3.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES**3.3.1 There has been no prior market for our Shares and an active market for our Shares may not develop**

Prior to this invitation, there has been no public market for our Shares. There can be no assurance that an active market for our Shares will develop and continue to develop upon or subsequent to our Listing or, if developed, that such a market can be or will be sustained. The IPO Price has been determined after taking into consideration a number of factors, including but not limited to our Group's financial and operating history and conditions, our prospects and the prospects of the industry in which our Group operates, the management of our Group, the market price for shares of companies engaged in similar businesses and the prevailing market conditions.

There can be no assurance that the IPO Price will correspond to the market price at which our Shares will be traded on the Main Market of Bursa Securities upon or subsequent to our Listing or that an active market for our Shares will develop or continue to develop upon or subsequent to our Listing.

3.3.2 Our Listing may fail, be delayed or aborted

Our Listing may fail or be delayed should any of the following events occur:-

- (a) the Bumiputera investors approved by the MITI under the Private Placement fail to subscribe for the Offer Shares allocated to them;
- (b) our Joint Underwriters exercise their rights pursuant to the Underwriting Agreement to discharge themselves from their obligations thereunder;
- (c) the selected investors under the Private Placement fail to subscribe for the IPO Shares allocated to them;

3. RISK FACTORS (Cont'd)

- (d) our Company is unable to meet the public spread requirements, i.e. at least 25.0% of the total enlarged issued and paid-up share capital of our Company must be held by a minimum of one thousand (1,000) public shareholders holding not less than one hundred (100) Shares each in our Company at the point of Listing; and
- (e) unfavourable market conditions, which may give rise to a low subscription rate for the IPO Shares.

We will endeavour to comply with the Listing Requirements and SC Guidelines whichever is applicable and relevant to the above factors. However, there can be no assurance that the abovementioned factors and/or events will not cause a delay in or abortion of our Listing.

3.3.3 The monies paid in respect of our IPO Shares may not be recovered in the event the Listing and/or trading of our Shares on Bursa Securities do not occur

After the IPO Shares have been allotted and/or allocated to the respective investors' CDS accounts maintained with Bursa Depository, which would occur at least two (2) clear Market Days prior to the anticipated date for the Listing, it may not be possible to recover monies paid in respect of the IPO Shares from us in the event the Listing and the commencement of trading on the Main Market of Bursa Securities do not occur.

Delays in listings and commencement of trading in shares on Bursa Securities have occurred in the past. In respect of the Public Issue Shares comprised in the IPO Shares, following their allotment and issue to investors, a return of monies to such investors may be effected by way of a reduction of our share capital. A capital reduction would require the approval by special resolution of our shareholders as well as approval by the High Court of Malaya.

Further, such capital reduction shall not be effected if on the date the reduction is to be effected, there are reasonable grounds for believing that we are, or after the reduction would be, unable to pay our liabilities as they become due.

There can be no assurance that monies can be recovered within a short period of time, or at all. If Bursa Securities does not admit our Shares for the Listing, the market for our Shares will be illiquid and it may not be possible to trade our Shares. This may also have a materially adverse effect on the value of our Shares.

3.3.4 Our Promoters control the business direction and management of our Group including the voting outcome of our shareholders

Upon our Listing, our Promoters, namely MRZ, Datuk Teoh Hwa Cheng and Datin Sam Yin Thing collectively control 51.0% of our enlarged issued and paid-up share capital as set out in Section 6.2 of this Prospectus. As a result, they will still be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as influence the outcome of certain matters requiring the voting of our shareholders unless our Promoters are required to abstain from voting by law and/or by the relevant guidelines or regulations.

However, as part of our corporate governance policies, we have appointed Dato' Mohamed Suffian bin Awang, Dato' Dr Norraesah binti Haji Mohamad and Leong Kam Weng as Independent Directors to our Board. They will be sitting in various committees such as audit, remuneration and nomination to ensure that all decisions made are in the best interests of our shareholders at large. Further, they will ensure that, *inter alia*, all future transactions involving related parties, if any, are entered into on an arm's length basis, normal commercial terms that are not more favourable to the related parties than those generally available to third parties and are not to the detriment of our minority shareholders.

3. RISK FACTORS (Cont'd)

3.3.5 Our Share price may be volatile

The performance of the local bourse is very much dependent on external factors such as the performance of the regional and world bourses, and the flow of foreign funds. Sentiments are also driven by internal factors such as political and economic conditions. These factors invariably contribute to the volatility of the local bourse. Our Shares upon Listing will be subject to the vagaries of the Malaysian capital markets. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Group have no direct correlation with the performance of Bursa Securities.

The market price of our Shares may fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:-

- (a) variations in our operating results;
- (b) changes in securities analysts' recommendations, perceptions or estimates of our financial performance or future prospects;
- (c) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Malaysia;
- (d) announcements by us of significant acquisitions, disposals, strategic alliances or joint ventures;
- (e) fluctuation in stock market prices and trading volumes;
- (f) our involvement in material litigations;
- (g) additions or departures of key personnel;
- (h) success or failure of our management in implementing business and growth strategies; and
- (i) changes in conditions affecting the industries in which we operate, general economic conditions or stock market sentiments.

3.3.6 Forward-looking statements in this Prospectus are subject to uncertainties and contingencies

Certain statements in this Prospectus are based on historical data, which may not be reflective of our future results and any forward-looking statements are subject to uncertainties and contingencies. All forward-looking statements are based on estimates, forecasts and assumptions made by our Company and our Group, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of our Group to differ materially from the future results, performance and achievements expressed or implied in such forward-looking statements. Such factors include, *inter alia*, general economic and business conditions, competition and the impact of new laws and regulations affecting our Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation by our Company or our Company's adviser that the plans and objectives of our Group will be achieved.

4. INFORMATION ON OUR GROUP

4.1 GROUP OVERVIEW

4.1.1 Our History and Business

We were incorporated in Malaysia under the Act on 27 July 2010 as a private limited company under the name of Pecca Malaysia Sdn Bhd. Subsequently, we changed our name to Pecca Group Sdn Bhd on 28 April 2014. We were converted into a public limited company and assumed our present name on 12 June 2014.

Pecca is an investment holding company with three (3) subsidiaries, namely PLeather PAviation and EEmpire, the details of which are as follows:-

Company	Description
PLeather	Commenced operations in December 2000 and is principally involved in the styling, manufacturing, distribution and installation of leather upholstery for car seat covers, as well as the supply of leather cut pieces to the automotive leather upholstery industry. PLeather is also involved in other related business activities such as styling, manufacturing, distribution and installation of car door trim covers and covers for car accessories (such as steering wheels, gearshift knobs, handbrake levers, console box and operating manual book), provision of sewing services for fabric car seat covers, provision of wrapping and stitching services, and the supply of raw materials to the automotive upholstery industry.
PAviation	Commenced operations in December 2015 and principally involved in the manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat covers and other leather related products, such as side wall panels, ceiling panels and leather trim for commercial aircrafts and private jets. PAviation has submitted its application to the DCA to obtain certification and related approval in accordance with the licensing requirements of the DCA and the FAA internationally for its venture into the aviation leather upholstery and parts refurbishment in the aviation industry. PAviation's application for its venture into parts refurbishment has been approved by the DCA on 9 March 2016 whilst the approval for its venture into the aviation leather upholstery is pending and is expected to be obtained by end of 2016, the details of which are set out in Section 4.1.4(b)(i) of this Prospectus.
EEmpire	Currently dormant. The intended principal activity is to operate retail outlets selling Smart Fit, Quick Fit and car accessory covers in Malaysia.

Our products and services currently cater for three (3) segments within the automotive upholstery industry, namely:-

- (i) OEM;
- (ii) PDI; and
- (iii) REM.

4. INFORMATION ON OUR GROUP (Cont'd)

Our Group's humble beginnings started with the incorporation of PLeather in 2000 by our founder and Group Managing Director, Datuk Teoh Hwa Cheng. With his exposure in the leather industry gained in managing his own trading and manufacturing of small leather goods and his intention to grow upstream in the leather business, Datuk Teoh Hwa Cheng set his vision to venture into the supply of leather car seat covers for the burgeoning automotive industry. He saw the potential in the supply of leather car seat covers for the automotive industry including ample room for growth for a new player in the said market as at that point of time, there was only a handful of qualified vendors serving the OEM and PDI segments. He invited his brother-in-law, Sam Chee Keng, who is experienced in the development of templates for leather car seat covers and was the Head of the R&D of a leather car seat cover company to join him as an Executive Director in PLeather. PLeather commenced business operations in the same year in 2000 at Lot 51, Jalan E1/2, Kawasan Perindustrian Ehsan Jaya, Taman Ehsan, Kepong, 52100 Kuala Lumpur producing leather car seat covers with a monthly production capacity of 300 sets of leather car seat covers.

In the same year in 2000, Datuk Teoh Hwa Cheng also established MRZ Car Seat Sdn Bhd which was principally involved in the installation of car seats for the aftermarket sales. PLeather's business was concentrated on aftermarket sales where we supplied our leather car seat covers to MRZ Car Seat Sdn Bhd catering for individual car owners that intend to refurbish their car seat covers and interior, and servicing showrooms of car distributors for customers that intend to upgrade the interior of their cars to leather. MRZ Car Seat Sdn Bhd has ceased its operations since February 2015 as disclosed in item (2) of Section 7.1.2 of this Prospectus.

After being involved and establishing ourselves in the manufacturing and supply of leather car seat covers for the aftermarket sales segment for about four (4) years, we were awarded our first major contract in 2004 to supply leather car seat covers for the Proton Waja model in the OEM market segment. The contract was awarded by Johnson Controls Automotive Holding (M) Sdn Bhd, a Tier 1 car seat manufacturer for Proton.

After establishing ourselves in the Malaysian market, we have gradually expanded our business operations to the overseas market. The following are the main overseas markets that our Group have exported our products to, which have individually contributed at least 5% of our Group's total revenue in any one of the financial year/ period during the past four (4) FYE 2012 to FYE 2015 and FPE 2015:-

- (a) Netherlands;
- (b) Australia; and
- (c) USA.

We export our products through our distribution partners in the abovementioned countries. Further, for the Australian market, we also have an online ordering system, where the customers can place their orders via our website. Further details on our mode of distribution to the export markets are disclosed in Section 4.5.4.1 (c) of this Prospectus.

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4. INFORMATION ON OUR GROUP (Cont'd)

The OE Fit leather car seat covers for the OEM segment is the main revenue generator representing approximately 47.02%, 54.34%, 53.70%, 65.61% and 55.26% of our Group's total revenue for the FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively as the OE Fit leather car seat covers contributed to our Group's highest sales volume during the aforesaid financial years/ period as compared to the contribution by the other car seat covers manufactured by our Group. There is a higher demand for the OE Fit leather car seat covers for the OEM segment as the OE Fit leather car seat covers form part of the standard car accessories for selected variants of the car models launched by the car manufacturers to the market. The OE Fit leather car seat covers involve the installation of leather seat covers directly on bare coverless seats by the Tier 1 Car Seat Manufacturers. The supply of OE Fit leather car seat covers also encompass the PDI segment whereby the installation process under the PDI segment is relatively complex as the whole car seat need to be dismantled from the car, followed by the stripping off of the original fabric cover and subsequent installation of leather seat cover onto the bare car seat. The long installation hours and potential damage to the car interior have prevented the PDI customers from considering leather upholstery as an accessory option. These obstacles encountered in the supply of leather upholstery to the PDI market have prompted us to initiate the development of leather car seat covers which possesses the features of easy in-the-car installation and at the same time, command comparable good fitment to conventional OE leather car seat covers have led to our development of Smart Fit leather car seat covers.

In 2009, we successfully introduced the Smart Fit product for leather car seat covers and door trim covers, and commenced commercialisation of the product in the Malaysian market. We managed to secure our first contract in Malaysia that same year, involving the manufacture and supply of Smart Fit car seat covers for the Viva model to Perodua Sales Sdn Bhd. Our Smart Fit product is an innovative method to attach a leather car seat cover firmly onto a car seat that is easy, convenient and would not affect the texture of the original cushion or fabric layer of a car seat. Subsequently, we introduced the innovative Smart Fit car door trim cover, which allows convenient and time-efficient assembly of the products onto a cars' interior without destroying the texture of the doors' original fabric. We believe that our Smart Fit product would offer quality leather upholstery in compliance with OEM quality and safety specifications for our customers in the PDI market segment with shorter installation time.

In 2010, we started to develop and apply our Smart Fit product to cater for various Japanese car models such as Toyota Noah, Toyota Yaris and Nissan Dualis. Subsequently, we successfully introduced our Smart Fit product for Nissan Serena car model and started commercial production for the PDI market segment in Japan.

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4. INFORMATION ON OUR GROUP (Cont'd)

Since the introduction of our Smart Fit product, we have been awarded the contracts for the manufacturing of Smart Fit car seat covers and door trims for the following models:-

No.	Customers	Car Models	Year Contract Awarded	Countries
1.	Perodua Sales Sdn Bhd	<ul style="list-style-type: none"> • Perodua Viva • Perodua Myvi • Perodua Alza 	<ul style="list-style-type: none"> • 2009 • 2011 • 2011 	Malaysia
2.	Toyota Tsusho Corporation	<ul style="list-style-type: none"> • Nissan Serena 	<ul style="list-style-type: none"> • 2011 	Japan
3.	Mitsubishi Motor (Malaysia) Sdn Bhd	<ul style="list-style-type: none"> • Mitsubishi Mirage 	<ul style="list-style-type: none"> • 2012 	Malaysia
4.	PT Duta Berkah Anugerah	<ul style="list-style-type: none"> • Nissan Serena 	<ul style="list-style-type: none"> • 2013 	Indonesia
5.	Tan Chong & Sons Motor Co Sdn Bhd	<ul style="list-style-type: none"> • Nissan Serena • Nissan Grand Livina • Nissan Almera • Nissan X-Gear • Nissan X-Trail • Nissan Navara 	<ul style="list-style-type: none"> • 2013 • 2013 • 2014 • 2014 • 2015 • 2016 	Malaysia
6.	Nissan Motor (Thailand) Company Limited	<ul style="list-style-type: none"> • Nissan X-Gear 	<ul style="list-style-type: none"> • 2014 	Thailand
7.	Mitsubishi Motor (Thailand) Company Limited	<ul style="list-style-type: none"> • Mitsubishi Mirage • Mitsubishi Attrage 	<ul style="list-style-type: none"> • 2014 • 2014 	Thailand

There were no duration specified in the contracts for the manufacturing of Smart Fit car seat covers and door trims that were awarded to our Group under the PDI program as tabulated in the above table, save for PT Duta Berkah Anugerah, which has a contract duration of one (1) year. The contracts awarded were specific for each car model and the supply would be for the life of the said car model, unless the contract was being terminated prematurely due to issues such as quality and the delivery of our products. As at the LPD, there were no contracts that have been awarded to our Group that were being terminated prematurely. Normally, the car manufacturers prefer to source the supply of their upholstery products from the same or single source for a particular model in order to facilitate the ease of tracking for replacements when there are warranty claims by the end users/ customers of the car.

As our business grew, we decided to relocate as we had outgrown our then premise located at Lot 51, Jalan E1/2, Kawasan Perindustrian Ehsan Jaya, Taman Ehsan, Kepong, Kuala Lumpur. In 2010, we relocated our entire business operations to a new office cum manufacturing plant at No 1, Jalan Perindustrian, Desa Aman 1A, Industri Desa Aman, Kepong 52200 Kuala Lumpur. Our new premise enables all our departments to operate under one roof, which assists in improving our operational efficiency and effectiveness.

As at the LPD, with a total factory area of 89,896 Sq Ft and 268 personnel in our Production Department, we boast a monthly production capacity of 10,000 sets of leather car seat covers.

In August 2011, we introduced our Quick Fit product to the market. In the same year in 2011, we incorporated EEmpire with the intention of venturing upstream into the seat manufacturing business and to become a Tier 1 supplier of complete car seats to car manufacturers. The plan was abandoned when the car manufacturers has indicated that EEmpire needs to forge technical partnerships with renowned car seat manufacturers in order for EEmpire to be considered as a Tier 1 supplier of car seats. As such, EEmpire was dormant and does not hold any assets since its incorporation in 2011. EEmpire intends to operate retail outlets of selling Smart Fit, Quick Fit and car accessory covers in Malaysia based on our future plans as disclosed in Section 4.20.2 of this Prospectus.

As a natural extension of our emphasis on producing quality products, we established a QMS in 2003 in accordance with international standards.

4. INFORMATION ON OUR GROUP (Cont'd)

In 2004, we obtained the ISO 9001:2000/DIN EN ISO 9001:2000/MS ISO 9001:2000 certification for production and supply of leather car seat cover from TUV NORD. Subsequently, in 2006, we upgraded our ISO 9001:2000 certification to ISO/TS 16949:2002 QMS certification for the manufacturing of leather and synthetic leather seat covers for automotive industry. We further upgraded the ISO/TS 16949:2002 certification to ISO/TS 16949:2009 QMS certification in 2010 upon satisfying additional requirements from the enhanced scope of the QMS amongst others, the conformity to product requirements instead of concentrating only on product quality, additional compliance to statutory instead of regulatory requirements under the old standard. In 2013, we obtained ISO 14001:2004 for Environmental Management System and OHSAS 18001:2007 for Occupational Health and Safety Management System certifications from Bureau Veritas.

Our strong QMS enabled us to penetrate into the continental car market, which requires more stringent quality requirements. In 2012, we fulfilled the quality requirements during the process audit carried out by the Volkswagen Group at our premise. Since December 2012, we have been performing a process audit in accordance with the VDA 6.3 audit standard developed by the VDA. Subsequently, we were conferred as an approved supplier of leather car seat covers to the Volkswagen Group.

In 2014, we were awarded the first project by the Volkswagen Group Malaysia Sdn Bhd, which involved the manufacture and supply of OE Fit leather car seat covers for VW361 model.

As a result of our strong commitment to quality and customer satisfaction, our Pecca Group and our Group Managing Director, Datuk Teoh Hwa Cheng has received various awards such as:-

- (a) Enterprise 50 Award Programme 2007 from SMIDEC and Deloitte in 2007;
- (b) Golden Bull Award for Malaysia's 10 Outstanding SMEs from Nan Yang Siang Pau in 2008 and 2009;
- (c) 6th Asia Pacific International Entrepreneur Excellence Award 2007 for Excellence Leadership in 2007; and
- (d) Special Edition World Award 2015 for Brand Excellence in Manufacturing Automotive Leather Interior from Asia Pacific Brands Foundation.

According to Frost & Sullivan, we are the largest automotive leather upholstery supplier for the OEM and PDI passenger vehicle segments in Malaysia in 2015. We command a market share of about 36.3% in 2011, 38.4% in 2012, 57.8% in 2013, 65.2% in 2014 and 67.7% in 2015 based on the number of installed leather upholstery passenger vehicle units for OEM and PDI market segments for each respective year, with the exclusion of REM market segment. Please refer to paragraph 3.13 of the Independent Market Research Report in Section 10 of this Prospectus for further details.

To date, our clientele from OEM and PDI market segments include car brands such as Perodua, Proton, Mitsubishi, Toyota, Nissan, Hyundai, Suzuki, Subaru, Peugeot, Volkswagen and Isuzu, amongst others.

We believe that our success in capturing both domestic and overseas markets has been built on our strong emphasis on leather quality, vigilant quality control and constant innovation.

4. INFORMATION ON OUR GROUP (Cont'd)**4.1.2 Share Capital and Changes in Share Capital**

As at the LPD, our Company's authorised share capital is RM250,000,000 comprising 500,000,000 Shares of which 140,204,000 Shares have been issued and fully paid-up.

The changes in our Company's issued and fully paid-up share capital since incorporation were as follows:-

Date of Allotment	No. of Shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Fully Paid-Up Share Capital (RM)
27.07.2010	2	1.00	Cash	2
16.11.2015	2	0.50	Subdivision	2
17.11.2015	2	0.50	Cash	3
01.12.2015	140,083,994	0.50	Shares issued as consideration for the Acquisition of PLeather	70,042,000
01.12.2015	120,000	0.50	Shares issued as consideration for the Acquisition of PAviation	70,102,000

Upon completion of the Public Issue, our Company's issued and fully paid-up share capital will increase to RM94,000,000 comprising 188,000,000 Shares.

None of Pecca's shares as tabulated above were issued at a discount, on special terms or on instalment payment terms.

As at the LPD, Pecca does not have any warrant, option or convertible securities in issue or any uncalled capital.

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4. INFORMATION ON OUR GROUP (Cont'd)**4.1.3 Corporate Structure**

Our Group's corporate structure upon Listing is depicted in Section 1.1 of this Prospectus.

The details of our subsidiaries and their respective business activities are as follows:-

Corporation	Date/ Place of Incorporation	Effective Equity Interest (%)	Issued and Paid-up Share Capital (RM)	Principal Business Activities
PLeather	28.06.2000/ Malaysia	100	9,200,002	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
PAviation	02.07.2009/ Malaysia	60	100,000	Manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat covers and other leather related products
EEmpire	08.08.2011/ Malaysia	100	6,000,000	Dormant. The intended principal activity is to operate retail outlets selling Smart Fit, Quick Fit and car accessory covers in Malaysia

4.1.4 Our Subsidiaries**(a) PLeather****(i) Background and History**

PLeather was incorporated in Malaysia under the Act as a private company on 28 June 2000 under the name of Pecca Distribution Sdn Bhd. On 8 November 2000, it changed its name to Pecca Manufacturing Sdn Bhd. Subsequently, on 14 December 2001, it changed and assumed its present name.

PLeather commenced operations in December 2000.

(ii) Principal Activities and Products/ Services

The principal activities of PLeather are 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.

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4. INFORMATION ON OUR GROUP (Cont'd)**(iii) Share Capital**

As at the LPD, the authorised share capital of PLeather is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each of which 9,200,002 ordinary shares of RM1.00 have been issued and fully paid-up.

The changes in PLeather's issued and paid-up share capital since incorporation are as follows:-

Date of Allotment	No. of Ordinary Shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
28.06.2000	2	1.00	Subscriber's shares	2
24.02.2001	99,998	1.00	Cash	100,000
30.10.2001	200,000	1.00	Cash	300,000
22.10.2003	2,000,000	1.00	Assignment of liabilities	2,300,000
03.01.2005	2,300,000	1.00	Bonus shares issued on the basis of one (1) new ordinary share for every one (1) existing ordinary share held	4,600,000
20.01.2006	1	1.00	Cash	4,600,001
29.12.2006	4,600,001	1.00	Bonus shares issued on the basis of one (1) new ordinary share for every one (1) existing ordinary share held	9,200,002

None of PLeather's shares as tabulated above were issued at a discount, on special terms or instalment payment terms.

As at the LPD, PLeather does not have any warrant, option or convertible securities in issue or any uncalled capital.

(iv) Shareholder

PLeather is our wholly-owned subsidiary.

(v) Subsidiary or Associated Company

As at the LPD, PLeather does not have any subsidiary or associated company.

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4. INFORMATION ON OUR GROUP (Cont'd)**(b) PAviation****(i) Background and History**

PAviation was incorporated in Malaysia under the Act as a private company on 2 July 2009 under the name of Pecca Stylelab Sdn Bhd. On 29 September 2014, it changed and assumed its present name.

On 12 March 2015, PAviation has submitted its application to the DCA to obtain DCA's approval for the Certificate of Airworthiness for its venture into the aviation leather upholstery and parts refurbishment in the aviation industry. The approval of the DCA for PAviation's venture into the parts refurbishment in the aviation industry has been obtained via a certificate of approval dated 9 March 2016. However, the approval of the DCA for PAviation's venture into the aviation leather upholstery is delayed pending the submission of an internal audit report by PAviation to DCA demonstrating PAviation's readiness and capability to undertake the leather upholstery business which include the provision of the detailed floor layout plan, list of machineries and PAviation's manpower and skill set readiness for the manufacturing of the aviation leather upholstery activities. Based on the said additional requirements, PAviation is expected to obtain the DCA approval on leather upholstery business by end 2016. Thereafter, PAviation shall prepare the relevant documentation to obtain certification and related approvals from the FAA to be recognised as an international player in the industry. We expect to receive the relevant certification and approval from FAA by 2017.

PAviation has commenced business on 23 December 2015 as it has secured an interior refurbishing project from ExecuJet Malaysia Sdn Bhd, a certified and licensed MRO operator, to refurbish the side wall, headliner panels and floor carpet and toilet seat replacements for a private jet. ExecuJet Malaysia Sdn Bhd was responsible for the certification of the project after completion.

(ii) Principal Activities and Products/ Services

The principal activities of PAviation are manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat covers and other leather related products.

(iii) Share Capital

The authorised share capital of PAviation is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 100,000 ordinary shares of RM1.00 have been issued and fully paid-up.

The changes in PAviation's issued and paid-up share capital since incorporation are as follows:-

Date of Allotment	No. of Ordinary Shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
02.07.2009	100	1.00	Cash	100
13.11.2014	99,900	1.00	Cash	100,000

None of PAviation's shares as tabulated above were issued at a discount, on special terms or instalment payment terms.

4. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, PAviation does not have any warrant, option or convertible securities in issue or any uncalled capital.

(iv) Shareholders

PAviation is a 60.0% owned subsidiary of our Company.

The shareholders of PAviation are as follows:-

Name	Direct		Indirect	
	No. of Ordinary Shares of RM1.00 Held	(%)	No. of Ordinary Shares of RM1.00 Held	(%)
Pecca	60,000	60.00	-	-
Wohlstand	40,000	40.00	-	-
MRZ	-	-	^(a) 60,000	60.00
Datuk Teoh Hwa Cheng	-	-	^(b) 60,000	60.00
Datin Sam Yin Thing	-	-	^(c) 60,000	60.00

Notes:-

- (a) Deemed interested by virtue of its shareholding in Pecca pursuant to Section 6A of the Act.
- (b) Deemed interested by virtue of his substantial shareholding in Pecca and his shareholding in MRZ pursuant to Section 6A of the Act.
- (c) Deemed interested by virtue of her shareholding in MRZ pursuant to Section 6A of the Act.

The profile of the shareholder of PAviation, Wohlstand is as follows:-

(aa) Background and History

Wohlstand was incorporated in Malaysia under the Act as a private company on 13 March 2014.

The principal activity of Wohlstand is the provision of aircraft maintenance, repairs, overhaul, consultation and other related activities.

(bb) Share Capital

As at the LPD, the authorised share capital of Wohlstand is RM400,000 comprising 400,000 ordinary shares of RM1.00 each of which 50,000 ordinary shares of RM1.00 have been issued and fully paid-up.

As at the LPD, the Directors and shareholders of Wohlstand are as follows:-

Name	Nationality	Direct		Indirect	
		No of Ordinary Shares of RM1.00 Each	%	No of Ordinary Shares of RM1.00 Each	%
<i>Directors and shareholders</i>					
Tsng Fuh Shen	Malaysian	25,000	50.0	-	-
Ooi Eng Huat	Malaysian	25,000	50.0	-	-

4. INFORMATION ON OUR GROUP (Cont'd)

(cc) Profiles of the Shareholders of Wohlstand

The profiles of the shareholders of Wohlstand, Tsng Fuh Shen and Ooi Eng Huat are as follows:-

- (1) **Tsng Fuh Shen**, aged 43, a Malaysian, is the 50% equity shareholder of Wohlstand. He obtained his CAA UK Aircraft Engineer License in Avionics from Scotland Perth-AST Training College in 1994 and Master of Business Administration (General Management) from University of Hull, United Kingdom in 2003. He has more than 24 years of operational experience in the aviation industry and is a holder of Aircraft Maintenance Licence Holder under classes AMEL(EASA)-B2 Avionics and AMEL(DCA MAL)-Avionics. He has experience in aircraft maintenance management, engineering planning and defect control, quality assurance and compliance in the aviation which is applicable for both the MRO and FBO services. He also has experience in hanger operations for FBO services. He has assumed various roles as a Licensed Aircraft Maintenance Engineer, Maintenance Control Planning Engineer, Quality Assurance Engineer, Supply Chain Manager, Director of Quality and Safety System (Aircraft Management), Director of Operations and Chief Operating Officer-Ground Operation during his tenure in the aviation industry.

His qualification and experience are instrumental to PAViation's pursuit of venturing in the aviation industry as our Group relies on him to satisfy the requirement of having a qualified certified Engineer in the aviation industry in the application to obtain the certifications and approvals from the FAA and DCA.

Pursuant to the JV Agreement and Contract for Service Agreement as defined and disclosed in Section 4.20.3 of this Prospectus, he is contracted to provide his services to PAViation for a period 24 months from 1 October 2014 to 30 September 2016 and upon the commencement of PAViation's operations, he will be responsible for the business development aspects of PAViation.

- (2) The profile of Ooi Eng Huat who is our Executive Director cum Operation Manager of PAViation is as disclosed in Section 5.4.2 (g) of this Prospectus.

There is no relationship between the Promoters of Pecca and the Directors and shareholders of Wohlstand.

(v) Subsidiary or Associated Company

As at the LPD, PAViation does not have any subsidiary or associated company.

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4. INFORMATION ON OUR GROUP (Cont'd)

(c) EEmpire

(i) Background and History

EEmpire was incorporated in Malaysia on 8 August 2011 under the Act as a private company under its present name.

(ii) Principal Activities and Products/ Services

Since its incorporation and up to the LPD, EEmpire is dormant. The intended principal activity is to operate retail outlets selling Smart Fit, Quick Fit and car accessory covers in Malaysia.

EEmpire does not hold any assets since its incorporation in 2011. Please refer to Section 4.1.1 of this Prospectus on the background history of EEmpire and Section 4.20.2 of this Prospectus on the intended principal activity of EEmpire on the opening of the retail outlets.

(iii) Share Capital

The authorised share capital of EEmpire is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each of which 6,000,000 ordinary shares of RM1.00 have been issued and fully paid-up.

The changes in EEmpire's issued and paid-up share capital since incorporation are as follows:-

Date of Allotment	No. of Ordinary Shares Allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
08.08.2011	2	1.00	Cash	2
17.08.2011	5,999,998	1.00	Cash	6,000,000

None of EEmpire's shares as tabulated above were issued at a discount, on special terms or instalment payment terms.

As at the LPD, EEmpire does not have any warrant, option or convertible securities in issue or any uncalled capital.

(iv) Shareholder

EEmpire is our wholly-owned subsidiary.

(v) Subsidiary or Associated Company

As at the LPD, EEmpire does not have any subsidiary or associated company.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.2 LISTING SCHEME

In conjunction with and as an integral part of our listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities, our Company undertook a Listing Scheme which involved the following which are inter-conditional among each other:-

(a) Dividend Payment

Prior to the Subdivision, Allotment and Acquisitions, PLeather had declared and paid the following dividends to its shareholders:-

- (i) First interim dividend amounted to approximately RM2.58 million which was declared on 2 December 2014 and paid on 10 December 2014; and
- (ii) Second interim dividend amounted to approximately RM5.70 million which was declared on 28 May 2015 and paid on 19 June 2015.

The aforementioned dividends was declared and paid from PLeather's PAT generated for the FYE 2015.

(b) Subdivision

Our Company undertook a subdivision of one (1) existing ordinary share of RM1.00 each in Pecca into two (2) new Shares.

The Subdivision resulted in the ordinary shares of our Company to increase from two (2) ordinary shares of RM1.00 each to four (4) Shares. The issued and paid-up share capital of our Company remains as RM2.00.

The Subdivision was completed on 16 November 2015.

(c) Allotment

Subsequent to the Subdivision, our Company allotted and issued a total of two (2) Shares.

The details of the Allotment and the shareholdings of Pecca after the Allotment are as follows:-

Shareholders	Existing No. of Shares Held in Pecca	No. of Shares in Pecca Allotted	No. of Shares Held in Pecca After Allotment	Interest (%)
Datuk Teoh Hwa Cheng	2	1	3	50.00
Datin Sam Yin Thing	2	-	2	33.33
Chong Swee Main	-	1	1	16.67
Total	4	2	6	100.00

The Allotment resulted in the ordinary shares of our Company to increase from four (4) Shares to six (6) Shares and the issued and paid-up share capital of Pecca to increase from RM2.00 to RM3.00.

The Allotment was completed on 17 November 2015.

4. INFORMATION ON OUR GROUP (Cont'd)

(d) Acquisitions

(i) Acquisition of EEmpire

Our Company had entered into a conditional sale and purchase agreement dated 24 December 2014 with PLeather to acquire 100.0% 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 of EEmpire was completed on 1 December 2015.

(ii) Acquisition of PLeather

Our Company had entered into a conditional sale and purchase agreement dated 24 December 2014 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 properties of PLeather of RM9,933,682 as set out below:-

	RM
Audited NTA of PLeather as at 30 June 2014	60,108,941
Fair value adjustment to the properties of PLeather (net of deferred taxation)	[#] 9,933,682
Adjusted audited NTA of PLeather as at 30 June 2014	<u>70,042,623</u>

Note:-

The fair value adjustment arising from the revaluation of the properties of PLeather is as set out below:-

(A)	(B)	(C = A - B)	(D)	(E = C - D)	(F)	(G = E x F)
Market Value*	NBV as at	Gross	Deferred	Net	Equity	Amount of
RM	30.06.2014	Surplus	Taxation	Surplus	Interest	Surplus
	RM	RM	RM	RM	%	RM
36,320,000	23,075,090	13,244,910	3,311,228	9,933,682	100.00	<u>9,933,682</u>

Note:-

* The revaluation of the properties is based on market value as appraised by the Independent Registered Valuers. Please refer to Sections 4.15.1 and 12 of this Prospectus for further details on valuation of the properties.

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4. INFORMATION ON OUR GROUP (Cont'd)

The shareholdings of the Vendors of PLeather in our Company pursuant to the Acquisition of PLeather are as follows:-

Shareholders	No. of Ordinary Shares of RM1.00 Each Held in PLeather	Equity Interest %	Purchase Consideration RM	No. of Pecca Shares Issued
MRZ	7,935,000	86.25	60,411,210	120,822,420
Datuk Teoh Hwa Cheng	1,200,002	13.04	9,135,925	18,271,850
Syed Mohammad Hafiz bin Syed Razlan	65,000	0.71	494,862	989,724
Total	9,200,002	100.00	70,041,997	140,083,994

The Acquisition of PLeather was completed on 1 December 2015.

(iii) Acquisition of 60% PAviation

Our Company had entered into a conditional sale and purchase agreement dated 24 December 2014 with the Vendors of PAviation to acquire 60.0% 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 in Pecca at an issue price of RM0.50 per share. As at 30 June 2014, PAviation registered the audited net tangible liabilities of RM15,125. The purchase consideration was based on the cost of investment in PAviation by the Vendors of PAviation after taking into consideration the increase in the issued and paid-up share capital of PAviation on 13 November 2014 as set out below:

Issued and Paid-up Share Capital of PAviation	RM
Issued and paid-up share capital as at 30 June 2014	100
Increase in issued and paid-up share capital on 13 November 2014	99,900
Total issued and paid-up share capital	100,000
Cost of investment by the Vendors of PAviation based on 60.0% equity interest	60,000

The shareholdings of the Vendors of PAviation in our Company pursuant to the Acquisition of 60.0% PAviation are as follows:-

Shareholders	No. of Ordinary Shares of RM1.00 Each Held in PAviation	Equity Interest %	Purchase Consideration RM	No. of Pecca Shares Issued
Datuk Teoh Hwa Cheng	48,000	48.00	48,000	96,000
Datin Sam Yin Thing	12,000	12.00	12,000	24,000
Total	60,000	60.00	60,000	120,000

The Acquisition of PAviation was completed on 1 December 2015.

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4. INFORMATION ON OUR GROUP (Cont'd)

The Acquisition of PLeather and Acquisition of 60.0% PAviation resulted in our issued and paid-up share capital being increased from six (6) Pecca Shares to 140,204,000 Pecca Shares.

The new Pecca Shares issued pursuant to the Acquisition of PLeather and Acquisition of 60.0% PAviation ranked *pari passu* in all respect with our 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.

(e) IPO

Subsequently, we are undertaking an IPO, the details of which are set out in Section 2.3 of this Prospectus.

(f) Listing of and Quotation for Our Shares

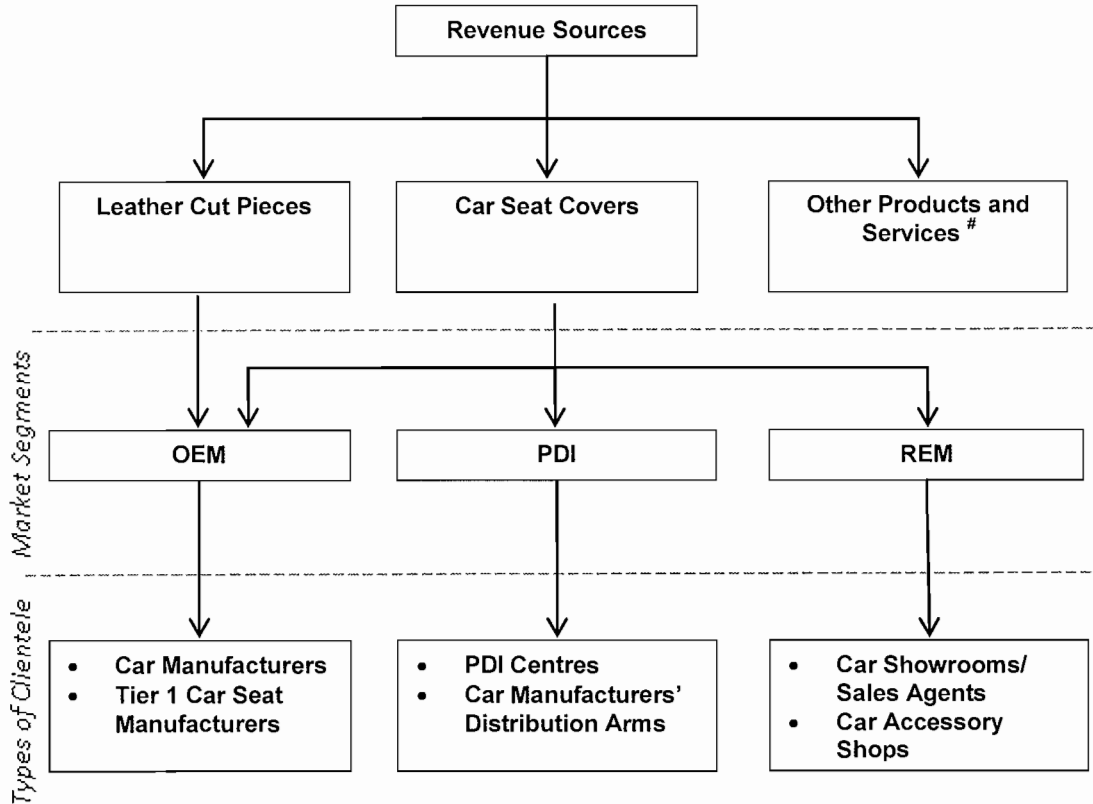
Upon completion of the abovementioned IPO, we will seek the admission of our Shares into the Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.3 OVERVIEW OF OUR GROUP'S BUSINESS ACTIVITIES AND SERVICES

Our Group's business model is depicted in the diagram below, on which the revenue generation is based upon:-



Note:-

Other products and services include car door trim covers and covers for car accessories, sewing services for fabric car seat covers, wrapping and stitching services and supply of raw materials to the automotive upholstery industry.

4.4 KEY ACHIEVEMENTS, AWARDS AND RECOGNITION

The table below sets out our Group's development and achievement milestones, including awards and recognition that we have been awarded over the years:-

Year	Key Achievements, Awards and Recognition
2001	<ul style="list-style-type: none"> • PLeather set up an R&D Department.
2004	<ul style="list-style-type: none"> • Obtained ISO 9001:2000/DIN EN ISO 9001:2000/MS ISO 9001:2000 certification for production and supply of leather car seat cover from TUV NORD; • Expanded our business operations to the REM segment in the USA; and • Secured our first project in OEM market segment with Johnson Controls Automotive Holding (M) Sdn Bhd.

4. INFORMATION ON OUR GROUP (Cont'd)

Year	Key Achievements, Awards and Recognition
2006	<ul style="list-style-type: none"> • ISO 9001:2000 QMS certification was upgraded to ISO/TS 16949:2002 by TUV NORD.
2007	<ul style="list-style-type: none"> • Received the Enterprise 50 Award Programme 2007 from SMIDEC and Deloitte; and • Received the 6th Asia Pacific International Entrepreneur Excellence Award 2007 for Excellence Leadership.
2008	<ul style="list-style-type: none"> • Received the 2nd position – Top 10 for Golden Bull Award 2008 of the 6th Malaysia's 100 Outstanding SMEs.
2009	<ul style="list-style-type: none"> • Received the 9th position – Top 10 for Golden Bull Award 2009; • Expanded our business operations to the REM segment in the Netherlands; • Commenced commercialisation of Smart Fit product to Malaysian market; and • Secured first contract for Smart Fit in Malaysia for the supply of Smart Fit car seat covers for Viva model to Perodua Sales Sdn Bhd.
2010	<ul style="list-style-type: none"> • Introduced Smart Fit product to the Japanese market.
2012	<ul style="list-style-type: none"> • Awarded our first project for the Smart Fit product by Nissan Motor Company Limited for Serena model. We supplied our products through Toyota Tsusho Corporation, Japan; and • Expanded our business operations to the REM segment in Australia.
2013	<ul style="list-style-type: none"> • Started to perform a process audit in accordance with the VDA 6.3 standards, which enabled us to become an approved supplier of leather car seat covers to Volkswagen Group; • Obtained ISO 14001:2004 certification for manufacturing of leather and synthetic leather seat cover and interior finishing for automotive industries; and • Obtained OHSAS 18001:2007 certification for manufacturing of leather and synthetic leather seat cover and interior finishing for automotive industries.
2014	<ul style="list-style-type: none"> • Awarded the first maiden project by the Volkswagen Group Malaysia Sdn Bhd upon being successfully qualified pursuant to the process audit in accordance with the VDA 6.3 standard for OE Fit car seat covers.
2015	<ul style="list-style-type: none"> • Received Special Edition World Award 2015 for Brand Excellence in Manufacturing Automotive Leather Interior by Asia Pacific Brands Foundation.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.5 OVERVIEW OF OUR GROUP'S PRODUCTS, SERVICES AND OPERATIONS

4.5.1 Business Activities Overview

We are principally involved in the styling, manufacturing and distribution of leather car seat covers for OEM, PDI and REM market segments, as well as the installation of leather car seat covers for the PDI market segment. We also supply of leather cut pieces for the OEM market segment.

The summary of our business activities is presented below:-

(a) Principal Business Activities

Product	Market Segment		
	OEM	PDI	REM
Car seat covers	<ul style="list-style-type: none"> Styling Manufacturing Supplying 	<ul style="list-style-type: none"> Styling Manufacturing Distribution Installation 	<ul style="list-style-type: none"> Styling Manufacturing Distribution
Product name	<ul style="list-style-type: none"> OE Fit 	<ul style="list-style-type: none"> Smart Fit 	<ul style="list-style-type: none"> OE Fit ⁽ⁱ⁾ Quick Fit Smart Fit ⁽ⁱⁱ⁾
Customer ⁽ⁱⁱⁱ⁾	<ul style="list-style-type: none"> Toyota Boshoku UMW Sdn Bhd Fuji Seats (Malaysia) Sdn Bhd Lear Automotive (Malaysia) Sdn Bhd Auto Parts Manufacturers Co Sdn Bhd Mitsubishi Motors Malaysia Sdn Bhd 	<ul style="list-style-type: none"> Tan Chong & Sons Motor Company Sdn Bhd Perodua Sales Sdn Bhd 	<ul style="list-style-type: none"> Coöperatie Leder Inbouw Nederland U.A Shrin Corporation Doyles Group
Leather cut pieces	<ul style="list-style-type: none"> Supplying 	Not applicable	Not applicable
Customer ⁽ⁱⁱⁱ⁾	<ul style="list-style-type: none"> Toyota Boshoku UMW Sdn Bhd 	Not applicable	Not applicable

Notes:-

- (i) Supplied to end users through referrals from car sales agents for new car models and direct to showrooms for reconditioned models as detailed in Section 4.5.2.1(d) of this Prospectus.
- (ii) Presently, our Group does not supply our Smart Fit product to the REM market. We plan to supply our Smart Fit product to the REM market segment when we open our own retail outlets as detailed in Section 4.20.2 of this Prospectus.
- (iii) The customers who individually contributed 5.0% or more to the total revenue of our Group for the past four (4) FYE 2012 to FYE 2015 and FPE 2015.

4. INFORMATION ON OUR GROUP (Cont'd)**(b) Other Business Activities**

Product	Market Segment		
	OEM	PDI	REM
Car accessory covers:- > car door trim > steering wheel > gearshift knobs > handbrake lever > operating manual book > console box	<ul style="list-style-type: none"> • Styling • Manufacturing • Distribution 	<ul style="list-style-type: none"> • Styling • Manufacturing • Distribution • Installation 	<ul style="list-style-type: none"> • Styling • Manufacturing • Distribution
Fabric car seat covers	<ul style="list-style-type: none"> • Sewing 	Not applicable	Not applicable
Car accessory covers:- > car door trim > steering wheel > gearshift knobs > handbrake lever > console box	<ul style="list-style-type: none"> • Wrapping • Stitching 	Not applicable	Not applicable
Raw materials	Not applicable	Not applicable	<ul style="list-style-type: none"> • Supplying

The customers for the other business activities of our Group, for the products as tabulated in the table above, individually contributed less than 5.0% of the total revenue of our Group for the past four (4) FYE 2012 to FYE 2015 and FPE 2015.

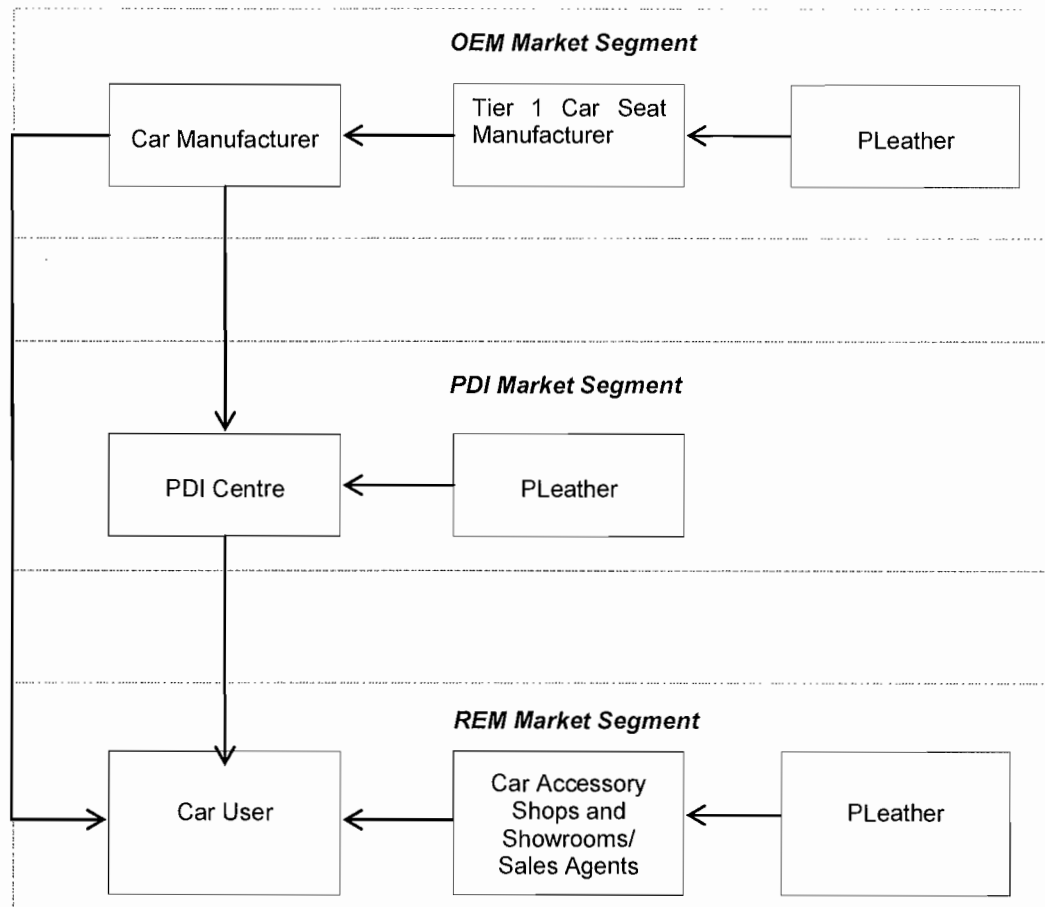
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4. INFORMATION ON OUR GROUP (Cont'd)

4.5.1.1 Principal Business Activities

(a) Car Seat Covers

Our car seat covers cater to three (3) segments within the automotive industry, as presented in the diagram below:-



(i) Leather Car Seat Covers for OEM Market Segment

We are an OEM supplier of leather car seat covers. We are principally involved in the styling, manufacturing and supplying of customised leather car seat covers for Tier 1 car seat manufacturers and car manufacturers in Malaysia. This segment is the main revenue generator for our Group for the FYE 2012 to FYE 2015 and FPE 2015 as the OE Fit leather car seat covers contributed to our Group's highest sales volume during the aforesaid financial years/ period as the OE Fit leather car seat covers are embedded as part of the standard car accessories for selected variants of the car models launched by the car manufacturers to the market.

Car manufacturers determine the quality requirements and specifications for the car components, including leather upholstery of car seats. Hence, our products for OEM market segment are manufactured in accordance with the precise specifications as determined by our car manufacturer clients. We supply our products to Tier 1 car seat manufacturers, who then install the leather car seat covers onto manufactured car seats. The completely assembled car seats are subsequently supplied to a car manufacturer or assembler for installation onto the cars.

4. INFORMATION ON OUR GROUP (Cont'd)**(ii) Leather Car Seat Covers for PDI Market Segment**

We are principally involved in the styling, manufacturing, distribution and installation of leather car seat covers for PDI centres in Malaysia and Thailand. Our sales of leather car seat covers for the local PDI centres in Malaysia represented approximately RM14.74 million (23.72%), RM8.88 million (13.43%), RM10.57 million (10.62%), RM12.23 million (9.44%) and RM8.23 million (14.62%) of our Group's total revenue for the FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 2015 respectively whilst our sales of leather car seat covers for the PDI centres in Thailand represented approximately RM0.99 million (1.0%) and RM0.24 million (0.19%) of our Group's total revenue for the FYE 2014 and FYE 2015 respectively. Please refer to Sections 8.4.2.1.2 and 8.4.2.1.4 of this Prospectus for further details. We penetrated the Thailand market during the FYE 2014 and serve the PDI centres in Thailand directly from our Malaysian operations.

Our clients in the PDI market segment consider restyling of car interior and changing fabric car seat upholstery 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 a 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 innovative 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 onto the car seats, as the installation of Smart Fit can be conducted within the car.

(iii) Car Seat Covers for REM Market Segment

We are involved in the styling, manufacturing and distribution of car seat covers for end users in REM market segment in Malaysia as well as overseas markets. We also offer installation services for the REM market segment in Malaysia.

We offer two (2) different types of leather car seat covers, namely conventional OE leather car seat covers and Quick Fit car seat covers for the REM market segment.

In Malaysia, we supply and install OE leather car seat covers to car showrooms/ sales agents for the REM market segment. OE leather car seat covers requires dismantling of a car seat from the car and subsequent reinstallation onto the car after the assembly of the leather car seat cover.

For export sales, we sell our products via our distribution partners and the installation will be conducted by our distribution partners.

Our Quick Fit car seat covers target mass market and can be easily installed by end users. Quick Fit car seat covers are available to the end users via retailers and car accessory shops.

4. INFORMATION ON OUR GROUP (Cont'd)

(b) Leather Cut Pieces Supply for OEM Market Segment

We are involved in the supply of leather cut pieces instead of complete car seat covers to our clients in OEM market segment, when required. We produce leather cut pieces according to the templates provided by the client. The client (or a third party sewing service provider) will then sew the supplied leather cut pieces together to produce car seat covers.

Depending on the client requirements, the production process of leather cut pieces may involve the following:-

- We purchase leather cut pieces from suppliers and perform sub-processes, such as laminating and/or trimming, and supply the leather cut pieces to the client; or
- We purchase leather hides from suppliers and perform sub-processes, including cutting, laminating and/or trimming, and supply the leather cut pieces to the client.

Our business in the supply of leather cut pieces is an ancillary supporting business provided to our existing clientele as our core business is concentrated in the manufacturing and supply of leather car seat covers. The production process for this business activity involve part of our normal operating cycle as it involves the selection and supply of leather, cutting and trimming process without involving any sewing process resulting in low value added and margin contribution to our Group. The supply of leather cut pieces is to support our existing customers who have constraints in the procurement of leather in terms of the requirement to fulfil minimum order quantity, consistency in quality of leather from reliable supplier based on competitive pricing due to low volume in demand for specific car model. The lack of know-how in the selection of leather in order to maximise the utilisation of the leather during the cutting process coupled with the constraints in the leather cutting capacity of our existing customers further contributed to the growth of this business segment for our Group.

Further, the supply of leather cut pieces to our existing customers is only for the car models or variants that our Group does not supply the leather car seat covers. It is a normal practice in the industry for car manufacturers to appoint a vendor for the supply of leather car seat covers for a specific car model or variant instead of multiple vendors for the same car model or variant. This is to ease the process of tracing and identifying the source of the supply of leather car seat covers when there are claims or complaints pertaining to qualities of leather car seat covers based on after-sales warranties.

Our supply of leather cut pieces is to our existing customers who are either car manufacturers or the Tier 1 car seat manufacturers. In addition to manufacturing the car seats, all the Tier 1 car seat manufacturers operate their own sewing line for the supply of fabric car seat covers which command higher demand as compared to the leather car seat covers. The manufacturing process of fabric car seat covers is less complicated as the main material comprises of fabric instead of leather hide which is subject to defects and dependent on the skill set in the process of selecting the leather hides. The high volume in demand for fabric car seat covers enables the Tier 1 car seat manufacturers to achieve economies of scale as well as to price the supply of fabric car seats competitively with the provision of a complete package to the car manufacturers with the supply of complete car seats which is inclusive of fabric car seat covers.

4. INFORMATION ON OUR GROUP (Cont'd)

The demand for leather car seat covers are lower as compared to fabric car seat covers as leather car seat covers are more expensive being a premium product. Due to the complexity in the manufacturing of leather car covers and lower volume, most Tier 1 car seat manufacturers will outsource the supply of leather car seat covers to third parties. Further, most car manufacturers will dictate the appointment of the vendor(s) for the supply of the leather car seat covers due to the stringent quality and safety requirements associated with the supply of this product which caters for the premium car models or variants.

As such, save for selected car models of Toyota and Mitsubishi for which we supply the leather cut pieces, most car manufacturers or Tier 1 car seat manufacturers in Malaysia do not operate their own leather car seat covers division as they will not be able to achieve economies of scale in supplying the leather car seat covers for their internal consumption only without supplying to external customers. Our supply of leather cut pieces to our existing customers who are either car manufacturers or the Tier 1 car seat manufacturers is to support these customers when they are facing constraints and/or lack of expertise in certain areas as explained above. As such, our customers for the supply of leather cut pieces will not be the competitors to our Group for the supply of leather car seat covers.

4.5.1.2 Other Business Activities

Our other business activities include the styling, manufacturing, distribution and installation of car door trim covers and covers for car accessories, the provision of wrapping and stitching services, the provision of sewing services for fabric car seat covers and the supply of raw materials related to the automotive upholstery industry.

(a) Car Door Trim Covers for OEM, PDI and REM Market Segments

We are involved in the styling, manufacturing, distribution of car door trim covers for OEM, PDI and REM market segments. We also provide installation services for the clients in PDI market segment.

We offer our innovative Smart Fit car door trim covers to our clients in PDI market segment. Smart Fit car door trim cover can be closely fitted onto a car interior without dismantling the car door trim from a car or resulting in any alternation to the original fabric installed on it.

(b) Other Car Accessory Covers for OEM, PDI and REM Market Segments

We are involved in the styling, manufacturing, distribution and installation of leather upholstery for car accessories, such as steering wheels, gearshift knobs, handbrake levers, operating manual books and console boxes for OEM, PDI and REM market segments. We also provide installation services for the clients in PDI market segment.

(c) Sewing Services for Fabric Car Seat Covers for OEM Market Segment

We are involved in the provision of sewing services to the Tier 1 car seat manufacturers. The client supplies cut pieces, such as fabric and accessory parts, and we are responsible for sewing the cut pieces onto a car seat cover and providing the final product to the client for installation. This activity is regarded as a support service provided to our Tier 1 car seat manufacturer customers to alleviate their capacity constraint in the event of sudden demand surge of selective models.

4. INFORMATION ON OUR GROUP (Cont'd)

(d) Wrapping and Stitching Services

We are involved in the provision of supportive services to our clients, such as wrapping and stitching services for door trims, steering wheels, gear knobs, brake levers and console boxes. We produce leather and/or PVC cut pieces and wrap them around these car accessories. We also provide the services of stitching for steering wheel, gearshift knob and handbrake lever covers which are performed with double or single needle stitch according to client's requirements.

(e) Supply of Raw Materials

We are involved in the supply of raw materials, such as leather hides, PVC, foam and plastic parts for car seat covers. We supply raw materials to our clients in REM export market segment. The raw materials are usually required in order to support sewing of replacement parts due to wear and tear, and warranty claims.

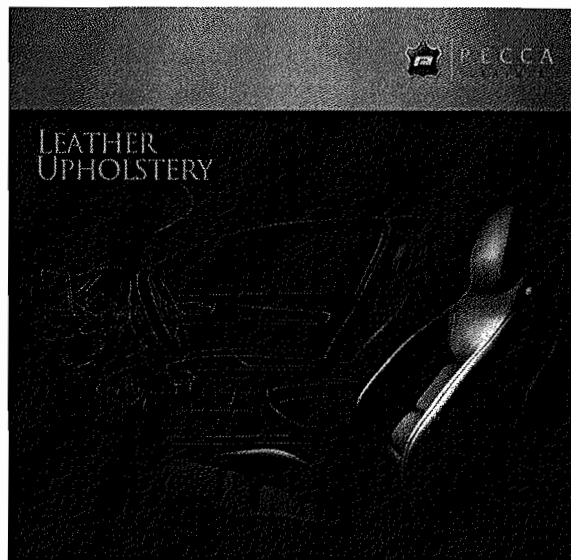
4.5.2 Principal Products and Services

Our product portfolio mainly comprises of leather upholstery for car seats and accessory covers for the OEM, PDI and REM market segments. We also provide sewing services of fabric car seat covers and accessory covers for our clients in the OEM market segment.

4.5.2.1 Car Seat Covers

We offer OE Fit leather car seat cover for OEM market segment, Smart Fit leather car seat cover for PDI market segment as well as OE leather car seat cover and Quick Fit car seat cover for REM market segment.

(a) OE Fit Leather Car Seat Cover

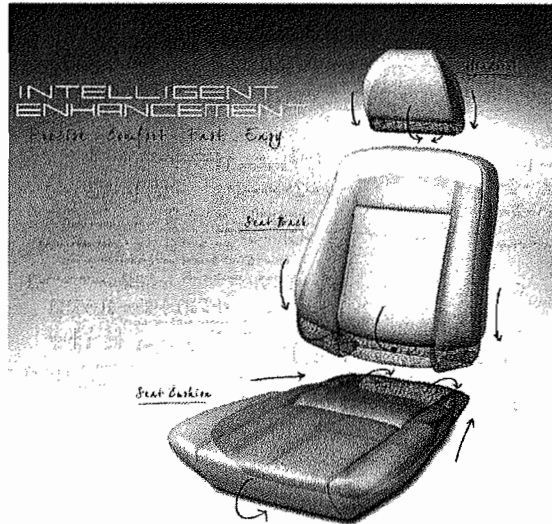


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4. INFORMATION ON OUR GROUP (Cont'd)

Under the OE Fit product line, our car manufacturer clients provide the specification, such as the design, seat profile and combination of materials configuration (leather, PVC and carpet). Depending on the car model, car seats are designed in many varying forms, shapes and sizes. We have the expertise to manufacture leather car seat covers in various sizes and specifications to meet the client's requirements and specifications. We supply our products to Tier 1 car seat manufacturers, who then install the leather car seat covers onto manufactured car seats. The completely assembled car seats are subsequently supplied to a car manufacturer or assembler for installation onto the cars.

(b) Smart Fit Leather Car Seat Cover



Smart Fit is a patented leather car seat cover product, which presents an innovative method for attaching a leather car seat cover closely onto a car seat. Smart Fit has been developed specifically for the PDI market segment. Smart Fit leather car seat cover can be directly installed on car seat that is already equipped with original fabric seat cover, while providing comparable physical appearance (fitment) and comfort (firmness) to OE fitted leather car seats. Smart Fit is a simple and convenient method for attaching a leather car seat cover. It allows interchangeability of various designs for leather car seat covers to accommodate different lifestyles and preferences of the end users.

Our Smart Fit product is developed based on model specific concept in order to achieve good fitment. Our Smart Fit product is differentiated from those in the market based on the method adopted to install the leather car seat cover. Most of the leather seat covers in the market are manufactured to fit most of the standard sized car seats and are loosely fitted as the leather car seat covers are not produced based on model specific as opposed to our Smart Fit product. Further, for the model specific leather car seat covers produced by the other manufacturers, the mechanism used for the installation of the leather car seat covers is based on the usage of rope to tighten for the purpose of fitment whereas the installation of our Smart Fit product is based on the Pull Belt System and Velcro Installation.

4. INFORMATION ON OUR GROUP (Cont'd)

Conventionally, installation of leather car seat cover onto a car seat, which is originally equipped with fabric car seat cover, required dismantling of the seat and stripping the fabric car seat cover. Smart Fit car seat covers are installed within a car without dismantling seats, thus requiring less manpower and time for installation. In addition, the original fabric is kept pristine. Our Smart Fit product also reduces the risk of damaging fragile parts of car interior during installation of the leather car seat covers. Thus, Smart Fit enhances the value of cars which can subsequently be marketed as a premium variant. Our Smart Fit product is also in compliance with OEM quality and safety specifications. Smart Fit can be customised with various styling and material combination options available.

Smart Fit consists of two (2) components, which are the cover for seat back and cover for seat cushion. The design and specialised sewing technique coupled with Pull Belt System and Velcro Installation of Smart Fit car seat cover enables it to pass airbag deployment tests.

The airbag deployment tests conducted by our Group for the Smart Fit products over the years are as set out below:-

Year	Car Model	Certifying Body for Compliance with Airbag Deployment	Country
2009	Toyota Corolla (passenger seat)	MGA Research Corporation	USA
2010	Toyota Corolla (driver seat)	MGA Research Corporation	USA
2011	Nissan Serena (driver seat)	Johnson Controls Inc., Japan	Japan
2012	Honda CRV (driver seat)	Autoliv Hirotako Sdn Bhd	Malaysia

The airbag deployment test for Smart Fit car seat cover is only conducted for car models with car seats that were equipped with airbags.

The patents for Smart Fit have already been granted in Taiwan, Indonesia, Australia, Malaysia and Thailand (granted as utility model for ten (10) years) as detailed in Section 4.14.2(b)(i) of this Prospectus.

(c) Quick Fit Car Seat Cover



4. INFORMATION ON OUR GROUP (Cont'd)

Quick Fit is a patented car seat cover product, which presents an interchangeable car seat cover. Quick Fit car seat cover can be easily and quickly fitted onto a car seat. Quick Fit car seat cover does not destroy original fabric of the car seat. Quick Fit car seat covers can be installed without the need to dismantle seats and/or door panels, thus requires less manpower and time for installation. Our Quick Fit product also reduces the risk of damaging fragile parts of car interior during installation of the leather car seat covers.

Our Quick Fit product is also developed based on model specific concept in order to achieve good fitment similar to our Smart Fit product as detailed in Section 4.5.2.1(b) of this Prospectus.

Quick Fit car seat covers can be of various designs. It can be customised to accommodate different lifestyles and preferences for the end users and to provide a close fit for comfort and appearance. Quick Fit car seat covers consists of a single component for seat back and seat cushion and is installed on car seats with fabric seat cover. Quick Fit car seat covers of standard specifications are fully made of PVC material and thus, meeting the demands of mass market due to relatively lower costs compared to leather car seat covers. Quick Fit car seat covers are available to the end users via car accessories and retail shops.

The patent for Quick Fit has been registered in Malaysia as detailed in Section 4.14.2(b)(i) of this Prospectus.

(d) OE Leather Car Seat Covers for REM Market Segment

Our OE leather car seat covers for REM market segment are supplied to end users through referrals from car sales agents for new car models. For reconditioned car models, we supply OE leather car seat covers directly to the car show rooms. Our products are installed on car seats that require replacement for leather car seat covers. In order to replace the original cover with leather car seat cover, the seats are dismantled from the car and the original cover is stripped. After the leather car seat cover is installed, the seats are reinstalled into the car. All the installations for OE leather car seat covers under REM market segment are conducted directly by us. We supply OE leather car seat covers to both Malaysian and overseas markets.

4.5.2.2 Leather Cut Pieces

We cut leather according to the templates provided by the clients and perform sub-processes, such as laminating and trimming, if required. Then, we supply leather cut pieces to the clients, who are either the car manufacturers or the Tier 1 car seat manufacturers.

4.5.2.3 Other Products and Services

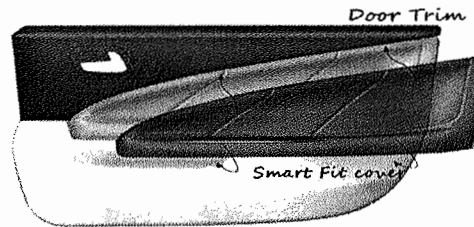
The following products and services provides additional revenue stream for our Group.

(a) Door Trim Covers and Other Car Accessory Covers for OEM, PDI and REM Market Segments

We manufacture car door trim covers and leather upholstery for car accessories, such as steering wheel, gear knob, handbrake lever, operating manual book and console box.

4. INFORMATION ON OUR GROUP (Cont'd)

Smart Fit Car Door Trim Cover



Our patented Smart Fit product for PDI market segment is an innovative method for the production and subsequent installation of an interchangeable car interior lining, such as car door trim covers. Conventionally, the installation of car door trim covers requires dismantling of the car door trim from a car. Upon the installation of leather and/or PVC cover onto the car door trim, it can be reconfigured back into the car. This process is time-consuming and requires the employment of highly skilled labour.

Our Smart Fit product is an innovative method for car door trim cover installation, which can be closely fitted onto a car interior without dismantling a car door trim from a car or resulting in any alternation to the original fabric installed on it. Our Smart Fit product for car door trim covers allows easy, convenient and time-efficient assembly of it onto a car interior. It is interchangeable and thus allows various designs of car door trims covers to be assembled onto a car interior.

The patent for Smart Fit door trim cover has been granted in Malaysia as detailed in Section 4.14.2(a)(i) of this Prospectus.

(b) Sewing Services for Fabric Car Seat Covers

We provide sewing services for fabric car seat covers as supportive services for Tier 1 car seat manufacturers. Upon completion, the final product is delivered to the client for installation.

(c) Wrapping and Stitching Services

We provide wrapping services for car door trims and covers for car accessories, such as steering wheel, gearshift knob, handbrake lever and console box as well as stitching services for covers for car accessories, such as steering wheel, gearshift knob and handbrake lever. We provide wrapping and stitching services as supportive services to our clients.

(d) Supply of Raw Material

We supply raw materials for car seat covers and for the production of accessory covers as a supportive service to our clients for the REM export market.

4.5.3 Principal Markets for Products and Services

Our products and services are marketed both in the Malaysian and overseas markets. In Malaysia, our products are catered to the OEM, PDI and REM market segments, whereas our export-designated sales are from our products for the PDI and REM segments. The majority of our export sales are denominated in USD, EUR, SGD and AUD.

4. INFORMATION ON OUR GROUP (Cont'd)

Our revenue breakdown for Malaysia and overseas markets for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 are as follows:-

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

Our principal business activities include the styling, manufacturing, distribution and installation of car seat covers and the supply of leather cut pieces. We are also involved in other business activities related to the automotive upholstery industry.

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4. INFORMATION ON OUR GROUP (Cont'd)

Our revenue breakdowns by business activity for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 are as follows:-

Revenue Source	Revenue									
	FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2015	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Principal Business Activities										
<i>Car seat covers by market segment:-</i>										
- OEM (OE Fit)	29,212	47.02	35,919	54.34	53,456	53.70	84,991	65.61	31,095	55.26
- REM (OE Fit)	13,701	22.05	13,274	20.08	18,003	18.09	15,029	11.60	7,879	14.00
- PDI (Smart Fit)	14,735	23.72	8,879	13.43	10,572	10.62	12,230	9.44	8,226	14.62
- REM (Quick Fit)	252	0.41	21	0.03	11	0.01	1	#	-	-
Leather cut pieces supply	-	-	1,399	2.12	9,833	9.88	12,735	9.83	6,871	12.21
Sub-total	57,900	93.20	59,492	90.00	91,875	92.30	124,986	96.48	54,071	96.09
Other Business Activities										
Door trim covers	1,900	3.06	2,486	3.76	1,699	1.70	2,176	1.68	663	1.18
Sewing services for fabric car seat covers (car pieces)	633	1.02	2,002	3.03	1,463	1.47	929	0.72	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	1,242	2.21
Sub-total	4,227	6.80	6,608	10.00	7,671	7.70	4,550	3.52	2,196	3.91
Grand Total	62,127	100.00	66,100	100.00	99,546	100.00	129,536	100.00	56,267	100.00

Note:-

Negligible.

4.5.4 Modes of Marketing, Distribution and Sales**4.5.4.1 Marketing Strategies**

As at the LPD, we have fourteen (14) personnel in our Sales and Marketing Department, who are responsible for serving our existing clients as well as developing new customer base and to expand the export markets.

Our Group's principal marketing strategy is to provide high quality products at competitive prices.

Our website, <http://www.peccaleather.com>, has been set up to promote our Group and our products to the clients to facilitate them to search for the information about our Group and our products.

4. INFORMATION ON OUR GROUP (Cont'd)

Our Group's marketing and distribution activities for each market segment are as follows:-

(a) OEM Market and PDI Market Segments

We secure projects in OEM and PDI market segments through participation in tender bidding processes whereby we will be invited to submit RFQ and RFP for the bidding. Our Sales and Marketing team will work closely with the client to discuss on the client's requirements and specifications. For the PDI segment, our scope of service extends to the installation services at the client's site.

(b) REM Market Segment

Our Sales and Marketing team collects information on market requirements, market developments and competitors' products, and deals directly with the sales representatives to identify the targeted end users' requirements and expectations.

Currently, our Sales and Marketing team promotes our OE leather car seat covers to car showrooms and car sales personnel or dealers.

(c) Export Market

Apart from targeting local market, our Sales and Marketing team constantly seeks business opportunities overseas by liaising with the potential clients in PDI and REM market segments. Our personnel also attend meetings with our overseas clients in order to obtain feedbacks and explore further business opportunities.

We also gain business opportunities for export market through a stable of distribution network. Our selection of distribution partners for our overseas market is based on thorough evaluation process in order to establish mutual growth. The evaluation of our distributors is based on their capabilities to expand the distribution channels of our products, establishment of their respective local operations with competent staff to support the installation of our products and their financial capabilities. This is achieved by conducting field visits to understand their business operations where enquiries are made regarding their products for the respective car models and their existing customer base. The supply of car seat covers for REM market segment is undertaken by the distributor through the channel of car showrooms and/or PDI centres. Thus, the distributors have to adhere to stringent quality requirements and professional conduct in order to be qualified as a supplier to the PDI centres.

As at the LPD, we have thirteen (13) distribution partners, out of which eight (8) are in Australia. We also have one (1) distribution partner each in the Netherlands, the UK, USA, New Zealand and Singapore. Our distribution partner in Netherlands is Coöperatie Leder Inbouw Nederland U.A., which we have 5% equity interest as disclosed in note (a)(iii) in Section 7.1.2 of this Prospectus.

For the Australian market, we also have an online ordering system, where the customers can place their orders via our website.

4.5.4.2 Distribution Channels

Our sales for OEM and PDI market segments in Malaysia are generated through our OEM and PDI Sales and Marketing team. Within the REM market segment, sales of our OE leather car seat covers can be generated through our REM Sales and Marketing team or through our intermediaries, i.e. car showrooms and car sales personnel or dealers.

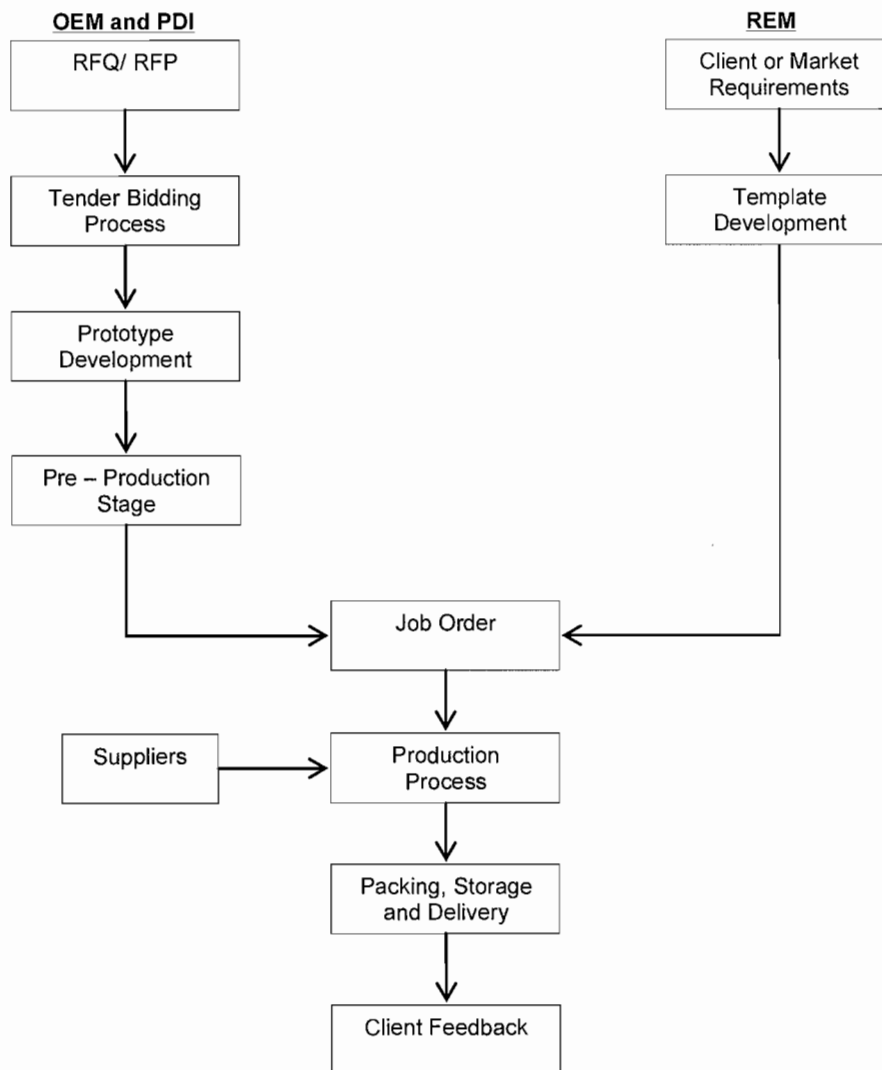
4. INFORMATION ON OUR GROUP (Cont'd)

Our overseas markets in Thailand and Indonesia which are concentrated in the PDI market segment are supported by our sales and marketing team whereas our overseas markets in Australia, Japan, New Zealand, Netherlands, USA, Singapore, UK and Mauritius which are concentrated in the REM market segment are primarily marketed by our distribution partners and agents in the respective countries.

4.6 PROCESS FLOW

Our principal business activities include manufacturing of car seat covers for OEM, PDI and REM market segments and the supply of leather cut pieces.

The overall process flow of project implementation is depicted in the following diagram:-



4.6.1 OEM and PDI

(a) RFQ and RFP

RFQ and RFP are the processes, where potential clients in OEM or PDI market segment invite us into a bidding process to bid for a project. We will evaluate the parameters and specifications of the project and conduct profitability studies.

4. INFORMATION ON OUR GROUP (Cont'd)

(b) Tender Bidding Process

Upon obtaining confirmation to participate in a bidding process, we will submit our quotations or business proposals to potential clients based on specifications and requirements of the project. If we are awarded the project, the client will provide a letter of intent or confirmation letter or via email to request for us to proceed with the development of car seat covers.

(c) Prototype Development

If the project is awarded to us, we will proceed to develop a prototype. Our R&D Department will create samples of car seat covers (prototype) based on clients' specifications. The prototype will be sent to the client for testing and installation. Upon confirmation of prototype by the client, we will prepare the necessary documentation for the client to sign off.

(d) Pre-Production Stage

During the pre-production stage, our R&D Department will conduct briefings for our Production and QA/QC Departments. Trial runs and final quality checks will be conducted before mass production. The client will issue a PO or BO prior to mass production.

4.6.2 REM**(a) Client or Market Requirements**

For OE leather car seat covers, a client in REM market segment usually requests for quotations, when required. We will conduct a profitability study and submit a quotation to the client for confirmation and approval.

For Quick Fit car seat covers, we will conduct market surveys and a feasibility study in order to identify market requirements and car models that we can potentially target.

(b) Template Development

The client will send us the complete set of original fabric stripped from car seats for template development. Our R&D Department will conduct checking and verification of the set of original fabric provided by the client, based on which a first template is created and sent to the client for fitment confirmation. If the fitment is confirmed, the client will sign off the necessary documentation and we will create a pattern code for the model. These pattern codes will be used for any subsequent orders.

4.6.3 Job Order

For OEM, mass production is based on one (1) month firm and three (3) months' production forecasts that are provided by the car manufacturers on a monthly basis.

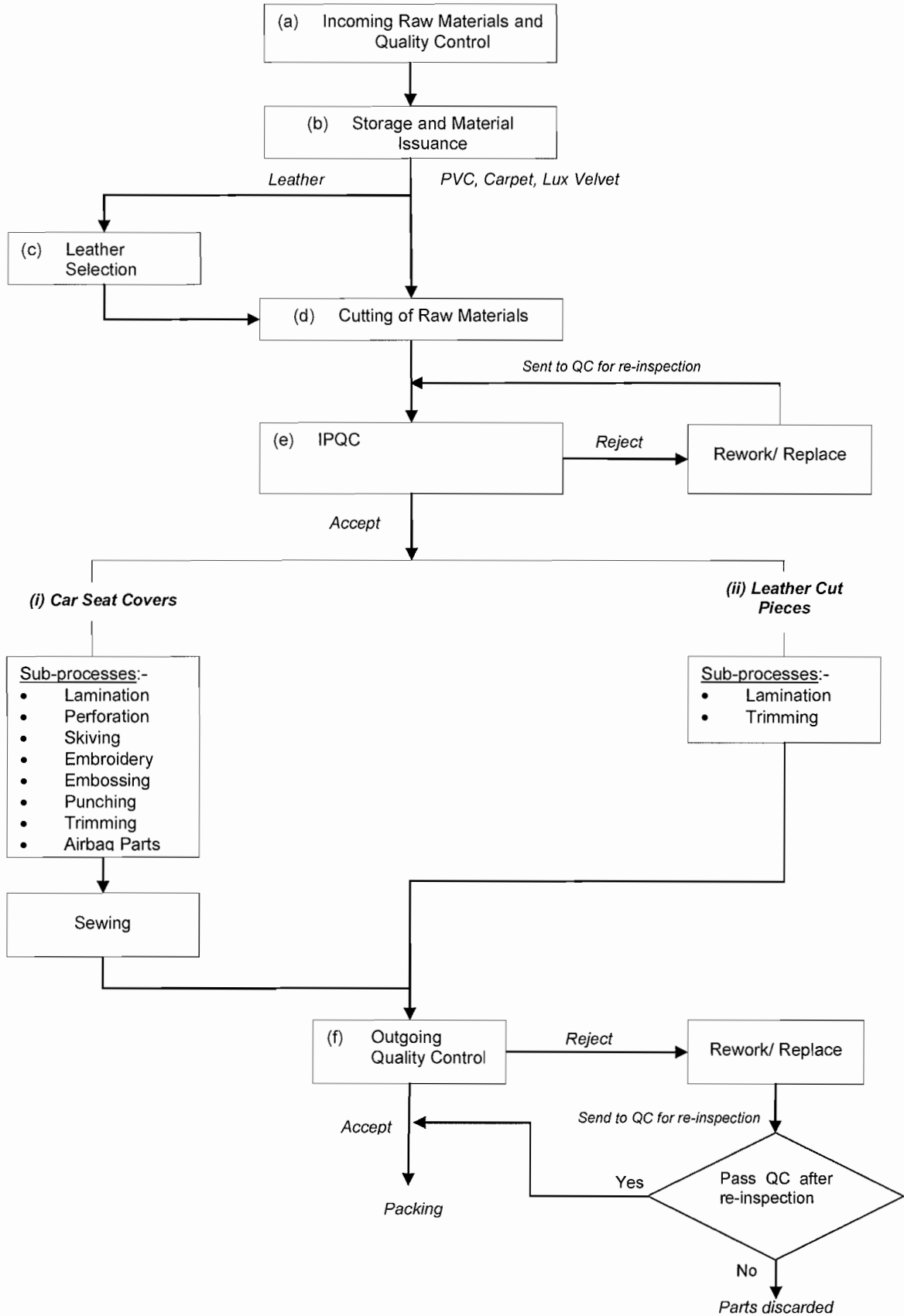
Once we receive PO and/or a production forecast from the client, our Sales and Marketing Department will issue a SO and inform our Planning Department. Our Planning Department will then issue a JO and verify with our Sales and Marketing Department. The approved JO will be sent to our Production Department for commencement of mass production.

For OEM customers, on average, we maintain three (3) days buffer stock as the delivery for OEM clients is based on daily orders or JIT approach.

4. INFORMATION ON OUR GROUP (Cont'd)

4.6.4 Production Process

Our production process is depicted in the following diagram:-



4. INFORMATION ON OUR GROUP (Cont'd)

(a) Incoming Raw Materials and Quality Control

We purchase raw materials, such as leather, PVC, plastic parts, foam and carpet from our approved suppliers. QA/QC Department will conduct stringent internal laboratory tests for incoming raw materials. Properties of leather hides, such as elongation break strength, flexing endurance, tear and tensile strength, dry and wet abrasion resistance, colour matching and taber abrasion test will be conducted to ensure the leather hides meet the client's specifications. We perform quality inspection in accordance with AQL 1.5 for all incoming raw materials to ensure the quality of raw materials. Our adoption of AQL 1.5 reflects our quality tolerance of not more than 1.5% defects in a batch of raw materials received. We will reject the whole batch of material received should the sampling result of the defective items is more than 1.5% of the said batch. Raw materials with defects will be returned to the supplier for replacement.

(b) Storage and Material Issuance

After inspection, raw materials will be delivered to the warehouse and transferred to designated areas according to specified location numbers and colour coding.

Based on the JO issued by our Planning Department, the specified quantity of raw materials will be delivered from the warehouse to the production plant. Accessories, such as zippers, hooks or plastic parts, will also be prepared based on the specifications and in accordance to the JO. Full pre-production quality inspection is conducted for leather, before it is sent to the Production Department.

(c) Leather Selection

After full pre-production quality inspection, leather will be sent for selection, where leather colour and surface appearance are checked and verified against the job pick list. During the defect checking, the parts of leather hides with defects, such as insect bites, line marks and scratches will be identified and marked with stickers.

(d) Cutting of Raw Materials

During the cutting process, raw materials will be cut according to templates by automated leather cutting machine or roller die cutting machine.

The automated leather cutting machine scans the leather hides, identifies defects and automatically adjusts the digitised template in order to avoid the parts of leather hides with defects and at the same time optimising the use of leather. Other raw materials such as PVC, fabrics and carpets which are used in producing our products are also cut using the automated PVC cutting machine which is capable of cutting multi layers of material at once as compared to the leather cutting machine which cut one layer at a time due to the requirement to scan the defect parts.

The roller die cutting machine requires manual nesting. A well-trained and skilful operator will be assigned to undertake the manual nesting.

(e) IPQC

After the cutting process, the raw materials are grouped according to their respective parts of the car seat covers and IPQC is conducted. We carry out quality inspection at various stages of production processes in order to ensure the quality of raw materials as well as the final products. Each stage of our manufacturing process is monitored by personnel from our QA/QC Department. If defects are identified, the materials will be reworked, if possible, or replaced with new materials.

4. INFORMATION ON OUR GROUP (Cont'd)

(i) Car Seat Covers

Depending on the client requirements and specifications, the following sub-process may be performed for the manufacturing of car seat covers:-

- **Lamination**

Lamination is the process of affixing a layer of foam to leather, PVC or lux velvet cut pieces. Foam is selected based on required thickness and cut according to templates. Leather, PVC or lux velvet cut pieces will be trimmed and/or laminated together with foam by lamination machine.

- **Perforation**

During the perforation process, a series of holes will be produced on the leather, PVC or lux velvet cut pieces by perforation machine, if required.

- **Skiving**

During the skiving process, the edges of the leather and PVC cut pieces are pared to reduce the thickness, if required.

- **Embroidery**

Embroidery is the process of decorating materials with needle by embroidery machine. If required, leather or PVC cut pieces can be embroidered with a car logo or other graphic marks based on the client's requirements.

- **Embossing**

According to the templates, leather or PVC cut pieces will be embossed by an emboss machine, if required.

- **Punching**

If required, the materials will be sent for punching process.

- **Trimming**

Leather or PVC cut pieces are sewed and trimmed with foam by trimming machine.

- **Airbag Parts Sewing**

For car seats equipped with airbag, the relevant cut pieces of the airbag parts are sewed with airbag thread using an airbag sewing machine. Airbag tag logo is produced and attached together with car seat cover for identification purposes.

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4. INFORMATION ON OUR GROUP (Cont'd)

- Sewing

Prior to every working shift, we will perform one (1) trial manufacturing cycle on the first piece of production to ensure the correctness of machine set-up and product measurement. The first fully complete car seat cover has to be checked and approved by the QA/AC Department before the full scale sewing process is initiated.

During the sewing process, the prepared parts of car seat cover are joined together to make a complete car seat cover. Car seat cover designed for a car seat with installed airbag is also sewed with airbag sewing machine.

(ii) Leather Cut Pieces Supply

Depending on the client requirements and specifications, the following sub-process may be performed for leather cut pieces:-

- Lamination

Lamination is the process of affixing a layer of foam to leather, PVC or lux velvet cut pieces. Foam is selected based on required thickness and cut according to templates. Leather, PVC or lux velvet cut pieces will be trimmed and/or laminated together with foam by lamination machine.

- Trimming

Leather or PVC cut pieces are sewed and trimmed with foam by trimming machine.

(f) Outgoing Quality Control

Our QA/QC Department conducts final inspection on all finished products to ensure that the client's specifications are met. Finished products that do not meet the client's specifications will go through the rework process and re-route for repeated final inspection. Finished products that meet specification requirements are sent for packing and then to the warehouse. The products which cannot be reworked will be discarded.

4.6.5 Packing, Storage and Delivery

The finished products approved by the QA/QC Department are packed according to the packaging requirements specified by the client and stored in our warehouse before delivery. Our Logistic Department is responsible for timely delivery of our products. We may also provide support on installation of seat covers in accordance with clients' requirements.

4.6.6 Client Feedback

Our quality objective is to achieve the customers' satisfaction level of at least 80%. Therefore, client's feedback is always evaluated and incorporated in order to enable us to attain better customer satisfaction.

4. INFORMATION ON OUR GROUP (Cont'd)

4.7 QUALITY ASSURANCE AND CONTROL PROCEDURES

Our Group is committed to consistently maintain high quality of our products and services in accordance with our quality policy. Our dedication in ensuring customers' satisfaction impels us to continually progress and improve. Stringent checks are conducted during all stages of our production process from leather selection to packing and delivery to the client. Our quality control planning encompasses identifying quality requirements, quality procedures and acceptance criteria for our products.

4.7.1 Compliance with International Standards

Significant emphasis is placed on adoption of quality standards and controls within our business operations in accordance with international standards in order for us to deliver products according to our clients' specifications and requirements.

We are an ISO/TS 16949:2009 certified manufacturer. ISO/TS 16949:2009 defined as the QMS requirements for the design, development, production, installation and service of automotive-related products. We implement our quality standards through the provision of high quality products, commitment towards customers' satisfaction and assurance of continuous improvements. The certifying body, TUV NORD, conducts annual compulsory surveillance audits to ensure that we continuously meet quality standard requirements.

Strict quality control ensures that we produce only the best quality products in terms of meeting product specification and good fitment requirement of our clients, as well as minimise the potential warranty claim due to quality issues from the customers. Stringent checks are conducted during all stages of leather selection, production, packing and delivery.

We also conduct an annual process audit in accordance with the VDA 6.3 standard to evaluate, analyse and enhance controls in the manufacturing processes. The qualification and compliance to VDA 6.3 standard is a pre-requisite qualifying condition for us to be an approved vendor for the Volkswagen Group. The scope of the process audit covers the entire product life cycle processes in the automotive industry. Presently, we have two (2) certified VDA 6.3 process auditors.

We also obtained ISO 14001:2004 and OHSAS 18001:2007 certifications in 2013. ISO 14001:2004 requires an organisation to set up an effective environmental management system and to measure and improve its impact on the environment. OHSAS 18001:2007 requires the organisation to commit to prevent occupational ill health and injury at the work place.

The certifying bodies, TUV NORD and Bureau Veritas, conduct compulsory surveillance audits annually to ensure that we continuously meet the quality standards requirements.

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4. INFORMATION ON OUR GROUP (Cont'd)

The details of our Group's certifications are as follows:-

Company	Standard	Activity	Issuing Party	Validity Period
PLeather	ISO/TS 16949:2009	Manufacturing of leather and synthetic leather seat cover and interior finishing	TUV NORD	10.06.2015 to 09.06.2018
PLeather	ISO 14001:2004	Manufacturing of leather and synthetic leather seat cover and interior finishing for automotive industries	Bureau Veritas	20.05.2013 to 19.05.2016
PLeather	OHSAS 18001:2007	Manufacturing of leather and synthetic leather seat cover and interior finishing for automotive industries	Bureau Veritas	20.05.2013 to 19.05.2016

4.7.2 Quality of Incoming Raw Materials

We purchase raw materials from our approved suppliers, who are subject to constant evaluation. We use only high quality leather mainly from reputable tanneries, which adopt environmentally-friendly tanning methods and conduct stringent quality inspection.

Upon the delivery of the materials, our QA/QC Department will also conduct internal laboratory test in accordance with AQL 1.5 for incoming raw materials to ensure that only high quality materials are used in production.

We have developed test procedures to ensure that the colour, flexing endurance, tensile strengths, colour fastness and abrasion resistance of our leather car seat covers, meet the requirements and specifications of our clients. Raw materials that are accepted by the QA/QC Department are marked with green stickers. Raw materials with defects will be marked with red stickers and returned to the supplier for a replacement.

4.7.3 IPQC

We perform QA/QC procedures at various stages of the production process. Every order is followed up closely from pre-production to post-delivery to achieve zero communication error and product defect. IPQC and monitoring are performed in order to ensure the conformance of materials and parts to the customer's requirements. We have implemented a SPC method to monitor and control quality during the manufacturing process on a real time basis.

As a quality control measure, our clients may also conduct scheduled product and process audits at our manufacturing plant in order to independently verify our strict adherence to the approved manufacturing process and ensure that the quality of materials used conform to the client's specifications.

4.7.4 Outgoing Quality Control

Our QA/QC Department conducts final inspection of all finished products to ensure that the client's specifications are met. The final inspection is performed in order to ensure the quality of finished products prior to delivery to our client.

4. INFORMATION ON OUR GROUP (Cont'd)

4.8 R&D POLICIES

We place strong emphasis on R&D activities to ensure quality of our products and continuous product development and enhancement. R&D activities are undertaken under the leadership of Sam Chee Keng, our Executive Director and Liew Yoon Fatt, our Chief Operating Officer.

4.8.1 Prototype Development

Our business focuses on leather car seat covers for different clients in the respective market segments. The product specifications are provided to us based on car model and car seat design. Based on the product specifications, our R&D Department develops prototypes prior to commencement of mass production of new car seat cover models in OEM and PDI market segments. R&D on prototype development is essential for the manufacturing of our new product models. Prototypes of new product models are created using hard cardboard. Once the prototype is confirmed, we will create a digitised pattern code for the model. The pattern coded prototypes will be used for the production of any subsequent orders. Mass production of a specific product model commences only after receipt of customer confirmation on the final prototype.

Our R&D Department also develops templates for car seat covers in REM market segment. The templates are usually based on the original design of the fabric car seat covers.

4.8.2 R&D Expenditure

The amount spent on R&D activities as a percentage of revenue for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 is as follows:-

R&D Expenses	FYE 2012 (RM'000)	FYE 2013 (RM'000)	FYE 2014 (RM'000)	FYE 2015 (RM'000)	FPE 2015 (RM'000)
R&D salaries	1,273	1,264	1,489	1,801	637
R&D expenses	151	126	234	294	150
Total R&D expenditure	1,424	1,390	1,723	2,095	787
Total R&D expenditure as a percentage of total revenue (%)	2.29	2.10	1.73	1.62	1.40

4.9 TECHNOLOGIES

We utilise sewing, pressing, embossing and perforation machines as well as fully-automated cutting press for our production. Over the years, we have a selection of equipment consisting of models and brands which are reliable and efficient.

A portion of our production machinery utilises CNC technology that enables the computerised programming of machinery settings for varying product models. CNC machines have built-in computers which facilitate precision and accuracy in production, and minimises manual input and the possibility of errors and defects.

4.10 RAW MATERIALS

The key raw materials used for manufacturing of our products include leather hides, PVC, plastic parts, foam and carpet. The majority of our imported raw material purchases are denominated in USD.

4. INFORMATION ON OUR GROUP (Cont'd)

The key raw materials and the respective sources of supplies for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 are as follows:-

Supply	Description	Cost of Raw Materials Consumed										Source of Supply
		FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2015		
		(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	
Leather#	Leather is a flexible material created by the tanning of cow hides and is used for production of leather car seats and accessory covers	21,934	68.43	21,954	68.30	41,542	75.05	56,132	75.25	26,396	76.54	Italy, Uruguay, Malaysia, Thailand
PVC	PVC is used to create leather-like but more cost effective material for car seats and accessory covers	4,447	13.87	4,446	13.83	6,508	11.76	7,243	9.71	2,941	8.53	Malaysia, China
Plastic parts	Detachable plastic parts of a car seat cover that are sewed onto the car seat cover and enable the installation of the car seat cover onto the car seat structure by providing the hook on effect	1,442	4.50	1,249	3.89	2,651	4.79	3,251	4.36	1,021	2.96	Malaysia, Hong Kong
Foam	Foam is a lightweight form of rubber or plastic which is made by solidifying liquid foam. A layer of foam is attached onto the leather or PVC to provide firmness and comfort.	1,376	4.29	1,053	3.28	2,239	4.04	2,986	4.00	1,296	3.76	Malaysia
Carpet	Carpet is a thick textile covering that is used as a more cost effective alternative to leather and PVC. Carpet is used for less noticeable and/or hidden parts of a car seat cover and also provide sound insulation from noise produced from abrasion with other materials	487	1.52	509	1.58	481	0.87	756	1.01	549	1.59	Malaysia
Others	• Lamination materials (tricot, knitting and cloth)	682	2.13	769	2.39	442	0.80	2,008	2.69	1,247	3.61	Malaysia
	• Packing materials (carton box, label sticker and masking tape)	568	1.77	567	1.76	367	0.66	515	0.69	265	0.77	Malaysia
	• Zipper	285	0.89	272	0.85	267	0.48	461	0.62	182	0.53	Malaysia
	• Sewing thread	260	0.81	238	0.74	261	0.47	454	0.61	200	0.58	Malaysia
	• Chemicals (glue and turpentine)	284	0.89	279	0.87	209	0.38	402	0.54	172	0.50	Malaysia
	• Ornament and accessories	288	0.90	808	2.51	385	0.70	386	0.52	216	0.63	Malaysia
Subtotal for others		2,367	7.39	2,933	9.12	1,931	3.49	4,226	5.67	2,282	6.62	-
Total Cost of Raw Materials Consumed		32,053	100.00	32,144	100.00	55,352	100.00	74,594	100.00	34,485	100.00	-

Note:-

Including leather hides and pre-cut leather pieces.

4. INFORMATION ON OUR GROUP (Cont'd)**4.11 MAJOR SUPPLIERS**

The major suppliers who individually contributed 10.0% or more to our Group's total purchases for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 are as follows:-

No.	Name of Supplier	Country of Origin of Supplier	Services Procured	Purchases										Approximate Length of Relationship (Years)
				FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2015		
				(RM'000)	# (%)	(RM'000)	# (%)	(RM'000)	# (%)	(RM'000)	# (%)	(RM'000)	# (%)	
1.	Toyota Tsusho (Malaysia) Sdn Bhd	Malaysia	Supply of leather hides, leather cut pieces and PVC	-	-	-	-	-	-	16,414	19.98	13,097	41.26	2
2.	Zendaleather S.A.	Uruguay	Supply of leather hides	-	-	-	-	-	-	27,141	33.04	9,118	28.73	2
3.	Industria Conciaria Europa SPA	Italy	Supply of leather hides	50	0.15	-	-	27	0.05	3,234	3.94	3,636	11.46	6
4.	Scientex Industries Group Sdn Bhd	Malaysia	Supply of PVC	4,277	12.74	4,205	13.16	5,191	8.83	5,863	7.14	1,812	5.71	9
5.	Conceria Pasubio Spa	Italy	Supply of leather hides	21,847	65.07	20,338	63.66	34,444	58.59	20,146	24.52	1,238	3.90	9
Sub-total				26,174	77.96	24,543	76.82	39,662	67.47	72,798	88.62	28,901	91.06	
Total purchases of our Group				33,575	100.00	31,949	100.00	58,785	100.00	82,147	100.00	31,739	100.00	

Note:-

Percentage of total purchases of the Group for the respective financial years/ period.

Toyota Tsusho (Malaysia) Sdn Bhd was our major supplier for the FPE 2015 and accounted for approximately 41.26% of our Group's total purchases. Toyota Tsusho (Malaysia) Sdn Bhd is a trading company responsible for the purchase of leather for selected models of cars manufactured by Toyota, namely Camry and Hilux from Toyota's nominated suppliers.

Zendaleather S.A. was our major supplier for the leather hides for the FYE 2015 and FPE 2015 and accounted for approximately 33.04% and 28.73% of our Group's total purchases respectively replacing Conceria Pasubio Spa who was our major supplier for leather hides, which accounted for approximately 65.07%, 63.66% and 58.59% of our Group's total purchases for the past three (3) FYE 2012, FYE 2013 and FYE 2014 respectively. Please refer to note (2) in Section 2.7(a) of this Prospectus for further details.

Although we are highly dependent on imports of leather and leather hides, we have not encountered any major shortages of supplies. In order to mitigate the reliance on a single supplier, we have established vendor development programmes and a list of our approved suppliers.

4. INFORMATION ON OUR GROUP (Cont'd)

The purchases of our major raw materials, such as leather, PVC and plastic parts may differ in accordance with our clients' requirements and specifications. Hence, we have to develop different specifications with our suppliers for selected contracts. Our Group has established vendor development programmes in order to ensure that our suppliers meet our specifications and standards in supplying the raw materials to our Group. For the main raw material such as leather and PVC, our vendor development programmes involve the joint studies and development of the leather specifications, which meet the requirements of our customers in terms of grain, glossiness and endurance level. All the raw materials developed will need to be lab tested to ensure compliance with the specifications set.

In view of the above, we are able to procure the supply of high quality leather hides at reasonable prices from other vendors, if such need arises.

Please refer to Section 3.2.5 of this Prospectus addressing the risk associated with our dependency on our suppliers for the supply of the raw materials and components.

4.12 MAJOR CUSTOMERS

The major customers who individually contributed 10.0% or more to the revenue of our Group for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 are as follows:-

No.	Name of Customers	Car Models	Services Rendered	Revenue										Approximate Length of Relationship (Years)
				FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2015		
				(RM'000)	# (%)	(RM'000)	# (%)	(RM'000)	# (%)	(RM'000)	# (%)	(RM'000)	# (%)	
1.	Toyota Boshoku UMW Sdn Bhd	Toyota - Vios, Camry, Fortuner and Hilux	Manufacturing and supply of OE Fit leather car seat covers and supply of leather cut pieces	38	0.06	1,430	2.16	16,847	16.92	29,749	22.96	19,318	34.33	4
2.	Fuji Seats (Malaysia) Sdn Bhd	Perodua - Alza, Viva, Myvi and Axia	Manufacturing and supply of OE Fit leather car seat covers	1,781	2.87	1,075	1.63	12,058	12.11	37,356	28.84	12,935	22.99	12
3.	Tan Chong & Sons Motor Company Sdn Bhd	Nissan - Serena, Grand Livina, Almera, X Gear, X Trail and Navara	Manufacturing and supply of OE Fit and Smart Fit leather car seat covers	1,395	2.25	5,923	8.96	7,133	7.17	9,718	7.50	7,011	12.46	9
4.	Lear Automotive Malaysia Sdn Bhd (formerly known as TS-Lear Automotive (M) Sdn Bhd)	Proton - Exora, Persona and Preve	Manufacturing and supply of OE Fit leather car seat covers	14,817	23.85	18,427	27.88	13,252	13.31	9,676	7.47	2,169	3.86	9

4. INFORMATION ON OUR GROUP (Cont'd)

No.	Name of Customers	Car Models	Services Rendered	Revenue										Approximate Length of Relationship (Years)
				FYE 2012		FYE 2013		FYE 2014		FYE 2015		FPE 2015		
				(RM'000)	# (%)	(RM'000)	# (%)	(RM'000)	# (%)	(RM'000)	# (%)	(RM'000)	# (%)	
5.	Auto Part Manufacturers Co. Sdn Bhd	Hyundai Santa Fe, Hyundai Elantra, Proton Satria Neo R3, Nissan Grand Livina and Proton Iriz	Manufacturing and supply of OE Fit leather car seat covers	3,432	5.52	7,477	11.31	8,965	9.01	9,115	7.04	1,013	1.80	6
6.	Mitsubishi Motors (M) Sdn Bhd	Mitsubishi ASX, Triton, Attrage, Lancer, Pajero, Mirage and Grandis	Manufacturing and supply of OE Fit leather car seat covers	7,101	11.43	4,065	6.15	8,781	8.82	8,972	6.93	1,398	2.48	6
7.	Perodua Sales Sdn Bhd	Perodua - Myvi, Alza and Viva	Manufacturing and supply of Smart Fit leather car seat and accessory covers	13,246	21.32	6,513	9.85	3,072	3.09	191	0.15	107	0.19	6
Sub-total				41,810	67.30	44,910	67.94	70,108	70.43	104,777	80.89	43,951	78.11	
Total revenue of our Group				62,127	100.00	66,100	100.00	99,546	100.00	129,536	100.00	56,267	100.00	

Over the past 15 years, we have built a strong market presence both locally and overseas. The majority of our revenue was generated from our local customers. None of our customer continuously contributed more than 10.0% to our revenue for the past four (4) FYE 2012 to FYE 2015 and FPE 2015.

Our Group has been enjoying cordial relationships with our major customers due to our capabilities to deliver high quality products and services. Therefore, our Group is not overly reliant on any single customer.

Please refer to Section 3.1.6 of this Prospectus addressing the risk associated with our dependency on our major customers from the OEM (OE Fit) market segment who are Tier 1 car seat manufacturers in Malaysia.

4.13 SEASONALITY

We do not experience any material seasonality or cyclical factors other than the general economic environment as our business operations are mainly project driven.

4.14 BRAND NAMES, TRADEMARKS, PATENTS, LICENCE AGREEMENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS

As at the LPD, save for the following trademarks and patents which we are currently using in our day-to-day business, our Group does not presently hold or own any other brand names, trademarks, patents, licence agreements or other intellectual property rights.

4. INFORMATION ON OUR GROUP (Cont'd)

4.14.1 Trademarks








Our Group has not registered any trademarks with the Registrar of Trademarks, Intellectual Property Corporation of Malaysia.

All the trademarks set forth below are currently registered in the name of either MRZ or Seatcoverpro, the companies in which our Group Managing Director, Datuk Teoh Hwa Cheng and Executive Director, Datin Sam Yin Thing are the Directors and substantial shareholders.

On 24 December 2014, MRZ and Seatcoverpro have entered into Deeds of Assignment with PLeather respectively assigning and transferring all rights, titles and interests in respect of all the registered trademarks set forth below to PLeather. Please refer to Section 13.5 (b) and (c) of this Prospectus on the details of the Deeds of Assignment ("Trademarks Deeds of Assignment").

(a) Registered Trademarks of MRZ and Seatcoverpro

The following trademarks have been registered by MRZ and Seatcoverpro, and assigned and transferred to PLeather pursuant to the abovementioned Trademarks Deeds of Assignment:-

No.	Trademark	Registered Proprietor	Product	Country of Registration	Registration Number	Class	Effective Date	Expiry Date
1.		MRZ	Not applicable	Malaysia	2011014755	12 ^(a)	16.08.2011	16.08.2021
2.		MRZ	Not applicable	Malaysia	2011014756	18 ^(b)	16.08.2011	16.08.2021
3.		MRZ	OE Fit car seat cover	Malaysia	2012000244	12 ^(a)	06.01.2012	06.01.2022
4.		Seatcoverpro	Quick Fit car seat cover	Malaysia	2011014754	12 ^(a)	16.08.2011	16.08.2021
5.		Seatcoverpro	Quick Fit car seat cover	Malaysia	2011014757	12 ^(a)	16.08.2011	16.08.2021
6.		Seatcoverpro	Quick Fit car seat cover	Malaysia	2011014759	18 ^(b)	16.08.2011	16.08.2021
7.		Seatcoverpro	Quick Fit car seat cover	Singapore	T1114848C	12 ^(a)	21.10.2011	21.10.2021

4. INFORMATION ON OUR GROUP (Cont'd)

No.	Trademark	Registered Proprietor	Product	Country of Registration	Registration Number	Class	Effective Date	Expiry Date
8.		Seatcoverpro	Quick Fit car seat cover	Malaysia	2011018885	12 ^(a)	25.10.2011	25.10.2021
9.		Seatcoverpro	Quick Fit car seat cover	Thailand	848176	12 ^(a)	28.05.2012	27.05.2022
10.		Seatcoverpro	Quick Fit car seat cover	Japan	2012-041926 5538569	12 ^(a)	22.11.2012	22.11.2022
11.		Seatcoverpro	Smart Fit car seat cover	Japan	2012-099529 5586052	12 ^(a)	31.05.2013	31.05.2023
12.		Seatcoverpro	Quick Fit car seat cover	China	10991728	18 ^(b)	21.09.2013	20.09.2023





Notes:-

(a) Class 12 refers to international trademark classification for vehicles.

(b) Class 18 refers to trademark classification for goods made from leather and imitations of leather such as PVC.

(b) Trademarks of Seatcoverpro Pending Registration

Seatcoverpro has submitted the application to register the trademarks as set out below which are still pending as at the LPD. The said trademarks have been assigned and transferred to PLeather pursuant to the abovementioned Trademarks Deeds of Assignment:-

No.	Trademark	Registered Proprietor	Product	Country of Registration	Application Number	Class	Application Date	Status
1.		Seatcoverpro	Smart Fit car seat cover	Malaysia	2012000245	12 ^(a)	04.01.2012	Responded to opposition against filing on 14 October 2014 ^(b)
2.		Seatcoverpro	Quick Fit car seat cover	Indonesia	D002012023165 IDM000441318	12 ^(a)	16.05.2012	Awaiting the issuance of the certificate from the trademark office
3.		Seatcoverpro	Smart Fit car seat cover	China	11724325	12 ^(a)	09.11.2012	Awaiting development on notice of Assignment from the trademark office
4.		Seatcoverpro	Smart Fit car seat cover	Thailand	922320	12 ^(a)	25.12.2012	Awaiting development on notice of Assignment from the trademark office

4. INFORMATION ON OUR GROUP (Cont'd)

No.	Trademark	Registered Proprietor	Product	Country of Registration	Application Number	Class	Application Date	Status
5.		Seatcoverpro	Smart Fit car seat cover	Indonesia	D002013056598	12 ^(a)	27.11.2013	Awaiting development on notice of Assignment from the trademark office

Notes:-

- (a) Class 12 refers to international trademark classification for vehicles.
- (b) On 25 January 2013, RamRais & Partners had on behalf of Daimler AG (“Opponent”) filed a notice of opposition with the Registrar of Trade Marks Malaysia against the “SF SmartFit” trademark. In the notice of opposition, the Opponent claimed that the “SF SmartFit” trademark filed by Seatcoverpro is confusingly similar to “Smart” trademark filed/ registered by the Opponent in Malaysia under classes 7, 9, 12, 16, 36, 37, 39, 41, 42 and 43. Seatcoverpro has on the same day received the said notice.

Seatcoverpro responded to the opposition via a counter-statement on 19 June 2013 followed by a written submission filed with the Registrar of Trade Marks Malaysia on 14 October 2014. Subsequently, Seatcoverpro has sent emails and reminders to the Registrar of Trade Marks Malaysia on 4th June 2015 and 28 February 2016 respectively to follow-up on the matter. As at the LPD, Seatcoverpro is still waiting for a decision from the Registrar of Trade Marks Malaysia.

Please refer to Section 3.1.9 of this Prospectus for details of the risks in the event that our registration for the trademarks as tabulated in the abovementioned table are not successful.

4.14.2 Patents**(a) Patents of PLeather****(i) Registered Patents of PLeather**

The following patent has been registered by PLeather:-

No.	Patent	Proprietor	Product	Country of Registration	Certificate of Grant/ Patent Number	Effective Date	Expiry Date	Annuity Fee Paid Per Annum
1.	A method for producing an interchangeable vehicle interior lining vehicle seat cover	PLeather	Smart Fit door trim cover	Malaysia	PI2011001296	23.03.2011	23.03.2031	First annuity fee of RM816.20 due on 29 November 2016

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4. INFORMATION ON OUR GROUP (Cont'd)

(ii) Patents of PLeather Pending Registration

Our Group has applied for the following patents that are still pending registration as at the LPD.

No.	Patent	Proprietor	Product	Country of Registration	Application Number	Application Date	Annuity Fee Paid Per Annum	Status
1.	A method for producing an interchangeable vehicle interior lining	PLeather	Smart Fit door trim cover	Taiwan	101110006	22.03.2012	Not applicable ⁽ⁱ⁾	Substantive Examination Request was filed on 13 February 2015. Awaiting response from Taiwan patent office
2.	A method for producing an interchangeable vehicle interior lining	PLeather	Smart Fit door trim cover	Indonesia	W00201304353	23.09.2013	Not applicable ⁽ⁱ⁾	Substantive Examination Request was filed on 15 August 2014. Awaiting response from Indonesia patent office
3.	A method for producing an interchangeable vehicle interior lining	PLeather	Smart Fit door trim cover	USA	14/006,762	23.09.2013	Not applicable ⁽ⁱ⁾	Received Office Actions for the patent application. Responded and filed the Office Actions received accordingly ⁽ⁱⁱ⁾
4.	A method for producing an interchangeable vehicle interior lining	PLeather	Smart Fit door trim cover	Thailand	1301005306	23.09.2013	Not applicable ⁽ⁱ⁾	Unexamined Patent Application published on 12 October 2015. Substantive Examination Request due on 12 October 2020
5.	A method for producing an interchangeable vehicle interior lining	PLeather	Smart Fit door trim cover	Japan	2014-501024	23.09.2013	Not applicable ⁽ⁱ⁾	Filed the Response to Office Action on 29 January 2016. Awaiting response from Japan Patent Office

Notes:-

- (i) Payable upon registration of patent.
- (ii) An Office Action is a document written by an examiner in a patent or trademark examination procedure in the USA, where the document is mailed to an applicant for a patent or trademark. On 19 August 2014 (1st), 13 January 2015 (2nd), 16 April 2015 (3rd) and 5 August 2015 (4th), PLeather received Office Actions filed by the Examiner of the United States Patent and Trademark Office ("USPTO") raising their objections that PLeather's invention lacks in novelty and inventiveness by referring to certain previously filed applications. PLeather has responded to the aforementioned Office Actions on 20 November 2014 (1st), 9 April 2015 (2nd), 24 July 2015 (3rd) and 17 November 2015 (4th) respectively. In addition, Restriction Requirement notice was issued by USPTO on 4 December 2014 in which PLeather has responded to the said Restriction Requirement on 31 December 2014. Subsequently, an Advisory Action was issued by USPTO on 24 November 2015 and in response, PLeather has requested for continued examination on 5 January 2016. A fifth (5th) Office Action was issued on 28 January 2016 in response to PLeather's arguments to the fourth (4th) Office Action. The deadline to respond to the fifth (5th) Office Action is 28 April 2016 and PLeather is in the midst of preparing its response to the fifth (5th) Office Action.

4. INFORMATION ON OUR GROUP (Cont'd)

In the event the registration in respect of the above patent at the USPTO is not successful, the Pecca Group may still manufacture or sell the products which are dependent on the use of such patent, unless there is an identical or similar patent successfully filed by a third party.

Please refer to Section 3.1.9 of this Prospectus for details of the risks in the event that our registration for the patents as tabulated in the abovementioned table are not successful.

(b) Patents of Seatcoverpro/ PLeather

As set forth below, there are patents which are currently registered in the name of Seatcoverpro, the company in which our Group Managing Director, Datuk Teoh Hwa Cheng and Executive Director, Datin Sam Yin Thing are the Directors and substantial shareholders.

On 24 December 2014, Seatcoverpro has entered into a Deed of Assignment with PLeather assigning and transferring all rights, titles and interests in respect of all the patents registered under its name as set forth below to PLeather. Please refer Section 13.5 (d) of this Prospectus on the details of the Deed of Assignment ("**Patents Deed of Assignment**").

(i) Registered Patents of Seatcoverpro/ PLeather

The following patents have been registered by Seatcoverpro and assigned and transferred to PLeather pursuant to the abovementioned Patents Deed of Assignment:-

No.	Patent	Proprietor	Product	Country of Registration	Certificate of Grant/ Patent Number	Effective Date	Expiry Date	Annuity Fee Paid Per Annum
1.	Vehicle seat cover	PLeather #	Smart Fit car seat cover	Malaysia	MY-151916-A	18.03.2009	18.03.2029	Next annuity fee of RM360 due on 30 July 2016
2.	Vehicle seat cover	PLeather #	Smart Fit car seat cover	Australia	2009342413	26.05.2009	26.05.2029	Next annuity fee of AUD300 due on 26 May 2016
3.	Vehicle seat cover	PLeather #	Smart Fit car seat cover	Indonesia	IDP000036350	26.05.2009	26.05.2029	Next annuity fee of Indonesian Rupiah 4,000,000 due on 16 July 2016
4.	A close-fitting vehicle seat cover	PLeather #	Quick Fit car seat cover	Malaysia	PI2011700167 (MY-153485-A)	17.11.2011	16.11.2031	Next annuity fee of RM360 due on 12 February 2017

4. INFORMATION ON OUR GROUP (Cont'd)

No.	Patent	Proprietor	Product	Country of Registration	Certificate of Grant/ Patent Number	Effective Date	Expiry Date	Annuity Fee Paid Per Annum
5.	Vehicle seat cover	PLeather #	Smart Fit car seat cover	Thailand	8462	29.03.2012	28.03.2018	First annuity fee of Thai Baht 1,500 due on 28 March 2018, i.e. after the expiry of the six (6) years period from the first registration date of patent
6.	Vehicle seat cover	PLeather #	Smart Fit car seat cover	Taiwan	M446731	11.02.2013	26.03.2022	Next annuity fee of New Taiwan Dollar 5,000 due on 9 February 2017

Note:-

- # The patent has been assigned and transferred to PLeather pursuant to the Patents Deed of Assignment.

(ii) Patents of Seatcoverpro/ PLeather Pending Registration

Seatcoverpro and PLeather have submitted the application to register the patents as set out below which are still pending as at the LPD:-

No.	Patent	Applicant	Product	Country of Registration	Application Number	Application Date	Annuity Fee Paid Per Annum	Status
1.	Vehicle seat cover	PLeather ⁽ⁱ⁾	Smart Fit car seat cover	India	6828/ DELNP/ 2011	09.07.2011	Not applicable ⁽ⁱⁱ⁾	Substantive Examination Request was filed on 12 March 2013. Awaiting response from Indian patent office
2.	Vehicle seat cover	PLeather ⁽ⁱ⁾	Smart Fit car seat cover	China	200980158097.6	15.09.2011	Not applicable ⁽ⁱⁱ⁾	Received first and second notices of rejection filed by the Examiner of the State Intellectual Property Office of China ("CSIPO") on 25 April 2014 and 14 May 2015 respectively raising its objections that the invention lacks in novelty and inventiveness by referring to certain previously filed applications. Appeals and re-examination requests have been filed pursuant to the first and second notices of rejection on 23 June 2014 and 29 August 2015 respectively. The decision by CISPO rejecting the application was upheld on 5 January 2016. PLeather is considering legal proceeding before 5 April 2016 ⁽ⁱⁱⁱ⁾

4. INFORMATION ON OUR GROUP (Cont'd)

No.	Patent	Applicant	Product	Country of Registration	Application Number	Application Date	Annuity Fee Paid Per Annum	Status
3.	Vehicle seat cover	PLeather ⁽ⁱ⁾	Smart Fit car seat cover	USA	13/256/970	16.09.2011	Not applicable ⁽ⁱ⁾	Received a first and second Office Actions for the patent application. Filed for continued examination pursuant to the first and second Office Actions on 16 September 2014 and 13 September 2015 respectively. Received third Office Action on 28 December 2015 and replied on 5 February 2016. Awaiting response from USPTO
4.	Vehicle seat cover	PLeather ⁽ⁱ⁾	Smart Fit car seat cover	Philippines	1-2011-501859	16.09.2011	Philippines Peso 5,420	Next annuity fee of due on 23 September 2016
5.	Vehicle seat cover	PLeather ⁽ⁱ⁾	Smart Fit car seat cover	Canada	2756008	19.09.2011	Canadian Dollar 240	Filed the Response to Office Action on 13 January 2016. Awaiting response from the Canadian patent office. Next annuity due on 26 May 2016
6.	Vehicle seat cover	PLeather ⁽ⁱ⁾	Smart Fit car seat cover	Brazil	PI 0924429-8	19.09.2011	Brazilian Real 435	Next annuity due on 26 August 2016
7.	Vehicle seat cover	PLeather ⁽ⁱ⁾	Smart Fit car seat cover	Vietnam	1-2011-02509	20.09.2011	Not applicable ⁽ⁱ⁾	Responded and filed to the First Office Action dated 27 April 2015 on 27 August 2015. Awaiting response from Vietnam patent office
8.	Vehicle seat cover	PLeather ⁽ⁱ⁾	Smart Fit car seat cover	Europe	9841963.3	20.09.2011	EUR1,100	Next annuity fee due on 31 May 2016
9.	Vehicle seat cover	PLeather ⁽ⁱ⁾	Smart Fit car seat cover	Japan	2012-500732	20.09.2011	Not applicable ⁽ⁱ⁾	Application granted. Awaiting for the issuance of certificate from the Japan patent office
10.	Vehicle seat cover	PLeather ⁽ⁱ⁾	Smart Fit car seat cover	Korea	10-2011-7024488	18.10.2011	Not applicable ⁽ⁱ⁾	Responded and filed to the First Office Action on 16 June 2015. Responded to the Second Office Action on 31 January 2016
11.	A close-fitting vehicle seat cover	PLeather ⁽ⁱ⁾	Quick Fit car seat cover	China	201280056731.7	19.05.2014	Not applicable ⁽ⁱ⁾	Responded and filed the Office Action on 3 December 2015. Awaiting response from CSIPO
12.	A close-fitting vehicle seat cover	PLeather ⁽ⁱ⁾	Quick Fit car seat cover	Indonesia	P 00201402917	19.05.2014	Not applicable ⁽ⁱ⁾	Substantive Examination Request was filed on 29 October 2015. Awaiting response from Indonesia Patent Office

4. INFORMATION ON OUR GROUP (Cont'd)

No.	Patent	Applicant	Product	Country of Registration	Application Number	Application Date	Annuity Fee Paid Per Annum	Status
13.	A close-fitting vehicle seat cover	PLeather ⁽ⁱ⁾	Quick Fit car seat cover	Philippines	1-2014-501120	19.05.2014	Philippine Peso 4,500	Substantive Examination Request filed on 5 November 2014. Awaiting response from Philippines patent office. First annuity fee due on 23 May 2017
14.	A close-fitting vehicle seat cover	PLeather ⁽ⁱ⁾	Quick Fit car seat cover	Vietnam	1-2014-01631	19.05.2014	Not applicable ⁽ⁱⁱ⁾	Substantive Examination Request was filed on 24 February 2015. Awaiting response from Vietnam patent office
15.	A close-fitting vehicle seat cover	PLeather ⁽ⁱ⁾	Quick Fit car seat cover	Thailand	1401002722	19.05.2014	Not applicable ⁽ⁱⁱ⁾	Application was filed on 19 May 2014. Awaiting the Unexamined Patent Application to be published

Notes:-

- (i) The patent has been assigned and transferred to PLeather pursuant to the Patents Deed of Assignment.
- (ii) Payable upon registration of patent.
- (iii) In the event the registration in respect of the above patent at the CSIPO is not successful, the Pecca Group may still manufacture or sell the products which are dependent on the use of such patent, unless there is an identical or similar patent successfully filed by a third party.

Please refer to Section 3.1.9 of this Prospectus for details of the risks in the event that our registration for the patents as tabulated in the abovementioned table are not successful.

4.14.3 Licence Agreement

As at the LPD, our Group has not entered into any licence agreement.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.15 OUR GROUP'S PROPERTY, PLANT AND EQUIPMENT

4.15.1 Property and Plant

(a) As at the LPD, our Group owns the following land and buildings:-

No.	Registered Owner/ Beneficial Owner	Postal Address/ Title Identification	Description/ Existing Use	Approximate Age of Building/ Tenure/ Approximate Land Area/ Approximate Built-up Area (Sq Ft)	Encumbrances	Date of Issuance of Certificate of Fitness/ Completion and Compliance	Audited NBV as at 30.06.2014 (RM)	Audited NBV as at 30.11.2015 (RM)	Market Value/ Date of Valuation/ Method of Valuation (RM)	Revaluation Surplus as at 30.06.2014 (RM)
1.	PLeather	No. 1, Jalan Perindustrian Desa Aman 1A Industri Desa Aman Kepong 52200 Kuala Lumpur H.S. (M) 24691, Lot PT No. 2034, Locality of Desa Aman, Bandar Sungai Buloh, District of Gombak, State of Selangor Darul Ehsan	1 unit of 4-storey office building with a mezzanine floor annexed to a 4-storey flatted factory building and a 6-storey hostel building together with a guardhouse/ Head office and production factory of our Group	4 years/ Leasehold 99 years expiring on 4 August 2107/ 72,506 Sq Ft (land area)/ 21,700 Sq Ft (Built-up area for 4-storey office building)/ 89,896 Sq Ft (Built-up area for 4-storey factory building)/ 46,046 Sq Ft (Built-up area for 6-storey hostel building)	Charged to United Overseas Bank	5 January 2011 (for 4-storey office and 4-storey factory)/ 21 June 2011 (for 6-storey hostel)	22,929,975	21,868,420	36,000,000/ 28.08.2014/ Comparison and Cost Approach	13,070,025
2.	PLeather	B-5-1, 5 th Floor Block B, Damansara Sutera Apartment Persiaran KIP Utama Kipark Damansara 52200 Kuala Lumpur Strata Title No. Geran 58055/M2/6/178, Parcel No. 178, Storey No. 6, Building No. M2, Parent Lot No. 2854, Town of Kepong, District of Gombak, State of Selangor Darul Ehsan	1 unit of 3-bedroom apartment/ Staff accommodation	7 years/ Freehold/ Not applicable (land area)/ 850 Sq Ft (Built-up area)	Charged to Hong Leong Bank Berhad (formerly known as EON Bank Berhad) Caveat lodged in favour of Hong Leong Bank Berhad (formerly known as EON Bank Berhad)	13 October 2006 (for the Master Lot No. 2854)	145,115	140,808	# 320,000/ 28.08.2014/ Comparison and Income Approach	174,885
Sub-Total							23,075,090	22,009,228	36,320,000	13,244,910
Total							23,075,090	22,009,228	36,320,000	13,244,910

4. INFORMATION ON OUR GROUP (Cont'd)

Note:-

Based on the updated valuation conducted on 28 January 2016 on the same method of valuation, the market value of the property was RM350,000.

Please refer to Section 12 of this Prospectus for the Valuation Certificates prepared by the Independent Registered Valuers in relation to the valuation of the properties.

The revaluation surplus of approximately RM13.24 million as at 30 June 2014 arising from the revaluation of our properties as tabulated in Section 4.15.1(a) of this Prospectus was not incorporated to the financial statements of PLeather. The revaluation exercise was undertaken pursuant to the Listing and the said revaluation surplus as at 30 June 2014 has been incorporated into the Listing Scheme pursuant to the Acquisition of PLeather as detailed in Section 4.2 (d) (ii) of this Prospectus.

As at 30 November 2015, the revaluation surplus arising from the revaluation of our properties as tabulated in Section 4.15.1(a) of this Prospectus was approximately RM14.31 million.

The land and buildings as disclosed in item (1) in Section 4.15.1 (a) of this Prospectus are used for the business operations of our Group. Our principal place of business, production facilities, marketing and distribution as well as hostel building are located at No. 1, Jalan Perindustrian Desa Aman 1A, Industri Desa Aman, Kepong, 52200 Kuala Lumpur.

The Directors of our Company confirm that the properties as disclosed herein above:-

- (i) have not breached any of the land use conditions/ permissible land use;
- (ii) subject to item (iii) below, comply with relevant statutory requirements, land rules or building regulations; and
- (iii) all the buildings for our production and business facilities have been issued with CF.

(b) As at the LPD, our Group has also rented the following properties:-

No.	Tenant	Landlord	Location	Description/ Existing Use	Approximate Built-Up Area (Sq Ft)	Monthly Rental (RM)	Rental Period
1.	PLeather	Cheah Po May	C-9-5, Aman Puri Apartment Jalan Aman Desa Aman Puri 52100 Kepong Selangor Darul Ehsan	Apartment unit/ Hostel for staff	900	800	15.09.2015 to 14.09.2016
2.	PLeather	Looi Mee Kheng	746, Lorong Kenangan 2/12 Taman Kenangan 09410 Padang Serai Kedah	Single storey terrace house/ Hostel for staff	1,400	400	15.08.2015 to 14.08.2017

The Directors of our Company confirm that the rented properties as disclosed above are not in breach of any land use conditions and/or are in compliance with relevant statutory requirements, land rules or building regulations.

4. INFORMATION ON OUR GROUP (Cont'd)**4.15.2 Material Plant and Equipment**

As at 30 November 2015, our Group's material plant and equipment are as follows:-

No.	Machinery	Description	No. of Units	Purchase Price (RM)	Audited NBV as at 30.11.2015 (RM)
1.	Cutting machine	Leather/ PVC/ Foam cutting	9	7,155,700	5,232,086
2.	Airbag sewing machine	Sewing of airbag thread for car seat cover for a car seat with installed airbag	3	680,000	474,233
3.	Logo embroidery machine	For embroidery sewing	3	278,000	173,967
	Total			8,113,700	5,880,286

As at 30 November 2015, the total purchase price and NBV of our Group's material plant and machinery are approximately RM8.11 million and RM5.88 million respectively.

Further information on the production facilities of our Group are as set out in item (1) in Section 4.15.1(a) of this Prospectus.

4.15.3 Production Capacities and Output

Our Group's estimated annual capacity, actual output and utilisation rate for the manufacture of leather car seat covers for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 were as follows:-

Year/ Period	Total Production Capacity (Car Seat Cover)	Actual Output (Car Seat Cover)	Utilisation Rate (%)
FYE 2012	90,000	53,058	58.95%
FYE 2013	90,000	57,713	64.13%
FYE 2014	120,000	80,648	67.21%
FYE 2015	120,000	99,627	83.02%
FPE 2015	50,000	43,643	87.29%

We are currently capable of producing up to 10,000 car seat covers monthly.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.15.4 Material Capital Expenditures and Divestitures

Save as disclosed below, we did not incur any other material capital expenditure for the past four (4) FYE 2012 to FYE 2015 and FPE 2015 and up to the LPD:-

Description	Transaction Value (at Cost) (RM'000)					
	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FPE 2015	Up to LPD
<u>Investments</u>						
Building & renovation	1,090	659	57	-	19	122
Plant and machineries	2,702	1,746	5,138	2,047	210	1,174
<u>Divestments</u>						
Building & renovation	238	-	-	-	-	-
Plant and machineries	-	200	602	556	5	5

The capital expenditures listed above were financed through our internally-generated funds and/or bank borrowings.

The detailed breakdown of the capital expenditures and divestitures tabulated in the above table for the past four (4) FYE 2012 to FYE 2015 as well as FPE 2015 and up to the LPD are as follows:-

(a) FYE 2012

Our capital expenditure for building and renovation for a total of approximately RM1.09 million for the FYE 2012 was mainly for the progress payment and renovation of our factory cum office building at No. 1, Jalan Perindustrian Desa Aman 1A, Industri Desa Aman, Kepong, 52200 Kuala Lumpur ("**Desa Aman Factory**") of at approximately RM0.17 million and RM0.62 million respectively, and the purchase of residential apartments for a total purchase consideration of approximately RM0.30 million.

Our acquisition of plant and machineries for the total costs of approximately RM2.70 million for FYE 2012 comprises the following:-

Description of Plant and Machineries	Units	RM'000
Various types of sewing machine	54	1,540
Enhancement of cutting machines	2	378
Perforation machine	2	305
Die-cut machine	2	156
Various types of machinery and equipment	-	323
Total		2,702

Our divestment of building and renovation for the total proceeds of approximately RM0.24 million for the FYE 2012 was for the sale of a residential apartment.

4. INFORMATION ON OUR GROUP (Cont'd)**(b) FYE 2013**

Our capital expenditure for building and renovation for a total of approximately RM0.66 million for the FYE 2013 was mainly for the renovation and installation of fire protection systems for our Desa Aman Factory.

Our acquisition of plant and machineries for the total costs of approximately RM1.75 million for the FYE 2013 comprises the following:-

Description of Plant and Machineries	Units	RM'000
Various types of sewing machine	10	246
Cutting machines	2	1,258
Various machinery and equipment	-	242
Total		1,746

We disposed off two (2) units of cutting machines for the total proceeds of approximately RM0.20 million for the FYE 2013.

(c) FYE 2014

Our capital expenditure for building and renovation for a total of approximately RM0.06 million for the FYE 2014 was mainly for the renovation of our Desa Aman Factory.

Our acquisition of plant and machineries for the total costs of approximately RM5.14 million for FYE 2014 comprises the following:-

Description of Machineries	Units	RM'000
Various types of sewing machine	68	1,771
Cutting machines	2	2,436
Die-cut machine	1	675
Others	-	256
Total		5,138

We disposed off two (2) units of cutting machines and eight (8) units of sewing machines for the total proceeds of approximately RM0.60 million for the FYE 2014.

(d) FYE 2015

Our acquisition of plant and machineries for the total costs of approximately RM2.05 million for the FYE 2015 comprises the following:-

Description of Machineries	Units	RM'000
Various types of sewing machines and related accessories	9	303
Cutting machine	1	380
Die-cut machine	1	1,174
Various machinery and equipment	-	190
Total		2,047

We disposed off nineteen (19) units of sewing machines and one (1) unit of cutting machine for the total proceeds of approximately RM0.56 million for the FYE 2015.

4. INFORMATION ON OUR GROUP (Cont'd)**(e) FPE 2015**

Our capital expenditure for building and renovation for a total of approximately RM0.02 million for the FPE 2015 was mainly for the renovation of our Desa Aman factory.

Our acquisition of plant and machineries for the total costs of approximately RM0.21 million for the FPE 2015 comprises the following:-

Description of Machineries	Units	RM'000
Various types of sewing machines and related accessories	8	88
Enhancement of cutting machines	2	44
Various machinery and equipment	-	78
Total		210

We disposed off one (1) unit sewing machine for the total proceeds of approximately RM0.01 million for the FPE 2015.

(f) As at the LPD

Our capital expenditure for building and renovation for a total of approximately RM0.12 million up to the LPD was mainly for the renovation of our Desa Aman factory.

Our acquisition of plant and machineries for the total costs of approximately RM1.17 million up to the LPD comprises the following:-

Description of Machineries	Units	RM'000
Cutting machine	1	890
Various types of sewing machines and related accessories	8	88
Enhancement of cutting machines	2	44
Various machinery and equipment	-	152
Total		1,174

We disposed off one (1) unit of sewing machine for the total proceeds of approximately RM0.01 million up to the LPD.

4.15.5 Material Plans to Construct, Expand or Improve Facilities

As at the LPD, save as disclosed in Sections 2.7 and 4.20 of this Prospectus, we have no immediate plans to construct, expand or improve any of our existing facilities.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.16 APPROVALS, MAJOR LICENCES AND PERMITS

The following are the approvals, major licences and permits issued to companies in our Group in order for us to carry out our operations:-

No.	Type of Licence	Issuing Body/ Approving Authority	Date of Issuance	Date of Expiry	Major Conditions	Compliance Status
1.	Manufacturing Licence	MITI	17.02.2011	-	(a) MITI shall be informed of the sale of shares in PLeather. (b) PLeather shall train Malaysians on technology transfer and expertise to all levels of position. (c) PLeather shall administer project that was approved subject to the above conditions and in accordance with other laws and regulations in Malaysia.	Complied In compliance In compliance
2.	Sales Tax	Royal Malaysian Customs Department	01.01.2001	-	None	Not applicable
3.	Business & Non- luminous Advertising Board Licence	Local Council of Selayang	02.02.2016	30.06.2016	None	Not applicable
4.	Warehouse storage licence & Non-luminous Advertising Board Licence	Local Council of Selayang	02.02.2016	30.06.2016	None	Not applicable
5.	Goods and Services Tax	Royal Malaysian Customs Department	20.08.2014	-	The registered person shall notify the senior officer of customs on, <i>inter-alia</i> , the following:- (a) change of name; (b) change of director, shareholder, key officer, representative or authorised person; or (c) status of the business.	Noted. To be complied when applicable In compliance Noted. To be complied when applicable
6.	Certificate of Approval	DCA	06.03.2016	08.03.2017	The validity of this approval is conditional upon the holder making payment to the DCA of the relevant statutory fee prior to the anniversary date of issue of this approval	Noted. To be complied when applicable

4. INFORMATION ON OUR GROUP (Cont'd)

4.17 DEPENDENCY ON TRADEMARKS/ CONTRACTS/ ARRANGEMENTS/ LICENCES/ PATENTS

Save for trademarks and patents as disclosed in Section 4.14 of this Prospectus, our Group are not dependent on any other trademarks/ contracts/ arrangements/ licences/ patents.

4.18 INTERRUPTIONS IN BUSINESS OPERATIONS

Our Group did not experience any interruption in our Group's business which had a significant effect on our operations during the past twelve (12) months prior to the date of this Prospectus.

4.19 OUR COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our competitive advantages and key strengths are important in sustaining our business as well as providing us with future business growth.

(a) Our Established Track Record and Market Reputation

We commenced operations in 2000. Over the years, we have gained a reputation as a reliable manufacturer of quality products and achieved growth in customer base. According to Frost & Sullivan, we are the largest automotive leather upholstery supplier for the OEM and PDI passenger vehicle segments in Malaysia in 2015. We command a market share of about 36.3% in 2011, 38.4% in 2012, 57.8% in 2013, 65.2% in 2014 and 67.7% in 2015 based on the number of installed-leather-upholstery passenger vehicle units for OEM and PDI market segments for each respective year, with the exclusion of REM market segment.

The quality of our products and our track record enable us to retain our existing clientele as well as continuously expanding our customer base and geographical presence. Currently, we have thirteen (13) authorised distributors for the overseas markets.

In addition, "Pecca Leather" is a registered trademark. We actively strive to establish our brand name in the market to be associated with the best leather, vigilant quality control and constant innovation. We registered our brand name for "Pecca Leather" logo in 2005. We have also registered our trademarks for OE Fit products, Smart Fit products and Quick Fit products. The registration of our trademarks enables us to increase our brand presence and recognition as a provider of high quality products.

(b) Our Business Operations Adopt High Quality Standards and Controls in the Automotive Industry

We adopt high quality standards and controls within our business operations in order to deliver high quality products that fulfil our clients' requirements. Our QMS is in accordance with ISO/TS 16949:2009, ISO 14001:2004 and OHSAS 18001:2007 international standard for the automotive industry. The certifications are the standard requirements in the automotive industry and enable us to participate in tenders both locally and overseas.

To further enhance the quality standards of our business operations, we have conducted a process audit in accordance with the VDA 6.3 audit standard, which covers auditing procedures for the entire product life cycle process in the automotive industry. Our fulfilment of the VDA 6.3 audit standard enables us to penetrate the European market and become an approved supplier for the Volkswagen Group.

4. INFORMATION ON OUR GROUP (Cont'd)

Our management team is committed to stringent quality control in the manufacturing processes and are able to closely monitor and ensure that all operations are carried out in accordance to our Group's quality control objectives, so as to ensure effective and efficient production thus optimising productivity as well as product quality.

(c) Our Smart Fit Product with Ease of Installation for Car Seat Covers and Car Door Trim Covers

We believe that one of the critical factors that differentiate us from our competitors is the recognition of our products, which is associated with quality and our Smart Fit product with registered patents in Malaysia, Indonesia, Thailand, Taiwan and Australia. We have commercialised our Smart Fit product which is patented for car seat cover and car door trim cover for the PDI market segment which we could capitalise for the REM market segment.

One of the options for PDI centres and/or car distributors to remodel a car or enhance the value proposition in order to increase sales is to substitute original standard fabric of car seats and door trim with leather. The conventional way for car seat cover or door trim replacement requires dismantlement of a car seat or a door and stripping of original fabric before new cover can be installed. However, dismantlement and subsequent reinstallation of a car seat or car door trim may result in invalidation of relevant warranties by a car manufacturer.

Our innovative Smart Fit product allows installation of leather car seat cover on the original fabric and does not affect the texture of the original cushion or fabric layer of a car seat. The installation is done inside the car without the necessity to dismantle a car seat. Our Smart Fit product for car door trim covers allows assembly of it onto a car's interior without destroying the texture and physical properties of the original fabric.

Our Smart Fit product also reduces the risk of damaging plastic parts of the car interior during installation of leather car seat covers and car door trim covers. In addition, installation of our Smart Fit product requires less manpower, time and equipment compare with the conventional method of leather car seat cover installation. Hence, this effective method of Smart Fit installation leads to cost savings and consequentially reduces the total cost of leather upholstery for cars.

For car seats that are originally equipped with airbags, the Smart Fit cover has been certified to fulfil numerous airbag deployment test carried out by independent testing bodies. Smart Fit car seat cover and door trim cover can be customised with various combinations of materials and styles resulting in vast options available to suit the different tastes and preferences of our customers. Our Smart Fit product offers quality leather upholstery in compliance with OEM quality and safety specifications for our customers in PDI market segment with shorter installation time.

Our proprietary Smart Fit product creates potential barrier to entry for our competitors in PDI market segment as the PDI centres of renowned car manufacturers will avoid the appointment of other leather car seat covers manufacturers who might infringe on the patent rights of our Group resulting in the potential disruptions to their supply of leather car seat covers due to the legal proceeding brought against the infringer.

4. INFORMATION ON OUR GROUP (Cont'd)

In addition, we have lodged patent registrations in other countries. Although these patents are currently being examined in the respective patent offices and the grant for patent registrations is still in progress, our Smart Fit product is under protection in those countries, as once the patent has gone through the examination process successfully, they will be protected from the priority date which is the first application filing date. As such, an invention will be under protection although the patent is pending registration. Once a patent is being registered, the registration is deemed effective since the filing date. Further, for the registration of our patent in selected countries, our Group is currently paying annuity fees being the maintenance fees from the first anniversary of the filing date as a consideration for the examination process whilst in certain countries like Malaysia, Singapore, USA, China and Japan, annuities are paid after a patent is granted. The details of the annuity fees paid by our Group in the respective countries are as disclosed in Section 4.14.2 of this Prospectus.

(d) Our Key Management's Experience and Expertise in the Leather Industry

Our Group is managed by a team of long serving management and key personnel, who are qualified and experienced, and headed by our Group Managing Director, Datuk Teoh Hwa Cheng who has more than 25 years of experience in the leather industry. By pervading on Datuk Teoh Hwa Cheng's knowledge, skill set and methods from the small leather goods industry to the production of our leather car seat covers, he managed to infuse the detailed quality of producing small leather goods into the leather upholstery and car seat covers for the automotive industry. This includes, amongst others, the methods in the selection and checking of incoming materials, as well as the cutting and stitching methods. Leather is a very unique material whereby it is originated from animal raw skin and thus, every hide will have different characteristics in terms of size, defect areas due to insect bites, injuries from fights, existence of humps in certain species of cattle and loose skin due to the age of the cattle. Hence, in our selection process, a leather hide will be categorised into few grades based on the position and defect of the hides which will then be sewed to different parts of the seat covers to ensure an overall good and smooth appearance of the leather car seat covers produced. The selection of material requires extensive technical experience in ensuring acceptable quality standards to the customers and at the same time maximising the cutting yield for cost efficiency. Further, our experience and knowledge in the development of PVC material is critical in order to match the material characteristic with leather to produce semi-leather car seat covers encompassing colour matching, acceptable glossiness and emboss variance. This is critical to ensure all car seat covers produced with the combination of leather and PVC will be visually homogeneous. Our management and key personnel are experienced in producing and supplying leather related products and are personally involved in the manufacturing and marketing operations of our Group.

(e) Our In-house Design and Styling Capabilities

The preparation of styling and design proposals for leather car seat covers as well as the whole car interior and exterior to create matching propositions to meet our clients' requirements is undertaken by our own Stylelab Department. For the car interior design, apart from the design of leather car seat cover, we are also able to propose a packaged styling and design for other items, such as floor mats, steering wheels and gear shift knobs. For car exterior design, we are able to propose styling design for grill, bumper and body kit as well as car body decals to match the car interior design.

Our Stylelab comprises a team of experienced designers with extensive exposure in interior styling for the automotive industry.

4. INFORMATION ON OUR GROUP (Cont'd)

Our Stylelab provides solutions to the clients in line with their styling preferences and targeted market segments. Based on the client's requirements and specifications, our team will develop several styling design proposals that are attractive, reliable and cost effective. The proposals may include different combination of materials, stitches and logo embroidery. We provide 3-D drawings of the styling designs to the clients for their selection. Accordingly, we are able to deliver a customised and complete styling design services to our clients.

4.20 FUTURE PLANS, STRATEGIES AND PROSPECTS

Our future plans are focused in the following key areas:-

4.20.1 Operating Capacity Expansion

As at the LPD, we are capable of producing 120,000 sets of car seat covers annually as detailed in Section 4.15.3 of this Prospectus. We are planning to purchase new machineries with the Public Issue proceeds as detailed in Section 2.7(c) of this Prospectus to increase our operating capacity by an additional 50,000 sets of car seat covers to 170,000 sets of car seat covers annually to support our business activities and also, to cater for the anticipated increase in our sales volume from new contracts to be secured by our Group.

As at the LPD, we have utilised approximately 87% of our production capacity for the production of car seat covers for the existing car models as well as new models such as Perodua Axia, Proton Iriz, Perodua Myvi D46D, Proton Exora MC2 and Toyota Hilux.

Our Group practice is to ensure that there is a buffer production capacity of approximately 15% at all times. This is drawn from our years of experience in the industry to ensure that we can cater for any ad-hoc orders from our customers which typically have a short delivery lead times as Tier 1 customers/ manufacturers could not afford any downtime in their production from not being able to obtain the supplies from us. The additional production capacity buffer is also important to ensure that preventive maintenance can be carried out on our production equipment and/or to cater for unscheduled downtime due to the breakdown of equipment.

In line with the expansion of our production capacity and purchase of new machineries, we plan to build an additional storey on our existing factory building with the Public Issue proceeds as disclosed in Section 2.7(d) of this Prospectus to increase our production area. The additional storey is expected to complete by the first quarter of 2017 resulting in an increase of our annual production capacity by 50,000 sets of car seat covers when the new machineries are installed. We have obtained the approval of the Municipal Council of Selayang vide its letter dated 14 January 2015 and 16 October 2015 for the revision to the approved layout plan and the approval of building plan respectively for the construction of an additional storey measuring 1,837 square metres or 19,773 Sq Ft, to our existing 4-storey flatted factory building.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.20.2 Opening of Retail Outlets

We plan to sell our products directly to end users and penetrating into the REM retail industry by opening fifty (50) retail outlets across Malaysia to focus on selling our Smart Fit and Quick Fit products, and car accessory covers. This will create branding awareness and preserve our patented product as the retail outlets will be able to showcase the various types of designs and provide live and fitness demonstration to our potential customers to showcase the features of the products in order to boost customers' confidence on our products. Our retail outlets will also supply the OE Fit car seat covers in the event that there is such demand especially for car models that our Smart Fit and Quick Fit car seat covers are not readily available.

We plan to carry out our REM retail business under EEmpire as we believe that our Smart Fit and Quick Fit products will be attractive to end users due to its affordability as an option of leather upholstery for cars. In addition, the opening of fifty (50) retail stores across Malaysia will create an additional revenue stream to our Group.

Our plan to open and operate fifty (50) retail outlets enables us to serve and cover wide geographical locations focusing on the mass replacement market particularly new and reconditioned car owners. The proposed locations of the retail outlets as set out below are chosen based on their proximity to car showrooms and/or dealerships as the introduction and promotion of optional accessories such as leather car seat covers and tinting film will be done via car showroom sales personnel. This allows the leather car seat covers to be installed prior to the delivery/ handover of new cars. As such, being near to car showrooms and/or dealerships will facilitate the on-site installation of leather car seat covers which minimises travelling distance and the consequential logging of mileage including the risk of accidents or potential damages to the new cars prior to its registration and delivery/ handover to the customers.

Our decision to introduce our Smart Fit and Quick Fit products to the REM retail market is based on the feedback from car showroom sales personnel and car dealers that there are demand for easy to install aftermarket leather car seat covers that do not damage the original seats or void manufacturer's warranties. Currently, only leather car seat covers that require dismantling of existing car seat covers or leather/ PVC car seat covers meant for standard sized car seat that does not provide good fitment are available in the market.

Both automotive tinting and car seat covers are car accessories that cater to customers in REM market segment. As such, the principles of operating the retail outlets for the sale of such products are similar as both cater to customers that want to enhance the interior of their cars for aesthetic and/or comfort reasons.

Our plan to open and manage the retail stores is drawn from the exposure gained by our Promoters through working together with the management team of Tint Auto (M) Sdn Bhd, KT Universal Venture Sdn Bhd and previously from MRZ Car Seat Sdn Bhd prior to it ceasing its operations on 1 February 2015 which are/ were involved in the automotive aftermarket business segment. Tint Auto (M) Sdn Bhd presently operates a retail outlet for the sales and installation of window tinting film for automotive and architecture applications. KT Universal Venture Sdn Bhd is involved in the appointment of authorised retail outlets for Llumar tinting film and is presently managing a total of 48 Llumar concept stores nationwide whereas MRZ Car Seat Sdn Bhd was previously involved in the sales and installation of leather car seat covers in the REM market segment.

4. INFORMATION ON OUR GROUP (Cont'd)

Our Promoter will be able to apply their exposure in operating retail outlets for window tinting film business to car seat covers business primarily in the areas of, amongst others, selection of locations for the retail outlets; formulation of multi-tier product pricing structure to accommodate sales commission for car showroom sales personnel and pricing structure for walk in customer to effectively induce sales; the roll-out of branding, advertisement and promotion strategies; and execution of product panel-ship arrangement by engaging the established business partners of tinting business comprising of car dealers.

The Malaysian Automotive Association projected the total industry volume of 650,000 units for passenger and commercial vehicles in 2016. Further, as of 2014 and 2015, Frost & Sullivan estimates that 74.8% and 64.6% respectively of the locally assembled passenger vehicles units are equipped with fabric car seat programme, while only the remaining 25.2% and 35.4% respectively are equipped with leather programme in OEM and PDI market segments. This creates favourable opportunities to offer leather car seat and accessories covers to the customers in after-sales premium car segment, who are seeking to upgrade and enhance the appearance of their car interiors. There are also a significant room for growth in REM mass market, where the premium appearance, durability and yet affordable price of Quick Fit car seat covers is expected to gain traction. In addition, we are planning to work with financial institutions to offer instalment payment schemes to our customers to enable them to purchase our products easily.

The opening of the retail outlets will involve the scouting of stores or shop lots available for rent with floor area in the range of 1,000 to 1,500 Sq Ft in the proposed identified geographical locations by property agents, renovation of the stores or shop lots in accordance to the standardised concepts, display of the various car seat covers and to stock up the requisite inventory to meet the anticipated demand and sales of the specific outlets. The renovations of the standardised concepts and layout of the retail outlets will be carried out by the selected identified contractor(s) to ensure uniformity of our retail outlets. As such, we anticipate that we will be able to meet our objective of opening the fifty (50) retail outlets within a period of 24 months from the date of our Listing.

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4. INFORMATION ON OUR GROUP (Cont'd)

The proposed geographical location of our fifty (50) retail outlets are as follows:-

West Malaysia				East Malaysia	
Central Region		Northern Region			
No.	Proposed Location	No.	Proposed Location	No.	Proposed Location
1.	Damansara (SS2)		<u>Penang</u>		<u>Sarawak</u>
2.	Kota Damansara	27.	Prai	44.	Kuching (outlet 1)
3.	Kajang	28.	Georgetown	45.	Kuching (outlet 2)
4.	Glenmarie	29.	Juru	46.	Miri
5.	Old Klang Road	30.	Bayan Lepas	47.	Bintulu
6.	Uptown Damansara				
7.	Bukit Tinggi Klang		<u>Perak</u>		<u>Sabah</u>
8.	Shah Alam	31.	Setiawan	48.	Kota Kinabalu (outlet 1)
9.	Seri Kembangan	32.	Ipoh (outlet 1)	49.	Kota Kinabalu (outlet 2)
10.	Bangsar	33.	Ipoh (outlet 2)	50.	Tawau/ Sandakan
11.	Klang				
12.	Sunway		<u>Kedah</u>		
13.	Bukit Jalil	34.	Sungai Petani		
14.	Mahkota Cheras	35.	Langkawi		
15.	Alam Avenue	36.	Alor Setar		
16.	Setapak				
17.	Batu Caves		Southern Region		
18.	Setia Alam	No.	Proposed Location		
19.	Sungai Buloh		<u>Johor</u>		
20.	Rawang	37.	Batu Pahat		
21.	Cheras	38.	Johor Bahru (Taman Molek)		
22.	Pandan Indah	39.	Johor Bahru (Perling)		
23.	Puchong	40.	Kluang		
24.	KL City (Jalan Ipoh)				
25.	KL City (Jalan Imbi)		<u>Negeri Sembilan</u>		
26.	KL City (Jalan Chan Sow Lin)	41.	Seremban		
			<u>Melaka</u>		
		42.	Melaka Town		
			East Coast Region		
		No.	Proposed Location		
			<u>Kelantan</u>		
		43.	Kota Bahru		

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4. INFORMATION ON OUR GROUP (Cont'd)

4.20.3 Operations of PAviation

We are planning to leverage on our technical expertise and understanding of leather upholstery to further expand our business activities. We intend to venture into the aviation leather upholstery and parts refurbishment industry through our subsidiary, PAviation.

PAviation's principal business activities involve the manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat covers and other leather related products, such as side wall panels, ceiling panels and leather trim for commercial aircrafts and private jets.

In accordance with the licensing requirements of the DCA and the FAA internationally, PAviation had on 12 March 2015 submitted its Part 145 Repair Station application to the DCA to obtain the DCA's approval for the Certificate of Airworthiness for its venture into the aviation leather upholstery and parts refurbishment in the aviation industry which encompasses the provision of repair and restoration of non-structural cabin interior parts and materials, and repair and refurbishment of leather and vinyl cabin seat trims, seat covers and carpets. It is a practice in the aviation industry for the refurbishment business to include a wide scope of responsibilities whereby the appointed operator are required to undertake a total refurbishment program for the aircraft which includes upholstery refurbishment and other parts replacement.

The approval of the DCA for PAviation's venture into the parts refurbishment in the aviation industry has been obtained via a certificate of approval dated 9 March 2016 whilst the approval for its venture into the aviation leather upholstery is delayed pending the submission of an internal audit report by PAviation to DCA demonstrating PAviation's readiness and capability to undertake the leather upholstery business and is expected to be obtained by end of 2016 as detailed in Section 4.1.4(b)(i) of this Prospectus. Thereafter, PAviation shall prepare the relevant documentation to obtain certification and related approvals from the FAA to be recognised as an international player in the industry. PAviation is expected to receive the relevant certification and approval from FAA by 2017.

PAviation has commenced business on 23 December 2015 as it has secured an interior refurbishing project from ExecuJet Malaysia Sdn Bhd, a certified and licensed MRO operator, to refurbish the side wall, headliner panels and floor carpet, and toilet seat replacements for a private jet. ExecuJet Malaysia Sdn Bhd was responsible for the certification of the project after completion.

PAviation is our 60% owned subsidiary and remaining 40% equity interest is held by Wohlstand. Wohlstand is relying on our Group's core expertise in the manufacturing of leather car seat covers for automotive industry for the venture into the aviation upholstery industry for the REM market segment. At the same time, our Group are leveraging on the experience, expertise and qualification of the shareholders of Wohlstand in our foray into the manufacturing, repair, refurbishment, distribution and installation of aircraft leather seat covers as we do not have any prior experience in the manufacturing of leather seat covers for the aviation industry. Reliance is placed on the shareholders of Wohlstand to satisfy the requirement of having a qualified certified Engineer in the aviation industry in our applications to obtain the relevant certifications and approvals, and to manage the part refurbishment business in the aviation industry. Further, we intend to leverage on the existing contacts and trained human resources of Wohlstand in the aviation industry to ease our penetration into the aircraft leather seat covers for the aviation industry. In addition to our experience and expertise in the manufacturing of leather car seat covers as mentioned above, Wohlstand is dependent on our Group to provide the funding and operational support to obtain the relevant certification and approvals, and for the commencement and to subsequently manage the manufacturing operations of PAviation.

4. INFORMATION ON OUR GROUP (Cont'd)

Wohlstand is presently involved in the provision of cleaning services for the interior of aircrafts in the aviation industry which it secured from the MRO operators appointed by the relevant commercial airlines, as well as, private jet liner companies. The shareholders of Wohlstand, namely Ooi Eng Huat and Tsng Fuh Shen have the experience and expertise in the aviation industry. Ooi Eng Huat, presently the Executive Director cum Operation Manager of PAviation, gained the relevant experience in the maintenance of aircraft passenger seats and operation of workshop for provision of aviation related support services during his past employments in the companies involved in the aviation related industry. Tsng Fuh Shen's experience in aircraft maintenance management, engineering planning and defect control, quality assurance and compliance in the aviation which are applicable for both the MRO and FBO services as well as his experience in hanger operations for FBO services has also equipped him the necessary knowledge and expertise to provide the technical, quality assurance and training services for the setting up of PAviation pursuant to the Contract for Service Agreement as disclosed below. Please refer to Sections 5.4.2(g) and 4.1.4(b)(iv)(cc) of this Prospectus for the profiles of Ooi Eng Huat and Tsng Fuh Shen respectively.

Datuk Teoh Hwa Cheng and Datin Sam Yin Thing, the then shareholders of PAviation (i.e. prior to the Acquisition of 60% PAviation and the Vendors of PAviation) and Wohlstand have entered into a Joint Venture Agreement on 23 September 2014 as disclosed in Section 13.5(a) of this Prospectus ("**JV Agreement**"). The parties to the JV Agreement have agreed that their relationship as shareholders in PAviation shall be governed by the JV Agreement.

The JV Agreement sets out the scope and extent of co-operation, obligations and dealings of the parties vis-à-vis each other and the company as well as provisions relating to, inter alia, the objects of the company, roles and responsibilities of the parties, composition of directors and management, and general meeting of shareholders.

Subsequently, in conjunction with the Listing, the Vendors of PAviation and Pecca have entered into a conditional share sale agreement on 24 December 2014 as disclosed in Sections 4.2(d)(iii) and 13.5(g) of this Prospectus ("**PAviation SPA**"). The completion of the PAviation SPA was conditional upon, *inter alia*, Pecca executing the Ratification & Accession Agreement as defined and disclosed in Section 13.5(a) of this Prospectus whereby Pecca accepts, agrees and undertakes to be bound by the terms and conditions of the JV Agreement as the Vendors of PAviation would have been bound.

Further, pursuant to the abovementioned JV Agreement, Tsng Fuh Shen and PAviation have entered into a Contract for Service Agreement dated 1 October 2014 whereby he is contracted to provide his technical, quality assurance and training services for the setting up of PAviation for a period 24 months from 1 October 2014 to 30 September 2016 for a monthly fixed contractual fee ("**Contract Service Agreement**"). Upon the commencement of PAviation's operations, he will be responsible for the business development aspects of PAviation. As such, the commitment of Wohlstand and its shareholders in the operations of PAviation is ensured.

We intend to utilise RM1.0 million from the Public Issue proceeds for the commencement of the PAviation business as set out in Section 2.7(g) of this Prospectus which will be an advance from Pecca to PAviation. The aforementioned RM1.0 million advance to PAviation represents approximately 0.66% of the proforma consolidate NTA of Pecca upon Listing of RM150.66 million ("**PAviation's Advance**"). The PAviation's Advance is less than 5% proforma consolidate NTA of Pecca upon Listing. As such, the PAviation's Advance is not considered as the provision of financial assistance in accordance with the Listing Requirements.

Our venture into the aviation leather upholstery industry will create additional revenue stream and facilitate the growth of our Group as a whole.

4. INFORMATION ON OUR GROUP (Cont'd)

4.20.4 Establishment of Market Presence in Thailand

Currently, we are serving the PDI market segment in Thailand directly from our Malaysian operations without a local presence in Thailand. Our sales personnel will travel to meet our existing and potential customers in Thailand whereas our products are delivered to our customers via land transportation. We plan to establish our local market presence and expand our customer base in Thailand by incorporating a private limited company in Thailand under the proposed name of Pecca Leather (Thailand) Pte Ltd, where 49% equity will be owned by Pecca, the maximum permissible equity shareholding allowed in accordance with the Regulation of Commercial Registration Department issued by the Director-General of the Department of Business Development of Thailand. However, we will assume the management control of the company based on our proposed equity shareholding via the issuance of the preference shares whereby our preference shares will be entitled to five (5) votes per share as compared to one (1) vote per ordinary share. We are currently in the midst of identifying our 51% equity shareholder(s) for Pecca Leather (Thailand) Pte Ltd who preferably have the requisite exposure in the supply of automotive accessories in Thailand.

We intend to set up our operations in the Muang Samutprakarn district of Bangkok, Thailand with sales, R&D and installation personnel, as well as a customer service centre to provide localised customer support as Thailand is an important hub in the South East Asian automotive market. Muang Samutprakarn has been chosen due to its proximity to the PDI centres for automotive manufacturers.

In our pursuit to expand our presence beyond the Malaysian automotive industry and after in-depth consideration of operational and strategic factors including investment requirements, monthly operating expenses and amount of sales required to sustain the operations, availability of human resources, our products competitiveness in the country, as well as the feasibility of operational support from our Malaysia office, Thailand is our nominated preferred regional location.

The operations of the automotive upholstery industry require extensive manpower skill set and craftsmanship, which are typically acquired through many years of practical training to ensure optimal quality and good fitment of the assembled leather car seat covers. It is a common practice globally for the automotive assembly industry to adopt the JIT production method. Under such practice, all Tier 1 and Tier 2 suppliers are required to implement effective operating procedures that facilitate timely and efficient supplies, and responses to support the operations of the automotive assemblers. This is also the standard practice adopted in our Malaysian operations, whereby our technical teams are regularly stationed at the Tier 1 car seat manufacturers' sites to ensure provision of timely and effective operational support, particularly for the installation of leather car seat covers.

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4. INFORMATION ON OUR GROUP (Cont'd)

Due to geographical proximity, Thailand is regarded as the most ideal location for our expansion beyond Malaysia as it reduces our operational cost for the transfer of skilled or technical manpower and allow for timely product delivery and operational support. Furthermore, Thailand is ranked the twelfth (12th) largest automotive hub globally and the largest automotive producing country in ASEAN with a production of more than 1.92 million units in 2015 according to The International Organization of Motor Vehicle Manufacturers. This is equivalent to approximately three (3) times the scale of Malaysia's automotive production of 0.61 million units in the same period. Some of our major customers who are foreign car manufacturers such as Mitsubishi, Toyota and Nissan have established regional assembly facilities in Thailand. Strengthening our presence in Thailand will allow us to foster closer business relationships with our customers to enhance and to create new business opportunities. Presently, Mitsubishi and Nissan Thailand are our customers for the supply of Smart Fit car seat covers. Furthermore, under the ASEAN Economic Community initiative, the removal of tariff barriers and harmonisation of technical standards within the participating ASEAN nations have facilitated greater incentives and operational advantages for other ASEAN automotive parts suppliers' entry into Thailand. The introduction of tax benefits by the Thai Government, namely Value Added Tax waiver, has further encouraged the automotive industry in Thailand to source from Thailand's local suppliers. In addition, having a presence in the Thai automotive industry will enable us to leverage on the local pool of skilled labour in the industry.

Our Group views Thailand as an ideal strategic market for our regional expansion and our expansion to Thailand will be approached in a prudent manner. At the initial stage, our target customers will be the PDI centres of the car manufacturers focusing on the marketing and sales of Smart Fit leather car seat covers. We will recruit local sales employees to explore business opportunities with local PDI customers, while our Malaysian personnel will provide the necessary training and knowledge transfer to the local technical operations team. We plan to recruit six (6) headcounts to commence our operations in Thailand consisting of one (1) Sales Manager, one (1) Sales Executive, two (2) R&D Executives for templates and patterns making, one (1) Installer and one (1) Quality Assurance personnel. We also plan to install two (2) sewing machines and one (1) perforation machine at the said Thailand sales office cum support centre.

Our Smart Fit leather car seat covers will be displayed in our showroom and our R&D team will be responsible to support the development of the patterns and templates upon receipt of orders from customers. We may further explore the feasibility and viability of establishing a local manufacturing plant in Thailand to support the Tier 1 car seat manufacturers in the OEM segment depending on the reception and performance of Thailand entity.

We intend to utilise RM1.50 million of the Public Issue proceeds for the expansion of our market presence in Thailand as detailed in Section 2.7(f) of this Prospectus which will be recorded as an advance from Pecca. The aforementioned RM1.50 million advance represents approximately 1.0% of the proforma consolidate NTA of Pecca upon Listing of RM150.66 million which is less than 5% proforma consolidate NTA of Pecca upon Listing to be considered as the provision of financial assistance in accordance with the Listing Requirements.

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5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Particulars and Shareholdings of Promoters and Substantial Shareholders

The details of the Promoters and substantial shareholders of our Company and their respective shareholdings in our Company before and after the IPO are as follows:-

Name	Country of Incorporation/ Nationality	^(a) No. of Shares Held in Pecca Before the IPO				^(b) No. of Shares Held in Pecca After the IPO			
		Direct	%	Indirect	%	Direct	%	Indirect	%
Promoters and Substantial Shareholders									
MRZ	Malaysia	120,822,420	86.18	-	-	85,692,420	45.58	-	-
Datuk Teoh Hwa Cheng	Malaysian	18,367,853	13.10	^(c) 120,822,420	86.18	10,167,853	5.41	^(d) 85,692,420	45.58
Datin Sam Yin Thing	Malaysian	24,002	0.02	^(c) 120,822,420	86.18	24,002	0.01	^(d) 85,692,420	45.58

Notes:-

- Based on the issued and paid-up share capital of 140,204,000 Shares after the Dividend Payment, Subdivision, Allotment and Acquisitions.
- Based on the enlarged issued and paid-up share capital of 188,000,000 Shares after the Public Issue.
- Deemed interested by virtue of his substantial shareholding in MRZ pursuant to Section 6A of the Act.
- Deemed interested by virtue of her substantial shareholding in MRZ pursuant to section 6A of the Act.

Save for the foregoing, we are not aware of any other person who directly or indirectly, jointly or severally, has significant influence over us.

5.1.2 Profiles of Promoters and Substantial Shareholders

The profiles of our Promoters and substantial shareholders, MRZ, Datuk Teoh Hwa Cheng and Datin Sam Yin Thing are as set out below:-

(a) MRZ

(i) Background and History

MRZ was incorporated in Malaysia under the Act as a private company on 29 July 2003 under the name of Miroza Holdings Sdn Bhd. On 6 September 2004, it changed and assumed its present name.

The principal activity of MRZ is investment holding in private equity and is solely to invest in Pecca. As at the LPD, MRZ is a substantial shareholder of Pecca.

(ii) Share Capital

As at the LPD, the authorised share capital of MRZ is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which 3,000,001 ordinary shares of RM1.00 have been issued and fully paid-up.

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

(iii) Directors and Shareholders

As at the LPD, the Directors and shareholders of MRZ are as follows:-

Name	Nationality	Direct		Indirect	
		No of Ordinary Shares of RM1.00 Each	%	No of Ordinary Shares of RM1.00 Each	%
<u>Directors and shareholders</u>					
Datuk Teoh Hwa Cheng	Malaysian	2,330,000	77.67	-	-
Datin Sam Yin Thing	Malaysian	670,000	22.33	-	-
Tan Soo Hiok	Malaysian	1	#	-	-

Note:-

Insignificant.

- (b) **Datuk Teoh Hwa Cheng**, aged 48, a Malaysian, is the Group Managing Director and founder of our Pecca Group. He was appointed to the Board of Pecca on 27 July 2010. He brings with him more than 25 years of experience in the leather goods industry. He completed his primary school studies in 1982 and started to gain working experience through various jobs from being an apprentice in an aluminium manufacturing company to being sales person in small leather goods comprising wallets, purses, belts and other leather products ("**Small Leather Goods**") trading companies until 1987, when he set up a trading business in Small Leather Goods products. After gaining the exposure in managing his own Small Leather Goods trading business and to grow further upstream in the leather business, he ceased his trading business and managed a small scale manufacturing operations in Bangkok, Thailand, producing Small Leather Goods in 1989. With the intention to relocate back to Malaysia, in 1993, he ceased his manufacturing operations in Thailand and established Omicrast Manufacturers Sdn Bhd, a Small Leather Goods manufacturing operations in Perlis who was the contract supplier to Miroza Leather (M) Sdn Bhd. He managed Omicrast Manufacturers Sdn Bhd from 1993 until he ceased the said manufacturing operations in 2000. He established both MRZ Car Seats Sdn Bhd and PLeather in the same year in 2000 in order to expand into the automotive industry. Since then, he focused his time and energy in the automotive leather upholstery industry. He was instrumental in our continuous expansion in the leather seat covers business, both locally and internationally and steering our Pecca Group to its current status.

He is responsible for leading the overall strategic planning and the charting of long term objectives of our Pecca Group.

He also sits on the board of several private companies.

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

(c) **Datin Sam Yin Thing**, aged 45, a Malaysian, is the Executive Director of Pecca. She was appointed to the Board on 31 October 2011. She started working after she completed her lower secondary school studies in 1985, where she gained experience working as a general and administrative clerk and subsequently in the supervisory positions responsible for administrative functions in a few trading companies until 1989. From 1989 to 1993, she worked as the Administrative Manager in Datuk Teoh Cheng Hwa's small scale operations in Bangkok, Thailand, producing small leather goods. She joined Omicrast Manufacturers Sdn Bhd in 1993 (the contract supplier of small leather goods to Miroza Leather (M) Sdn Bhd since 1993) as the Administrative Manager until she left in 1997 to join Miroza Leather (M) Sdn Bhd (presently a subsidiary of MESB Berhad which is listed on the Main Market of Bursa Securities) as the Purchasing Manager. Miroza Leather (M) Sdn Bhd is a company specialising in the distribution of small leather goods for internationally renowned brands such as Pierre Cardin, Pierre Balmain and Alain Delon under exclusive licensing as well as its own house brands, namely Giossardi. She left Miroza Leather (M) Sdn Bhd in 2007 and joined PLeather as the Administrative Manager in the same year where she is involved in the general administrative functions of the company. She is currently responsible for overseeing the purchasing functions of our Pecca Group, especially those in relation to vendor development for raw materials. These include leather and PVC raw materials, where she has extensive knowledge from her involvement in the leather industry for the past 20 years.

She also sits on the board of several private companies.

5.1.3 Significant Changes in the Promoters' and Substantial Shareholders' Shareholdings in Our Company

Save as disclosed below, there are no other significant changes in the shareholdings of our Promoters and substantial shareholders in our Company for the past three (3) years preceding the LPD:-

Promoters/ Substantial Shareholders	Date	No. of Shares		Balance Held				Reason for Change
		Allotment/ Acquisition	Transfer/ Disposal	Direct		Indirect		
				No. of Shares	%	No. of Shares	%	
Datin Sam Yin Thing	03.06.2014	-	1	1	50.00	-	-	Transfer
Datuk Teoh Hwa Cheng	16.11.2015	1	-	2	50.00	-	-	Subdivision
Datin Sam Yin Thing	16.11.2015	1	-	2	50.00	-	-	Subdivision
Datuk Teoh Hwa Cheng	17.11.2015	1	-	3	50.00	-	-	Allotment
Chong Swee Main	17.11.2015	1	-	1	16.67	-	-	Allotment
MRZ	01.12.2015	120,822,420	-	120,822,420	86.18	-	-	Acquisition of PLeather
Datuk Teoh Hwa Cheng	01.12.2015/ 01.12.2015	18,367,850	-	18,367,853	13.10	120,822,420	86.18	Acquisition of PLeather and Acquisition of PAviation
Datin Sam Yin Thing	01.12.2015	24,000	-	24,002	0.02	120,822,420	86.18	Acquisition of PAviation

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

5.2 DIRECTORS

5.2.1 Particulars and Shareholdings of Directors

The details of the Directors of our Company and their respective shareholdings in our Company before and after the IPO are as follows:-

Name	Designation	^(a) No. of Shares Held Before the IPO				^(b) No. of Shares Held After the IPO			
		Direct	%	Indirect	%	Direct	%	Indirect	%
Dato' Mohamed Suffian bin Awang	Independent Non-Executive Chairman	-	-	-	-	^(c) 100,000	0.05	-	-
Datuk Teoh Hwa Cheng	Group Managing Director	18,367,853	13.10	^(d) 120,822,420	86.18	10,167,853	5.41	^(d) 85,692,420	45.58
Datin Sam Yin Thing	Executive Director	24,002	0.02	^(e) 120,822,420	86.18	24,002	0.01	^(e) 85,692,420	45.58
Tan Jin Sun	Executive Director	-	-	-	-	^(c) 450,000	0.24	-	-
Sam Chee Keng	Executive Director	-	-	-	-	^(c) 550,000	0.29	-	-
Dato' Dr Norraesah binti Haji Mohamad	Independent Non-Executive Director	-	-	-	-	^(c) 100,000	0.05	-	-
Leong Kam Weng	Independent Non-Executive Director	-	-	-	-	^(c) 100,000	0.05	-	-

Notes:-

- Based on the issued and paid-up share capital of 140,204,000 Shares after the Dividend Payment, Subdivision, Allotment and Acquisitions.
- Based on the enlarged issued and paid-up share capital of 188,000,000 Shares after the Public Issue.
- Includes their entitlements for the Pink Form Shares.
- Deemed interested by virtue of his substantial shareholding in MRZ pursuant to Section 6A of the Act.
- Deemed interested by virtue of her substantial shareholding in MRZ pursuant to section 6A of the Act.

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5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT (Cont'd)**5.2.2 Profile of Directors**

Save for the profile of Datuk Teoh Hwa Cheng and Datin Sam Yin Thing which are set out in Section 5.1.2 of this Prospectus, the profiles of the other Directors are as follows:-

- (a) **Dato' Mohamed Suffian bin Awang**, aged 45, a Malaysian, was appointed as the Independent Non-Executive Director of Pecca on 3 December 2014. Subsequently, he was re-designated as the Independent Non-Executive Chairman on 4 February 2015. He obtained his Diploma in Public Administration and Bachelor of Law Degree from Universiti Teknologi Mara Shah Alam in 1992 and 1996 respectively. Upon completing his chambering, he joined Messrs Malek & Associates in 1996. After 4 years, he left Malek & Associates to join Messrs Mohd Mohtar & Co as a partner in 2000. He ceased legal practice in April 2010. He was appointed as Political Secretary to YAB Prime Minister of Malaysia and assumed his office in Putrajaya from 2010 to 2013. Presently, he is attached to Perumahan Rakyat 1 Malaysia (Pr1ma) as Vice President of the Chairman's Office, which he assumed since 2014. He is responsible to liaise between the management of Pr1ma and the Government to build and manage relationships with relevant stakeholders, key legislators and regulators in ensuring Pr1ma's needs and requirements are met, and to manage the co-ordination of Chairman's corporate activities in relation to Pr1ma's event and activities. Further, he is involved in the preparation and development of proposals involving special projects initiated by the Government Ministries and State Regulators for the Chairman's office. He is also the Independent Non-Executive Director of Felda Global Ventures Holdings Berhad.

He sits on the board of several private limited companies.

- (b) **Tan Jin Sun**, aged 47, a Malaysian, was appointed as the Executive Director of Pecca on 3 December 2014. He is also the Chief Executive Officer of PLeather. He obtained his Associate membership of the Chartered Institute of Management Accountants (CIMA) in 1996 and was admitted as the Chartered Accountant with the Malaysian Institute of Accountants in the same year.

He started his career in 1992 as an Accounts Executive with Zenmax Sdn Bhd, a gold jewellery manufacturing company before leaving the company in 1993 to join Eden Enterprise (M) Sdn Bhd, a restaurant chain operator in Penang as the Account Officer the same year. He was transferred to Eden Ferringhi Resort Sdn Bhd, which is involved in property development and promoted to the position of Accountant for the company in 1994. He left Eden Ferringhi Resort Sdn Bhd in 1996 and joined Law Consulting Services in the same year as Consulting Partner specialising in the area of accounting and management consulting services before leaving in 1997. In the same year in 1997, he joined Tagsteel Industries Sdn Bhd, a copper flake manufacturing company as the Group Finance Manager until he left in 2001. He joined Boon Koon Vehicles Industries Sdn Bhd as Finance Manager in 2001 and was promoted to the position of Group Financial Controller in April 2002 and later to Group General Manager in October 2002.

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

He was extensively involved in the listing of the Boon Koon Group Berhad as he was fully involved in the financial and operational restructuring of the company, the selection and appointment of the working group, coordinating and liaising with the advisers and professionals involved in the listing exercise and preparation of the documentations for the listing applications to the relevant authorities. Boon Koon Group Berhad was successfully listed in 2004 and in the same year, he was promoted and assumed the position as the Group Chief Operating Officer before he left at the end of 2008. He joined LCL Group Berhad, an interior fit-out company in 2009 as the Group Chief Operating Officer and left in the same year in 2009 to assume the position as a Corporate Consultant in IAG Glove Technology Sdn Bhd, a newly set-up company venturing into the nitrile glove business in 2010. He advised and provided assistance to the company on matters relating to their dealings with venture capitalists and investors, financing of projects, cash flow management and preparation of documentations for presentation to the investors. He left in 2011 and joined Spirit Aerosystem (M) Sdn Bhd, an aero-structure company in May 2011 as the Finance Controller before he left in July 2011 to join PLeather as Chief Financial Officer in the same year. He was subsequently promoted to his present position as the Chief Executive Officer of PLeather in 2012 and is responsible to ensure the development of business operations that are efficient and effective, and proper management of organisation resources for the implementation of business strategies to achieve long term financial objectives to sustain the business of the Pecca Group.

- (c) **Sam Chee Keng**, aged 37, a Malaysian, was appointed as the Executive Director of Pecca on 3 December 2014. He is also the Executive Director of PLeather. He stopped schooling in 1996 after he completed his secondary 3 and started his career at Car Centre Cushion as a seat cover apprentice until 1997. He joined KK Best Leather Seat Sdn Bhd in 1997 as the Head of the R&D Department and was mainly responsible for the development of templates for leather seat covers. He left KK Best Leather Seat Sdn Bhd in 2000 to join PLeather and was appointed as an Executive Director. He was one of the pioneers in the R&D Department and was responsible for the preparation of pattern templates for seat covers, as well as the successful invention of the Smart Fit and Quick Fit seat cover products.
- (d) **Dato' Dr Norraesah binti Haji Mohamad**, aged 68, a Malaysian, is our Independent Non-Executive Director. She was appointed to our Board on 30 July 2015. She graduated with a Bachelor of Arts (Hons) Economics from University of Malaya in 1972. In 1982, she obtained her Masters in International Economics Relations from International Institute of Public Administration, France and Masters in International Economics and Finance from University of Paris I, Pantheon-Sorbonne, France. She further obtained a PhD (Economics Science) International Economics and International Finance from University of Paris I, Pantheon-Sorbonne, France in 1986.

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

She has over forty three (43) years of working experience in the field of banking, finance, investment, international trade and commerce. She was with the Government of Malaysia from 1972 to 1988, serving the Ministry of Trade and Industry and the Ministry of Finance. In 1988, she left the public sector to join the private sector, starting with ESSO Production Malaysia Inc. She later assumed the position of Managing Director with Ishak Hamid and Associates Sdn Bhd, a consulting firm which provides financial and investment advisory services where she served from 1990 to 1992. She was later appointed as the Chief Representative of Credit Lyonnais Bank in Malaysia in 1991, a position she held until 1998. She was the Chairman of Bank Kerjasama Rakyat Malaysia from 2000 to 2003.

She is currently the Chairman of the World Islamic Businesswomen Network of the World Islamic Economic Forum ("**WIEF**") and sits on its Board of Trustees and is a member of the International Advisory Panel.

She was also a member of UMNO Supreme Council from 2000 to 2013. She was appointed as a Senator in 2005 and held the position until 2008.

She sits on the Board of Directors of My E.G. Services Berhad since 2006, where she holds the position of Executive Chairman. She also sits on the Board of Directors of Adventa Berhad, Malaysian Genomics Resource Centre Berhad and Utusan Melayu (Malaysia) Berhad, all of which are listed on Bursa Malaysia Securities Berhad. She also sits on the Board of Directors of several private limited companies.

- (e) **Leong Kam Weng**, aged 52, a Malaysian, is our Independent Non-Executive Director. He was appointed to our Board on 11 September 2014. He graduated with a Bachelor of Economics Degree in 1986 and a Bachelor of Law Degree in 1988, both from Monash University, Australia. He was admitted as a member of CPA Australia in 1988, advanced to the status of a Certified Practising Accountant of CPA Australia in 2003 and then further advanced to become a Fellow of CPA Australia in 2013. He is also a Chartered Accountant of the Malaysian Institute of Accountants since 2004. He is also a certified mediator on the panel of the Malaysian Mediation Centre since 2007. He was called to the Malaysian Bar in 1989 and was in legal practice for three (3) years, after which he joined TA Enterprise Berhad in 1992.

In February 1992, he joined TA Enterprise Berhad as the Group Legal Manager until 1995. He was the Vice President of International Division of TA Enterprise Berhad from November 1993 to October 1995. Between November 1995 and February 1997, he held the position of General Manager cum Director of Credit Leasing Corporation Sdn Bhd. He also held the post of Executive Director of TA Bank of Philippines, Inc from March 1997 to June 1998. During this period, he was also the Executive Director of TA Securities (Phil) Inc and TA Property Development Inc, the posts which he held in concurrence with the role in TA Bank of Philippines. He returned to Malaysia in 1998 upon being promoted to the position of Chief Executive Officer of TA Securities Berhad, the flagship company of the TA Group, where he served from June 1998 to July 1999. During his tenure with the TA Group, he was also appointed as a Director of various subsidiaries of the TA Group.

At the TA Group, he was involved in identifying and negotiating investment opportunities and acquisitions in the Asia-Pacific region including Hong Kong, Indonesia, the Philippines, Sri Lanka, India, Australia, Canada and South Africa.

Since 1999, he has been a Partner of the law firm, Messrs Iza Ng Yeoh & Kit.

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

He sits on the Board of Directors, Audit Committee, Nomination Committee and Remuneration Committee of TA Enterprise Berhad and TA Global Berhad, which are listed on Bursa Securities. He also sits on the Board of Directors of Xin Hwa Holdings Berhad, which is listed on Bursa Securities.

He is also a director of several non-listed public companies namely, Asian Outreach (M) Berhad, Pusat Penyayang KSKA and Tokio Marine Life Insurance Malaysia Berhad.

5.2.3 Directors' Remuneration and Benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to the Directors of our Company for services rendered in all capacities to our Group for the FYE 2015 and FYE 2016 are set out below in bands of RM50,000:-

	FYE 2015			Proposed for FYE 2016		
	Remuneration Band (RM)			Remuneration Band (RM)		
Dato' Mohamed Suffian bin Awang	50,000	-	100,000	50,000	-	100,000
Datuk Teoh Hwa Cheng	550,000	-	600,000	550,000	-	600,000
Datin Sam Yin Thing	200,000	-	250,000	200,000	-	250,000
Tan Jin Sun	350,000	-	400,000	350,000	-	400,000
Sam Chee Keng	300,000	-	350,000	300,000	-	350,000
Dato' Dr Norraesah binti Haji Mohamad	50,000	-	100,000	50,000	-	100,000
Leong Kam Weng	50,000	-	100,000	50,000	-	100,000

Save as disclosed above and in Sections 2.3.1(b), 5.2.1 and 5.8 of this Prospectus, there are no other amounts/ benefits paid or intended to be paid or given to any of our Company's Promoters, substantial shareholders and/or Directors, within the two (2) years preceding the date of this Prospectus.

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

5.2.4 Principal Directorships in Other Corporations for the Past Five (5) Years and Principal Business Activities Performed Outside Our Group

Save as disclosed below, our Directors do not have any principal directorship or any principal business activities performed outside our Group in other corporations for the past five (5) years prior to the LPD.

(a) Dato' Mohamed Suffian bin Awang

No.	Company	Position	Principal Activities
<u>Current Directorships and Shareholdings</u>			
1.	Strands Engineering Sdn Bhd	Director and shareholder	Engineering services, electrical wiring and fittings, wholesale of a variety of goods without any particular specialisation N.E.C.
2.	Wawasan Fajar Suria Sdn Bhd	Director and shareholder	Construction
<u>Current Directorships</u>			
1.	Asas Watan Sdn Bhd	Director	Plantation
2.	Felda Global Ventures Holdings Berhad	Director	Investment holding company with investments primarily in oil palm plantation and its related downstream activities, sugar refining, manufacturing, logistics and others
3.	Koperasi Permodalan Sukarelawan Kuala Lumpur Berhad (KOPSUKA Co-operative)	Director	Co-operative
4.	Perbadanan Nasional Berhad	Director	Investment holding in properties, equities, money markets and funds
<u>Current Shareholdings</u>			
1.	Emerging Network Sdn Bhd	Shareholder (Resigned as Director on 30.03.2015)	Information technology general trading
2.	Natural Batik Village Sdn Bhd	Shareholder	Wholesale and distributing of batik apparels, souvenir items and accessories. Manufacturing of batik textiles
<u>Past Directorships and Shareholdings</u>			
1.	Lestari Sinaria Sdn Bhd	Director and shareholder	Dissolved on 08.08.2011
2.	Spektra Kembara Sdn Bhd	Director and shareholder	Dissolved on 08.08.2011
3.	Riess Jaya Sdn Bhd	Director and shareholder	Dissolved on 10.08.2011

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

No.	Company	Position	Principal Activities
<u>Past Directorships</u>			
1.	Yayasan Minda Kebangsaan	Director (Resigned on 28.12.2011)	To enhance the equitable rights among the Malaysian citizens, through the empowerment of life of the citizens in general and a person with need and disabilities in particular in the field of education and human development, to promote the enhancement of standards of child in general and the individual with special needs and disabilities in particular by supporting the establishment and management of model facilities, to be a centre of excellence the special need in the fields of education and human development of individuals with special needs and disability
2.	Bukit Mengapur Sdn Bhd	Director (Resigned on 28.10.2015)	Dormant since its incorporation on 11.02.2011 (intended business is the investment holdings of mining and resources related businesses)
3.	Kenanga Mahir Sdn Bhd	Director	Dissolved on 06.05.2014
<u>Past Shareholdings</u>			
1.	MY Gemilang Sdn Bhd	Shareholder (Ceased to be a shareholder in 2015)	Developer, camp training, general trading.

(b) Datuk Teoh Hwa Cheng

No.	Company	Position	Principal Activities
<u>Current Directorships and Shareholdings</u>			
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)

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

No.	Company	Position	Principal Activities
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
<u>Current Directorships</u>			
1.	Tint Auto Marketing Sdn Bhd	Director	Trading in all kinds of car windscreen tint, spare parts and car accessories
<u>Current Shareholdings</u>			
1.	Golden Regal Restaurant Sdn Bhd	Shareholder	Restaurant operator
<u>Past Directorships and Shareholdings</u>			
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 Chiam Boon Chong on 05.03.2015 respectively)
2.	Omicrast Manufacturers Sdn Bhd	Director and shareholder	Dormant since March 2000 (previously involved in the manufacturing of small leather goods - resigned as Director and disposed off to Chiam Boon Chong 23.03.2015 respectively)
3.	Pecca World Sdn Bhd	Director and shareholder	Dormant since its incorporation on 06.08.2010 - struck off on 19.03.2015
4.	Weber Resources Sdn Bhd	Director and shareholder	Dissolved on 07.02.2014
<u>Past Directorships</u>			
1.	Fortson Sdn Bhd	Director (Resigned on 15.09.2011)	Property developer
2.	Regamaz Sdn Bhd	Director (Resigned on 03.07.2012)	Retail and wholesale of car accessories
3.	Jaya Mapan Sdn Bhd	Director (Resigned on 12.12.2012)	Carry on the business activities as properties developer
4.	THC Auto	Director (Resigned on 19.03.2015)	Trading and installing of motor vehicle spare parts and accessories, and providing related services
5.	Pulangan Elit Sdn Bhd	Director (Resigned on 04.04.2011)	Dormant since its incorporation on 22.07.2004 (intended business is in property investment and development)

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
<u>Past Shareholdings</u>			
1.	Dyninvest 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
<u>Current Directorships and Shareholdings</u>			
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)
<u>Current Directorships</u>			
1.	Tint Auto Marketing Sdn Bhd	Director	Trading in all kinds of car windscreen tint, spare parts and car accessories
<u>Past Directorships and Shareholdings</u>			
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 <i>(Resigned as Director and ceased to be a shareholder on 23.03.2015 respectively)</i>	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
<u>Past Directorships</u>			
1.	Regamaz Sdn Bhd	Director <i>(Resigned on 03.07.2012)</i>	Retail and wholesale of car accessories
2.	THC Auto	Director <i>(Resigned on 19.03.2015)</i>	Trading and installing of motor vehicle spare parts and accessories, and providing related services
3.	Exotic Ratio Sdn Bhd	Director <i>(Resigned on 05.03.2015)</i>	Dormant since May 2009 (previously involved in the trading of windscreen tint for cars)
4.	THC Venture	Director <i>(Resigned on 05.03.2015)</i>	Dormant since July 2013 (previously involved in the development of car seats business in Japan)

(d) Tan Jin Sun

No.	Company	Position	Principal Activities
<u>Past Directorships</u>			
1.	THC LHoldings	Director <i>(Resigned on 18.06.2013)</i>	Investment holding in properties

(e) Sam Chee Keng

No.	Company	Position	Principal Activities
<u>Current 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>Current Shareholdings</u>			
1.	Jaya Mapan Sdn Bhd	Shareholder <i>(Resigned as Director on 11.03.2013)</i>	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
<u>Current Directorships</u>			
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	<p>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.</p> <p>To provide platform to identify and promote investments in the Organisation of Islamic Cooperation countries and muslim communities worldwide.</p> <p>To establish a trust fund and to undertake activities for promoting scholarships, internship, international exchange programmes, sharing of knowledge and other business development activities</p>

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)
<u>Current Shareholdings</u>			
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)
<u>Past Directorships and Shareholdings</u>			
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
<u>Past Directorships</u>			
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
<u>Past Shareholdings</u>			
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
<u>Current Directorships and Shareholdings</u>			
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
<u>Current Directorships</u>			
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.	Fron 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. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT (Cont'd)

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

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

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

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

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 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.

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

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

- (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.

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

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 Karuppattan**, 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.

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

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

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

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
<u>Directorships and Shareholdings</u>			
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
<u>Directorships</u>			
1.	Tint Auto Marketing Sdn Bhd	Director	Trading in all kinds of car windscreen tint, spare parts and car accessories
<u>Shareholdings</u>			
1.	Golden Regal Restaurant Sdn Bhd	Shareholder	Restaurant operator

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

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
<u>Directorships and Shareholdings</u>			
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)
<u>Directorships</u>			
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)
<u>Directorships</u>			
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

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

- (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 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
- Disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation; or
- Charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- 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
- 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.

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

- (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:-

Category of Employees	Number 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

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

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
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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

5. INFORMATION ON PROMOTERS/ SUBSTANTIAL SHAREHOLDERS/ DIRECTORS AND KEY MANAGEMENT (Cont'd)
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
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • ISO/ TS 16949:2009 • Management Review 	ISO Experts	Management, Executives and Non-executives
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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

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

Training in Year 2015

Course Title	Training Provider/ Organiser	Category of Attendees
<ul style="list-style-type: none"> Setting Key Performance Indicators (KPI) 	Argi Management Consultants	Management, Managers and Executives
<ul style="list-style-type: none"> ISO/TS 16949 : 2009 Automotive Quality Management System 	ISO Experts	Managers, Executives and Non-Executive
<ul style="list-style-type: none"> 7 QC Tools 	SQC Consulting Group	Managers, Executives and Non-Executives
<ul style="list-style-type: none"> Supervisory Skills 	Trend Training Network	Managers, Executives and Non-Executives
<ul style="list-style-type: none"> ISO 14001 : 2004 Environmental Management System OHSAS 18001 : 2007 Occupational Health & Safety 	Gloteq Resources Sdn Bhd	Managers, Executives and Non-Executive
<ul style="list-style-type: none"> Simatic S7-300 Service Basic 	Siemens Malaysia Sdn Bhd	Executives
<ul style="list-style-type: none"> Scheduled Waste Management 	Air Waste Water Management Sdn Bhd	Managers
<ul style="list-style-type: none"> Ceramah Pencegahan Kebakaran & Demonstrasi Penggunaan Alat Pemadam Kebakaran 	Jabatan Bomba, Sungai Buloh	Executives and Non-Executives
<ul style="list-style-type: none"> Microsoft Office Excel - Foundation 	OSI Technology	Managers, Executives and Non-Executives
<ul style="list-style-type: none"> Malaysian Employment Act 	Knowledge	Executives
<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Microsoft Office Excel - Foundation 	OSI Technology	Managers, Executives and Non-Executives

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

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	%
<u>Promoters</u>				
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
<u>Shareholder</u>				
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 3 rd 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. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

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 Datin Sam Yin Thing	Promoter, Director and substantial shareholder	Director and substantial shareholder	Sales of REM automotive seat cover by PLeather to MRZ Car Seat Sdn Bhd 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)	1,546	2,518	2,765	1,610	-	-
3.	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	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 (b) Provision of management and accounting services by PLeather to Coöperatie Leder Inbouw Nederland U.A 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)(ii)}	5,823	4,499	5,213	4,040	2,172	^{(a)(iv)} 2,976
						-	-	19	-	-	-

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) (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)	7,197	4,796	1,229	-	-	-
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)(f)} (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	-	-	-	⁽⁶⁾ 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 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 PLeather. Please refer to Sections 4.2(d)(ii) and 13.5(f) of this Prospectus for further details	-	-	-	(c) 70,042	-	-
14.	Datuk Teoh Hwa Cheng and Datin Sam Yin Thing	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	Acquisition of PAviation. Please refer to Sections 4.2(d)(iii) and 13.5(g) of this Prospectus for further details	-	-	-	(c) 60	-	-
15.	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 5% membership interest held in Coöperatie Leder Inbouw Nederland U.A by THC LHoldings to PLeather (a)(ii)	-	-	-	(a)(iii) 102	-	-

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 Datin Sam Yin Thing Syed Mohammad Hafiz bin Syed Razlan	Promoter, Director and substantial shareholder Promoter, Director and substantial shareholder Director of PLeather, shareholder and key management personnel	Director and substantial shareholder Director and substantial shareholder Director	Interest income for advances granted by PLeather to Tint Auto (M) Sdn Bhd	-	-	107	67	-	-

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

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

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.

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

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. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**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 Datin Sam Yin Thing Syed Mohammad Hafiz bin Syed Razlan	Promoter, Director and substantial shareholder Promoter, Director and substantial shareholder Director of PLeather and key management personnel	Director and substantial shareholder Director and substantial shareholder Director and substantial shareholder	Advances made by PLeather to Tint Auto Marketing Sdn Bhd for working capital purposes	-	79	-	-	-	-
2.	MRZ	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	Advances made by PLeather to MRZ for working capital purposes The advances were unsecured, interest-free and do not have a fixed term of repayment	9,001	6,380	-	-	-	-

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

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)



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Member Crowe Horwath International

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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 Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bharu • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan

8. FINANCIAL INFORMATION (Cont'd)

*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.

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8. FINANCIAL INFORMATION (Cont'd)



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

A handwritten signature in black ink, consisting of a large, sweeping initial 'C' followed by a smaller, more detailed signature.

Crowe Horwath
Firm No : AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing as a stylized 'J' or 'W' with a circular flourish at the bottom.

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

Kuala Lumpur

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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

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)

8. FINANCIAL INFORMATION (Cont'd)

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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****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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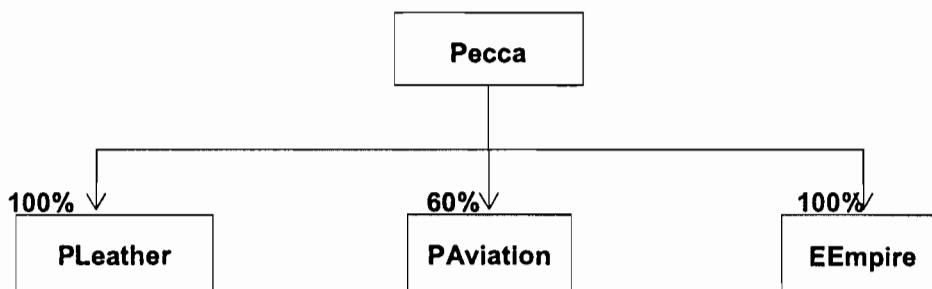
PECCA GROUP BERHAD AND ITS SUBSIDIARIES

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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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.

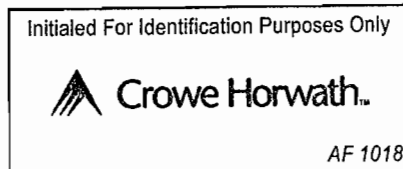
(c) Changes In Ownership Interests In Subsidiaries Without Change of Control

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.

8. FINANCIAL INFORMATION (Cont'd)**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)****2.2 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.

8. FINANCIAL INFORMATION (Cont'd)

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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)****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
	<hr/> 76,082
Less: Nominal value of shares acquired in:	
- PLeather	(9,200)
- EEmpire	(6,000)
- PAviation	(60)
	<hr/> (9,260)
Merger deficit	<hr/> 60,822 <hr/>

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.

8. FINANCIAL INFORMATION (Cont'd)

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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)****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
	<hr/>
Adjusted audited NTA of PLeather as at 30 June 2014	70,043
	<hr/>

8. FINANCIAL INFORMATION (Cont'd)

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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)

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.

8. FINANCIAL INFORMATION (Cont'd)

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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)****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.

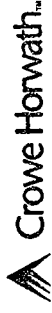
The Public Issue and Offer for Sale are collectively referred to as the "IPO".

(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.

8. FINANCIAL INFORMATION (Cont'd)

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APPENDIX A

PECCA GROUP BERHAD AND ITS SUBSIDIARIES

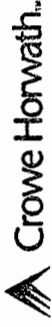
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015 (CONT'D)

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

	Audited As at 30 November 2015 RM'000	Statements of Financial Position of		Acquisition Adjustments RM'000	Pro Forma I After Acquisitions RM'000	Public Issue RM'000	After Public Issue RM'000	Utilisation of IPO Proceeds RM'000	Pro Forma II After Pro Forma I, Public Issue and Utilisation of IPO Proceeds RM'000
		PLeather RM'000	PAViation 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)	-	-	-	-	-
Fixed deposits with licensed banks	-	15,338	-	-	15,338	-	15,338	-	15,338
Cash and bank balances	100	21,004	42	-	21,147	67,870	89,017	(39,113)	49,904
TOTAL CURRENT ASSETS	100	80,195	82	-	80,378	-	148,248	-	109,135
TOTAL ASSETS	100	121,914	170	-	130,526	-	198,396	-	176,583
EQUITY AND LIABILITIES									
EQUITY									
Share capital	#	9,200	100	6,000	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)	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

8. FINANCIAL INFORMATION (Cont'd)

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

8. FINANCIAL INFORMATION (Cont'd)

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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 RM'000	Statements of Financial Position of		Acquisition Adjustments RM'000	Pro Forma I After Acquisitions RM'000	Public Issue RM'000	After Public Issue RM'000	Utilisation of IPO Proceeds RM'000	Pro Forma II After Pro Forma I, Public Issue and Utilisation of IPO Proceeds RM'000
		PLeather RM'000	PAviation 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)

8. FINANCIAL INFORMATION (Cont'd)

Initialed For Identification Purposes Only



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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 24 months	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

8. FINANCIAL INFORMATION (Cont'd)

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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. FINANCIAL INFORMATION (Cont'd)**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.

8. FINANCIAL INFORMATION (Cont'd)

- (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		
<u>Short-term indebtedness</u>		
<i>Secured:-</i>		
- Trade facilities	5,000	-
- Hire purchase liabilities	18	-
- Term loans	1,346	-
Total short-term indebtedness	6,364	-
<u>Long-term indebtedness</u>		
<i>Secured:-</i>		
- 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. FINANCIAL INFORMATION (Cont'd)

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. |

8. FINANCIAL INFORMATION (Cont'd)

- (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%.

8. FINANCIAL INFORMATION (Cont'd)

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. FINANCIAL INFORMATION (Cont'd)

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 to 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. FINANCIAL INFORMATION (Cont'd)

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. FINANCIAL INFORMATION (Cont'd)**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

8. FINANCIAL INFORMATION (Cont'd)

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. FINANCIAL INFORMATION (Cont'd)**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

8. FINANCIAL INFORMATION (Cont'd)

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
<u>Export market</u>												
- 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. FINANCIAL INFORMATION (Cont'd)

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.

8. FINANCIAL INFORMATION (Cont'd)

- (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.

8. FINANCIAL INFORMATION (Cont'd)

(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.

8. FINANCIAL INFORMATION (Cont'd)

(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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8. FINANCIAL INFORMATION (Cont'd)

- (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 involvement 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.

8. FINANCIAL INFORMATION (Cont'd)

- (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.

8. FINANCIAL INFORMATION (Cont'd)**(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.

8. FINANCIAL INFORMATION (Cont'd)

- (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

8. FINANCIAL INFORMATION (Cont'd)

- (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.

8. FINANCIAL INFORMATION (Cont'd)

(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;

8. FINANCIAL INFORMATION (Cont'd)

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	%
Raw Materials												
- 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:-

- Raw materials;
- Labour;
- Production overheads; and
- Installation charges.

8. FINANCIAL INFORMATION (Cont'd)**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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8. FINANCIAL INFORMATION (Cont'd)**(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.

8. FINANCIAL INFORMATION (Cont'd)**(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)	<u>32.22</u>		<u>35.24</u>		<u>29.49</u>		<u>29.44</u>		<u>26.74</u>		<u>27.85</u>	

Notes:-

- PAviation only commenced business in December 2015 whereas EEmpire have not commenced business.
- Represents GP margin of PLeather and our Group.

8. FINANCIAL INFORMATION (Cont'd)**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
<u>Others</u>												
- 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	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		
<u>Others</u>								
- 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. FINANCIAL INFORMATION (Cont'd)

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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8. FINANCIAL INFORMATION (Cont'd)**(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 2015 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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8. FINANCIAL INFORMATION (Cont'd)**(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.

8. FINANCIAL INFORMATION (Cont'd)**(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;

8. FINANCIAL INFORMATION (Cont'd)

- (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. FINANCIAL INFORMATION (Cont'd)**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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8. FINANCIAL INFORMATION (Cont'd)

(ii) Administrative Expenses

Administrative 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)	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.

8. FINANCIAL INFORMATION (Cont'd)

(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.

8. FINANCIAL INFORMATION (Cont'd)

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.

8. FINANCIAL INFORMATION (Cont'd)**(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

8. FINANCIAL INFORMATION (Cont'd)

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. FINANCIAL INFORMATION (Cont'd)

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.

8. FINANCIAL INFORMATION (Cont'd)**(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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8. FINANCIAL INFORMATION (Cont'd)

(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.

8. FINANCIAL INFORMATION (Cont'd)

(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. FINANCIAL INFORMATION (Cont'd)**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
	<u>10,970</u>
Less: Pledged deposit	<u>(4,877)</u>
	<u><u>6,093</u></u>

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.

8. FINANCIAL INFORMATION (Cont'd)**(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
	<u>11,460</u>
Less: Pledged deposit	(3,218)
	<u>8,242</u>

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.

8. FINANCIAL INFORMATION (Cont'd)**(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
	<u>20,056</u>
Less: Pledged deposit	(2,237)
	<u>17,819</u>

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8. FINANCIAL INFORMATION (Cont'd)

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

8. FINANCIAL INFORMATION (Cont'd)

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
	<u>22,076</u>
Less: Pledged deposit	<u>(2,307)</u>
	<u><u>19,769</u></u>

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. FINANCIAL INFORMATION (Cont'd)

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⁾	⁽ⁱⁱⁱ⁾ 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:-

- obtain the bank's prior written consent before any bonus issue is declared or made or any distribution of share capital is made.
- obtain the bank's prior written consent before any declaration and/or payment of dividend is made;

8. FINANCIAL INFORMATION (Cont'd)

- (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. FINANCIAL INFORMATION (Cont'd)**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.

8. FINANCIAL INFORMATION (Cont'd)

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. FINANCIAL INFORMATION (Cont'd)**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.

8. FINANCIAL INFORMATION (Cont'd)

- (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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8. FINANCIAL INFORMATION (Cont'd)**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	Total
	0 – 30 days	31 – 60 days	61 – 90 days	>91 days	
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. FINANCIAL INFORMATION (Cont'd)**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 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
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.

8. FINANCIAL INFORMATION (Cont'd)**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
	30.06.2012	30.06.2013	30.06.2014	30.06.2015	30.11.2014	30.11.2015
Inventory	RM'000	RM'000	RM'000	RM'000	RM'000	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.

8. FINANCIAL INFORMATION (Cont'd)

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 30.11.2014 RM'000	Audited 30.11.2015 RM'000
	30.06.2012	30.06.2013	30.06.2014	30.06.2015		
	RM'000	RM'000	RM'000	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.

8. FINANCIAL INFORMATION (Cont'd)

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. FINANCIAL INFORMATION (Cont'd)**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.

9. ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus)



14 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.

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Crowe Horwath Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bharu • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan



**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
Firm No: AF 1018
Chartered Accountants

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

Kuala Lumpur

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD**COMBINED STATEMENTS OF FINANCIAL POSITION**

		AUDITED	AUDITED	AUDITED	AUDITED	UNAUDITED	AUDITED
	Note	30.6.2012	30.6.2013	30.6.2014	30.6.2015	30.11.2014	30.11.2015
		RM'000	RM'000	RM'000	RM'000	RM'000	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		-	-	-	*	-	*
		<u>33,171</u>	<u>34,313</u>	<u>37,067</u>	<u>36,743</u>	<u>36,020</u>	<u>35,807</u>
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
		<u>50,905</u>	<u>47,479</u>	<u>59,156</u>	<u>71,979</u>	<u>69,403</u>	<u>80,378</u>
TOTAL ASSETS		<u>84,076</u>	<u>81,792</u>	<u>96,223</u>	<u>108,722</u>	<u>105,423</u>	<u>116,185</u>

* Amount less than RM1,000.

9. ACCOUNTANTS' REPORT (Cont'd)
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	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

9. ACCOUNTANTS' REPORT (Cont'd)

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

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (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
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)
		<u>5,640</u>	<u>10,540</u>	<u>14,478</u>	<u>17,863</u>	<u>5,248</u>	<u>7,153</u>
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

9. ACCOUNTANTS' REPORT (Cont'd)

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

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		AUDITED 1.7.2011 to 30.6.2012	AUDITED 1.7.2012 to 30.6.2013	AUDITED 1.7.2013 to 30.6.2014	AUDITED 1.7.2014 to 30.6.2015	UNAUDITED 1.7.2014 to 30.11.2014	AUDITED 1.7.2015 to 30.11.2015
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	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.

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (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
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	26,147

9. ACCOUNTANTS' REPORT (Cont'd)

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

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Non-distributable Share Capital RM'000	Distributable Retained Profits RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
AUDITED					
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

9. ACCOUNTANTS' REPORT (Cont'd)

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:-

<i>Pecca Group Berhad</i>	- <i>Pecca or the Company</i>
<i>Pecca Leather Sdn. Bhd.</i>	- <i>PLeather</i>
<i>Pecca Leather Aviation Services Sdn. Bhd.</i>	- <i>PAviation</i>
<i>Everest Empire Sdn. Bhd.</i>	- <i>EEmpire</i>

(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.

9. ACCOUNTANTS' REPORT (Cont'd)

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.

9. ACCOUNTANTS' REPORT (Cont'd)

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

9. ACCOUNTANTS' REPORT (Cont'd)

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.

9. ACCOUNTANTS' REPORT (Cont'd)

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.

9. ACCOUNTANTS' REPORT (Cont'd)**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.

9. ACCOUNTANTS' REPORT (Cont'd)

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.

9. ACCOUNTANTS' REPORT (Cont'd)**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.

9. ACCOUNTANTS' REPORT (Cont'd)

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.

9. ACCOUNTANTS' REPORT (Cont'd)

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.

9. ACCOUNTANTS' REPORT (Cont'd)**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.

9. ACCOUNTANTS' REPORT (Cont'd)

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 pattern 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.

9. ACCOUNTANTS' REPORT (Cont'd)

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.

9. ACCOUNTANTS' REPORT (Cont'd)**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.

9. ACCOUNTANTS' REPORT (Cont'd)**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.

9. ACCOUNTANTS' REPORT (Cont'd)

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.

9. ACCOUNTANTS' REPORT (Cont'd)**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.

9. ACCOUNTANTS' REPORT (Cont'd)**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.

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

	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 1.7.2011	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

9. ACCOUNTANTS' REPORT (Cont'd)

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

9. ACCOUNTANTS' REPORT (Cont'd)

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									
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

9. ACCOUNTANTS' REPORT (Cont'd)

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									
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

9. ACCOUNTANTS' REPORT (Cont'd)

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
	<u>3,455</u>	<u>2,731</u>	<u>1,437</u>	<u>183</u>	<u>1,153</u>	<u>135</u>

- (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	-	-	-
	<u>768</u>	<u>472</u>	<u>220</u>	<u>-</u>	<u>-</u>	<u>-</u>

9. ACCOUNTANTS' REPORT (Cont'd)

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
	<u>182</u>	<u>210</u>	<u>167</u>	<u>269</u>	<u>167</u>	<u>269</u>

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
	<u>9,533</u>	<u>9,338</u>	<u>12,771</u>	<u>20,325</u>	<u>19,267</u>	<u>17,578</u>
<u>Recognised in profit or loss:</u>						
- 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	-	-

9. ACCOUNTANTS' REPORT (Cont'd)

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)	-	-	-	-	-
	<u>19,602</u>	<u>18,425</u>	<u>22,963</u>	<u>27,221</u>	<u>22,169</u>	<u>23,236</u>

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	<u>7,568</u>	<u>5,867</u>	<u>146</u>	<u>-</u>	<u>-</u>	<u>-</u>

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
	<u>9,730</u>	<u>8,122</u>	<u>3,250</u>	<u>2,357</u>	<u>8,893</u>	<u>3,079</u>

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	<u>9,001</u>	<u>6,466</u>	<u>-</u>	<u>-</u>	<u>2,821</u>	<u>-</u>

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.

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

9. DERIVATIVE ASSETS/(LIABILITIES)

	Contract/ Notional amount		Fair Value Changes			
	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	UNAUDITED 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

9. ACCOUNTANTS' REPORT (Cont'd)**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
	<u>4,877</u>	<u>3,218</u>	<u>2,237</u>	<u>2,307</u>	<u>2,264</u>	<u>10,338</u>

9. ACCOUNTANTS' REPORT (Cont'd)

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

9. ACCOUNTANTS' REPORT (Cont'd)

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
	<u>16,118</u>	<u>14,090</u>	<u>12,362</u>	<u>11,036</u>	<u>11,882</u>	<u>10,449</u>

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
	<u>2,510</u>	<u>2,156</u>	<u>3,921</u>	<u>3,184</u>	<u>2,410</u>	<u>2,793</u>

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	<u>15</u>	<u>15</u>	<u>-</u>	<u>663</u>	<u>-</u>	<u>399</u>

The amount owing represented advances which were unsecured, interest free and repayable on demand. The amount owing was settled in cash.

9. ACCOUNTANTS' REPORT (Cont'd)

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 %
<u>Financial Liabilities</u>						
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.

9. ACCOUNTANTS' REPORT (Cont'd)
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	-
	<u>2,039</u>	<u>1,591</u>	<u>863</u>	<u>68</u>	<u>608</u>	<u>21</u>
Less : Future finance charges	(268)	(203)	(118)	(5)	(89)	(3)
Present value of hire purchase payables	<u>1,771</u>	<u>1,388</u>	<u>745</u>	<u>63</u>	<u>519</u>	<u>18</u>
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	-
	<u>1,206</u>	<u>720</u>	<u>264</u>	<u>-</u>	<u>204</u>	<u>-</u>
Current (Note 17)						
- not later than one year	565	668	481	63	315	18
	<u>1,771</u>	<u>1,388</u>	<u>745</u>	<u>63</u>	<u>519</u>	<u>18</u>

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

9. ACCOUNTANTS' REPORT (Cont'd)

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
<u>Non-Current (Note 14)</u>						
- later than one year and not later than five years	489	129	-	-	-	-
<u>Current (Note 17)</u>						
- 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	-

9. ACCOUNTANTS' REPORT (Cont'd)

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 30.6.2015 RM'000
1	144	33	5 April 2007	2,790	2,239
2	144	90	5 February 2012	8,670	7,329
3	120	1	1 May 2012	118	94
4	144	23	3 April 2012	2,860	2,590
5	120	1	1 May 2012	-	-
				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

9. ACCOUNTANTS' REPORT (Cont'd)**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

9. ACCOUNTANTS' REPORT (Cont'd)

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)

9. ACCOUNTANTS' REPORT (Cont'd)

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	-	-	-
	<u>2,045</u>	<u>1,688</u>	<u>3,781</u>	<u>5,907</u>	<u>1,771</u>	<u>2,372</u>
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)	-	-	-
	<u>279</u>	<u>396</u>	<u>534</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,324</u>	<u>2,084</u>	<u>4,315</u>	<u>5,907</u>	<u>1,771</u>	<u>2,372</u>

* Amount less than RM1,000.

9. ACCOUNTANTS' REPORT (Cont'd)

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.

9. ACCOUNTANTS' REPORT (Cont'd)

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	<u>1,097</u>	<u>3,585</u>	<u>5,844</u>	<u>3,107</u>	<u>395</u>	<u>494</u>

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	<u>10,970</u>	<u>11,460</u>	<u>20,056</u>	<u>22,076</u>	<u>18,958</u>	<u>36,485</u>
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)
	<u>6,093</u>	<u>8,242</u>	<u>17,819</u>	<u>19,769</u>	<u>16,694</u>	<u>26,147</u>

9. ACCOUNTANTS' REPORT (Cont'd)

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	-	-
	<u>3,800</u>	<u>5,060</u>	<u>9,660</u>	<u>8,280</u>	<u>-</u>	<u>-</u>

9. ACCOUNTANTS' REPORT (Cont'd)

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 accounting 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	-	-

9. ACCOUNTANTS' REPORT (Cont'd)

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.

9. ACCOUNTANTS' REPORT (Cont'd)

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.

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD**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.

9. ACCOUNTANTS' REPORT (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 30.6.2012	Euro		United States		New Zealand		Australian Dollar		Japanese Yen		Other Foreign Currencies		Ringgit Malaysia		Total		
	RM'000	RM'000	Dollar	RM'000	Dollar	RM'000	Dollar	RM'000	Yen	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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									
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									

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

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

	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
AUDITED								
30.6.2013								
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

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

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

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

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 30.6.2015	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	957	61	33	520	-	258	25,392	27,221
Cash and bank balances	314	2,517	161	222	51	-	16,504	19,769
	1,271	2,578	194	742	51	258	41,896	46,990
Financial Liability								
Trade payables	-	(3,623)	-	-	-	-	(10,460)	(14,083)
Net financial asset/(liability)	1,271	(1,045)	194	742	51	258	31,436	32,907
Less: Net financial asset denominated in the entity's functional currency	-	-	-	-	-	-	(31,436)	(31,436)
Less: Forward foreign currency contracts (contracted notional principal)	(949)	-	-	-	-	-	-	(949)
Currency exposure	322	(1,045)	194	742	51	258	-	522

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

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

UNAUDITED 30.11.2014	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	1,222	47	34	333	39	179	20,315	22,169
Cash and bank balances	1,257	884	121	659	11	64	13,698	16,694
	2,479	931	155	992	50	243	34,013	38,863
Financial Liability								
Trade payables	-	(6,298)	-	-	-	(6)	(9,016)	(15,320)
Net financial asset/(liability)	2,479	(5,367)	155	992	50	237	24,997	23,543
Less: Net financial asset denominated in the entity's functional currency	-	-	-	-	-	-	(24,997)	(24,997)
Less: Forward foreign currency contracts (contracted notional principal)	-	4,652	-	-	-	-	-	4,652
Currency exposure	2,479	(715)	155	992	50	237	-	3,198

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

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)

(1) Foreign Currency Risk (Cont'd)

Foreign currency exposure

	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
AUDITED								
30.11.2015								
<u>Financial Asset</u>								
Trade receivables	1,664	47	49	570	-	220	20,686	23,236
Cash and bank balances	586	4,595	268	114	3	-	15,581	21,147
	2,250	4,642	317	684	3	220	36,267	44,383
<u>Financial Liability</u>								
Trade payables	-	(4,664)	-	-	-	(16)	(9,997)	(14,677)
Other payables and accruals	-	(39)	-	-	-	(29)	(2,725)	(2,793)
Net financial asset/(liability)	2,250	(61)	317	684	3	175	23,545	26,913
Less: Net financial asset denominated in the entity's functional currency	-	-	-	-	-	-	(23,545)	(23,545)
Less: Forward foreign currency contracts (contracted notional principal)	(1,438)	-	-	-	-	-	-	(1,438)
Currency exposure	812	(61)	317	684	3	175	-	1,930

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD**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 risk sensitivity analysis

A 5% basis points strengthening or weakening in the foreign currencies as at the end of the reporting period would have immaterial impact on profit after taxation and equity. This assumes that all other variables remain constant.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its interest-bearing borrowings. The Group's policy is to obtain the most favourable interest rate available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 31(a)(iii) to the financial statements.

Interest rate risk sensitivity analysis

A 100 basis points strengthening or weakening in the interest rate as at the end of the reporting period would have immaterial impact on profit after taxation and equity. This assumes that all other variables remain constant.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****31. FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Risk Management Policies (Cont'd)****(ii) Credit Risk (Cont'd)**

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of these receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by its customers at the end of the reporting period as follows:-

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is 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'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	11,112	10,961	20,529	25,392	20,315	20,686
Europe	1,184	1,319	1,346	957	1,222	1,664
Australia	-	365	486	520	333	570
United States of America	7,197	5,601	163	61	47	47
Other foreign countries	109	179	439	291	252	269
	19,602	18,425	22,963	27,221	22,169	23,236

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis

The ageing analysis of the Group's trade receivables as at the end of the reporting period is as follows:-

	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
AUDITED			
30.6.2012			
Not past due	13,618	-	13,618
Past due:			
- less than 30 days	933	-	933
- more than 30 days	5,765	(714)	5,051
	20,316	(714)	19,602
AUDITED			
30.6.2013			
Not past due	12,775	-	12,775
Past due:			
- less than 30 days	621	-	621
- more than 30 days	5,029	-	5,029
	18,425	-	18,425
AUDITED			
30.6.2014			
Not past due	22,411	-	22,411
Past due:			
- less than 30 days	386	-	386
- more than 30 days	166	-	166
	22,963	-	22,963

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****31. FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Risk Management Policies (Cont'd)****(ii) Credit Risk (Cont'd)**Ageing analysis (Cont'd)

The ageing analysis of the Group's trade receivables as at the end of the reporting period is as follows:-

	Gross Amount	Individual Impairment	Carrying Value
	RM'000	RM'000	RM'000
AUDITED			
30.6.2015			
Not past due	27,171	-	27,171
Past due:			
- less than 30 days	11	-	11
- more than 30 days	39	-	39
	<hr/> 27,221	<hr/> -	<hr/> 27,221
UNAUDITED			
30.11.2014			
Not past due	9,191	-	9,191
Past due:			
- less than 30 days	7,680	-	7,680
- more than 30 days	5,298	-	5,298
	<hr/> 22,169	<hr/> -	<hr/> 22,169
AUDITED			
30.11.2015			
Not past due	23,190	-	23,190
Past due:			
- less than 30 days	30	-	30
- more than 30 days	16	-	16
	<hr/> 23,236	<hr/> -	<hr/> 23,236

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables

(iii) Liquidity Risk

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

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

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

	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
30.6.2012						
Trade payables		6,147	6,147	6,147	-	-
Other payables and accruals		2,510	2,510	2,510	-	-
Amount owing to a director		5	5	5	-	-
Term loans	4.85	15,582	19,409	1,799	7,197	10,413
Finance lease and hire purchase payables	4.19 - 9.59	2,849	3,299	1,296	1,876	127
Bankers' acceptances and trust receipts	4.66	6,490	6,490	6,490	-	-
		33,583	37,860	18,247	9,073	10,540

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

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

	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
AUDITED						
30.6.2013						
Trade payables		6,047	6,047	6,047	-	-
Other payables and accruals		2,156	2,156	2,156	-	-
Amount owing to a director		6	6	6	-	-
Term loans	5.04	14,438	17,530	1,783	7,131	8,616
Finance lease and hire purchase payables	5.38	1,897	2,203	1,133	978	92
		24,544	27,942	11,125	8,109	8,708

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

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

	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
AUDITED						
30.6.2014						
Trade payables		14,709	14,709	14,709	-	-
Other payables and accruals		3,921	3,921	3,921	-	-
Amount owing to a director		13	13	13	-	-
Derivative liabilities		83	83	83	-	-
Term loans	5.04	13,358	15,813	1,783	7,131	6,899
Finance lease and hire purchase payables	5.21	925	1,083	760	288	35
		33,009	35,622	21,269	7,419	6,934

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

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

AUDITED 30.6.2015	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
Trade payables		14,083	14,083	14,083	-	-
Other payables and accruals		3,184	3,184	3,184	-	-
Amount owing to a director		268	268	268	-	-
Derivative liabilities		116	116	116	-	-
Term loans	5.05	12,252	13,973	1,634	7,017	5,322
Hire purchase payables	5.36	63	68	68	-	-
Bankers' acceptances	4.32	5,000	5,000	5,000	-	-
		34,966	36,692	24,353	7,017	5,322

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

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

	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
UNAUDITED						
30.11.2014						
Trade payables		15,320	15,320	15,320	-	-
Other payables and accruals		2,410	2,410	2,410	-	-
Amount owing to a director		69	56	56	-	-
Derivative liabilities		63	63	63	-	-
Term loans	5.05	12,894	13,973	1,634	7,017	5,322
Finance lease and hire purchase payables	5.36	595	706	451	241	14
Bankers' acceptances and trust receipts		4,714	4,715	4,715	-	-
		36,065	37,243	24,649	7,258	5,336

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

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

AUDITED 30.11.2015	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
Trade payables		14,677	14,677	14,677	-	-
Other payables and accruals		2,793	2,793	2,793	-	-
Amount owing to a director		387	387	387	-	-
Derivative liabilities		21	21	21	-	-
Term loans	5.05	11,795	13,669	1,783	7,149	4,737
Hire purchase payables	5.36	18	21	21	-	-
Bankers' acceptances	4.32	5,000	5,000	5,000	-	-
		34,691	36,568	24,682	7,149	4,737

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

The Group manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less fixed deposits with licensed banks and cash and bank balances.

The debt-to-equity ratio of the Group as at the end of the reporting period was 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
Trade payables	6,147	6,047	14,709	14,083	15,320	14,677
Other payables and accruals	2,510	2,156	3,921	3,184	2,410	2,793
Amount owing to a director	5	6	13	268	69	387
Derivative liabilities	-	-	83	116	63	21
Finance lease and hire purchase payables	2,849	1,897	925	63	595	18
Term loans	15,582	14,438	13,358	12,252	12,894	11,795
Bankers' acceptances and trust receipts	6,490	-	-	5,000	4,714	5,000
	<u>33,583</u>	<u>24,544</u>	<u>33,009</u>	<u>34,966</u>	<u>36,065</u>	<u>34,691</u>
Less:						
Fixed deposits with licensed banks	(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)
Net debt	<u>22,613</u>	<u>13,084</u>	<u>12,953</u>	<u>12,890</u>	<u>17,107</u>	<u>(1,794)</u>
Total equity	<u>49,761</u>	<u>55,241</u>	<u>60,059</u>	<u>69,785</u>	<u>65,384</u>	<u>76,995</u>
Debt-to-equity ratio	<u>0.45</u>	<u>0.24</u>	<u>0.22</u>	<u>0.18</u>	<u>0.26</u>	<u>*</u>

* - Not applicable as it is not in a net debt position

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification Of Financial Instruments

	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
Financial Assets						
<u>Available for sale financial assets</u>						
Investment in club membership	167	167	167	167	167	167
Unquoted shares	15	43	-	102	-	102
	<u>182</u>	<u>210</u>	<u>167</u>	<u>269</u>	<u>167</u>	<u>269</u>
<u>Fair value through profit and loss</u>						
Derivative assets	-	134	-	-	-	-
<u>Loans and receivables financial assets</u>						
Trade receivables	19,602	18,425	22,963	27,221	22,169	23,236
Other receivables and deposits	9,467	7,477	284	168	3,159	162
Amount owing by directors	-	-	116	-	116	-
Fixed deposits with licensed banks	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
	<u>40,039</u>	<u>37,362</u>	<u>43,419</u>	<u>49,465</u>	<u>44,402</u>	<u>59,883</u>
	<u>40,039</u>	<u>37,496</u>	<u>43,419</u>	<u>49,465</u>	<u>44,402</u>	<u>59,883</u>
Financial Liabilities						
<u>Fair value through profit and loss</u>						
Derivative liabilities	-	-	83	116	63	21
<u>Other financial liabilities</u>						
Trade payables	6,147	6,047	14,709	14,083	15,320	14,677
Other payables and accruals	2,510	2,156	3,921	3,184	2,410	2,793
Amount owing to a director	5	6	13	268	69	387
Term loans	15,582	14,438	13,358	12,252	12,894	11,794
Finance lease and hire purchase payables	2,849	1,897	925	63	595	18
Bankers' acceptances and trust receipts	6,490	-	-	5,000	4,714	5,000
	<u>33,583</u>	<u>24,544</u>	<u>32,926</u>	<u>34,850</u>	<u>36,002</u>	<u>34,669</u>
	<u>33,583</u>	<u>24,544</u>	<u>33,009</u>	<u>34,966</u>	<u>36,065</u>	<u>34,690</u>

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information

Other than disclosed below, the fair values of the financial asset and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
30.6.2012								
<u>Financial Asset</u>								
Available for sale financial assets:								
- Investment in club membership	-	167	-	-	-	-	167	167
- Unquoted shares	-	-	-	-	-	-	#	15
<u>Financial Liability</u>								
Finance lease and hire purchase payables	-	-	-	-	3,102	-	3,102	2,849
Term loans	-	-	-	-	15,582	-	15,582	15,582

The fair value cannot be reliably measured using valuation techniques due to lack of marketability of the unquoted shares.

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information

Other than disclosed below, the fair values of the financial asset and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments (Cont'd).

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
AUDITED								
30.6.2013								
<u>Financial Assets</u>								
Available for sale financial assets:								
- Investment in club membership	-	167	-	-	-	-	167	167
- Unquoted shares	-	-	-	-	-	-	#	45
Derivative assets	-	134	-	-	-	-	134	134
<u>Financial Liability</u>								
Finance lease and hire purchase payables	-	-	-	-	2,107	-	2,107	1,897
Term loans	-	-	-	-	14,438	-	14,438	14,438

The fair value cannot be reliably measured using valuation techniques due to lack of marketability of the unquoted shares.

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information

Other than disclosed below, the fair values of the financial asset and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments (Cont'd).

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
AUDITED								
30.6.2014								
<u>Financial Asset</u>								
Available for sale financial asset:								
- Investment in club membership	-	167	-	-	-	-	167	167
<u>Financial Liabilities</u>								
Fair value through profit and loss:								
- Derivative liabilities	-	63	-	-	-	-	63	83
Other financial liabilities:								
- Hire purchase payables	-	-	-	-	1,042	-	1,042	925
- Term loans	-	-	-	-	13,358	-	13,358	13,358

The fair value cannot be reliably measured using valuation techniques due to lack of marketability of the unquoted shares.

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information (Cont'd)

Other than disclosed below, the fair values of the financial asset and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments (Cont'd).

AUDITED	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
30.6.2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial Asset</u>								
Available for sale financial assets:								
- Investment in club membership	-	167	-	-	-	-	167	167
- Unquoted shares	-	-	-	-	-	-	#	102
<u>Financial Liabilities</u>								
Fair value through profit and loss:								
- Derivative liabilities	-	116	-	-	-	-	116	116
Other financial liabilities:								
- Hire purchase payables	-	-	-	-	66	-	66	63
- Term loans	-	-	-	-	12,252	-	12,252	12,252

The fair value cannot be reliably measured using valuation techniques due to lack of marketability of the unquoted shares.

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information (Cont'd)

Other than disclosed below, the fair values of the financial asset and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments (Cont'd).

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
UNAUDITED								
30.11.2014								
<u>Financial Asset</u>								
Available for sale financial assets:								
- Investment in club membership	-	167	-	-	-	-	167	167
- Unquoted shares	-	-	-	-	-	-	-	-
<u>Financial Liabilities</u>								
Fair value through profit and loss:								
- Derivative liabilities	-	63	-	-	-	-	63	63
Other financial liabilities:								
- Hire purchase payables	-	-	-	-	1,036	-	1,036	595
- Term loans	-	-	-	-	12,894	-	12,894	12,894

The fair value cannot be reliably measured using valuation techniques due to lack of marketability of the unquoted shares.

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information (Cont'd)

Other than disclosed below, the fair values of the financial asset and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments (Cont'd).

AUDITED	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
30.11.2015								
<u>Financial Asset</u>								
Available for sale financial assets:								
- Investment in club membership	-	167	-	-	-	-	167	167
- Unquoted shares	-	-	-	-	-	-	-	-
<u>Financial Liabilities</u>								
Fair value through profit and loss:								
- Derivative liabilities	-	21	-	-	-	-	21	21
Other financial liabilities:								
- Hire purchase payables	-	-	-	-	21	-	21	18
- Term loans	-	-	-	-	11,795	-	11,795	11,795

The fair value cannot be reliably measured using valuation techniques due to lack of marketability of the unquoted shares.

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****31. FINANCIAL INSTRUMENTS (CONT'D)****(d) Fair Value Information (Cont'd)**

The fair values of finance lease payables, hire purchase payables and term loans are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows 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 %
<u>Financial Liabilities</u>						
Bankers' acceptances and trust receipts	4.66	-	-	4.32	1.83	3.35

32. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

During the financial year the Company,

(a) Subdivided the existing:

- authorised share capital of RM100,000 representing 100,000 ordinary shares of RM1.00 each into 200,000 ordinary shares of RM0.50 each; and
- issued and fully paid up capital of RM2.00 representing 2 ordinary shares of RM1.00 each into 4 ordinary shares of RM0.50 each

The subdivided shares confer on the holder the same rights and privileges as that of the existing shares before the subdivision.

(b) Issued additional new 2 ordinary shares of RM0.50 each, by way of allotting 1 ordinary share each to Datuk Teoh Hwa Cheng and Chong Swee Main. The new ordinary shares rank pari passu with existing ordinary shares of the Company; and**(c) Created an additional authorised share capital representing 499,800,000 ordinary shares of RM0.50 each amounting to RM249,900,000.**

9. ACCOUNTANTS' REPORT (Cont'd)

PECCA GROUP BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD****33.1 ACQUISITIONS OF SUBSIDIARIES**

Pursuant to the Conditional Sale and Purchase Agreement dated 24 December 2014, the following transactions have been completed by the Company on 1 December 2015 :-

- (a) Acquisition of the entire equity interest in EEmpire representing 6,000,000 ordinary shares of RM1 each, for a total cash consideration of RM5,980,000 from a company in which certain directors have substantial financial interests. The purchase consideration of RM5,980,165 was based on the audited Net Tangible Assets ("NTA") of EEmpire as at 30 June 2014 and was satisfied via internally generated funds.
- (b) Acquisition of 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 ordinary shares of the Company 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 properties 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 PLeather (net of deferred taxation)	9,934
Adjusted audited NTA of PLeather as at 30 June 2014	70,043

The shares were acquired from the following vendors of PLeather:-

- MRZ, a company in which certain directors of the Company have substantial financial interests;
 - a director of the Company, who is also a substantial shareholder of MRZ ; and
 - a third party.
- (c) Acquisition of 60,000 ordinary shares of RM1.00 each in PAviation, representing 60% equity interest for a total purchase consideration of RM60,000 from 2 vendors of PAviation who are also the directors of the Company. The purchase consideration was satisfied wholly by the issuance of 120,000 new ordinary shares of the Company at an issue price of RM0.50 per share.

33.2 ISSUANCE OF ADDITIONAL FULLY PAID-UP ORDINARY SHARES CAPITAL

The Acquisition of PLeather and Acquisition of 60.00% PAviation resulted in the Company's issued and paid-up share capital to increase from six (6) ordinary shares of RM0.50 each to 140,204,000 ordinary shares of RM0.50 each. Accordingly, the issued and fully paid-up share capital of the Company has increased from RM3.00 to RM70,102,000.


The new ordinary shares of the Company issued pursuant to the above acquisitions ranked pari passu in all respects with the existing ordinary shares of the Company, except that the new ordinary 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 Pecca Shares.

10. **INDEPENDENT MARKET RESEARCH REPORT**

(Prepared for inclusion in the Prospectus)

F R O S T  S U L L I V A N

**Independent Market Research on the
Automotive and Automotive Leather Upholstery
Industry in Malaysia and
Overview on the Automotive Leather Upholstery
Industry in Thailand and the Aviation Leather
Upholstery Industry in Malaysia**

F R O S T  S U L L I V A N

© March 2016

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The market research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research, which involves discussing the status of the industry with leading industry participants and industry experts. The research methodology used is the Expert Opinion Consensus Methodology. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in the business and industry climate.

This market research was completed in February 2016.

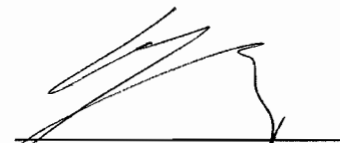
This report is prepared for inclusion in Pecca's Prospectus in relation to the initial public offerings and the listings of and quotation for the entire enlarged issued and paid-up share capital of Pecca on the Main Market of the Bursa Malaysia Securities Berhad.

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Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this report. This report should not also be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

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Keith Lee
Associate Director

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ABBREVIATIONS

General Definitions

AP	Approved Permit
CAGR	Compound Annual Growth Rate (%)
CBU	Completely Built-Up
CEPT	Common Effective Preferential Tariffs
CKD	Completely Knocked-Down
CV	Commercial Vehicle
GDP	Gross Domestic Product
GNI	Gross National Income
IMP3	Third Industrial Master Plan
ISO/TS	International Organisation for Standardisation / Technical Specification
KLIA	Kuala Lumpur International Airport
LC	Localisation of Contents or Parts
LCC	Low Cost Carriers
LRT	Light Rail Transit
ML	Manufacturing Licence
MPV	Multi-Purpose Vehicles
MRT	Mass Rapid Transit
NAP	National Automotive Policy
NKEA	National Key Economic Areas
OBM	Original Brand Manufacturer
OEM	Original Equipment Manufacturer
PDI	Pre-Delivery Inspection
PV	Passenger Vehicle
PVC	Polyvinyl-Chloride
REM	Replacement Equipment Manufacturer
T1	Tier 1 Supplier (Automotive)
T2	Tier 2 Supplier (Automotive)
TIV	Total Industry Volume
SUV	Sports Utility Vehicles

Companies, Authorities, Organisations and Countries

AFTA	ASEAN Free Trade Area
Airasia	Airasia Berhad and Airasia X Berhad
ASEAN	Association of Southeast Asian Nations
DOS	Department of Statistics, Malaysia
EU	European Union
FAO	Food and Agriculture Organisation

10. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**F R O S T & S U L L I V A N**

ISO	International Organisation for Standardisation
JPJ	Jabatan Pengangkutan Jalan
KL	Kuala Lumpur
KTM	KTM Berhad
MAA	Malaysian Automotive Association
MAB	Malaysian Airlines Berhad <i>(formerly known as Malaysia Airlines System Berhad)</i>
MOT	Ministry of Transportation
OICA	International Organisation of Motor Vehicle Manufacturers
Perodua	Perusahaan Otomobil Kedua Sdn Bhd
Proton	Perusahaan Otomobil Nasional Sdn Bhd
TAIA	Thailand Automotive Industry Association
WTO	World Trade Organisation
UN	United Nations

Foreign Currency Exchange Rates (as at 29 January 2016)


USD1 (United States Dollars)	: RM4.1475
THB1 (Thai Baht)	: RM0.1159

Source: Bank Negara Malaysia (BNM)

GLOSSARY OF TECHNICAL TERMS

4X4 vehicles	General class of vehicle which all wheels of the vehicle to receive torque (power) from the engine.
Assembly	General term for applications that assemble and inspect the fundamental parts to form a final product typically through welding, gluing, fastening, riveting and sealing.
Commercial Vehicle	A vehicle segment comprised of vehicles for commercial use and related purposes such as buses, trucks and lorries.
Completely Built-Up	A vehicle that is imported either completely or with minimal local assembly requirement before delivery to the end-customer.
Complete Knocked-Down	A vehicle that is manufactured either exclusively or with extensive local assembly activities before delivery to the end-customer.
Global Financial Crisis	A period of economic downturn attributed to the interconnectedness of the global economy where financial problems in one country spread to another.
Localisation of Contents or Parts	Increase in adoption of local components and parts in the manufacturing or assembly of vehicles to obtain favourable tax rebates to lower excise duty.
Manufacture	General term for applications in which raw materials are transformed, given additional desired properties or physical form for use in creating finished goods typically through processes such as forming and stamping.
Manufacturing License	Permit to Manufacture or Assemble Vehicles in Malaysia.
Multi-Purpose Vehicles	A sub-segment of passenger vehicles that is generally characterised by its ability to carry up to eight passengers.
Most Favoured Nation	A status granted to one country by another country with the intention to increase trade with that country. The status is enforced by the World Trade Organisation.
Original Brand Manufacturer	In the automotive sector, this refers to the company that typically design the final product and develop its distribution networks
Original Equipment Manufacturer	In automotive sector, this refers to manufacturer or assembler of the final product based on OBM specification from parts and component produced by various manufacturers.
Passenger Vehicle	A vehicle segment for carrying passengers which comprised of passenger cars, window vans, 4x4 and MPV.
Pre-Delivery Inspection	The final process in automotive manufacturing which prepares the vehicle before delivery to the end-customer.
Rebadge	The application of a different brand or trademark to an existing product which subsequently marketed as a distinct product.

10. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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Replacement Equipment Manufacturer	In the automotive sector, this refers to manufacturers that produce replacement parts and components that extend or enhance the use of existing vehicles. It is naturally comprised of suppliers for OEM as they have matching specification.
Sports Utility Vehicle	A sub-segment of passenger vehicles that is generally characterised by all-wheel drive and raised ground clearance.
Tier 1 Supplier (Automotive)	Immediate supplier of intermediate parts to the OEM based on the given specification.
Tier 2 Supplier (Automotive)	Immediate supplier of individual components and parts to Tier-1 supplier that meets OEM specification.
Total Industry Volume	Total sales of both passenger and commercial vehicles in a calendar year.

1 INTRODUCTION AND BACKGROUND

1.1 DEFINITIONS, HISTORY AND BACKGROUND

The automotive industry encompasses companies involved in the design, development, manufacturing, assembly, marketing and sale of motor vehicles. Motor vehicles are wheeled vehicles that run on their own engines, such as cars, buses, trucks and motorcycles. In Malaysia, the automotive industry largely comprises manufacturers, assemblers and distributors of motor vehicles.

The industry has developed to become a fast-growing sector of the Malaysian economy, where in 2015, vehicle sales figures were recorded at 666,674 units, while the numbers of vehicles manufactured or assembled domestically stood at 614,664 units. The economic contribution of the automotive industry is widespread, with significant interlinkages to the manufacturing and services sectors. The industry started off with the importation of motor vehicles from abroad, subsequently progressing to assembly operations and parts manufacturing, the production of the first national car, to the establishment of a wide network of automotive industry players today.

Prior to the 1960s, all of the cars in Malaysia were Completely Built-Up ("CBU") units imported from overseas¹. The automotive industry in Malaysia began in 1964 when the Government introduced the National Automotive Policy ("NAP") aimed at encouraging the establishment of local assembly plants and the manufacture of automotive component parts. In the late 1960s, assembly plants were formed to create employment and to substitute imports of motored vehicles. In 1966, the Government introduced protective tariffs to further grow the local automotive industry. Import taxes and tariffs were imposed on the imports of CBU units, and all distributors and dealers were required to obtain import licences, which had to be renewed every six months. A Local Content Policy was mandated to encourage localisation of the automotive industry. A minimum content of locally sourced component parts was set at 20% where vehicle assemblers need to comply by 1977.

The Government approved the operation of six assembly firms in 1967. By December 1967, Swedish Motor Assemblies Sdn Bhd (assemblers of Volvo), commenced the production of Completely Knocked-Down ("CKD") vehicles. Other assembly firms included Asia Automobile Industries Sdn Bhd (assemblers of Peugeot and Mazda) and Tan Chong Motor Assemblies Sdn Bhd (assemblers of Nissan, then known as Datsun). Initially, assembly firms were mainly joint ventures between motor vehicle manufacturers, largely from Europe and Japan, and a local

¹ The first automotive assembly plant in Malaysia (then Malaya) owned by the Swedish Motor Assemblies Sdn Bhd began its operation in 1968.

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partner, their previous local distributor. Up to the early 1980s, there were about 15 assembly firms producing vehicles for manufacturers from Europe and Japan.

Although the local content requirement was introduced to promote the growth of local component manufacturing, the effort was not very successful. This was due to the fact that there were too many makes and models available in the market, causing the demand for a particular component to be low, which subsequently led to the difficulty for component manufacturers to achieve economies of scale. In 1972, the local content requirement was revised up to 35% and slated to be realised by 1982. Similarly, the Mandatory Deletion Programme² was introduced in 1980 to prohibit motor vehicle assemblers from importing all motor vehicle parts and components listed as "mandatory deleted components" for use in local motor vehicle assembly.

In May 1983, the first national carmaker, Perusahaan Otomobil Nasional Sdn Bhd ("Proton"), was incorporated. Proton was established to manufacture, assemble and sell motor vehicles as well as related products, including accessories, spare parts and other components, with technical assistance from Mitsubishi Corporation and Mitsubishi Motors Corporation of Japan. Proton rolled out Malaysia's first national car, the Proton Saga in July 1985. The Proton Saga was given preferential tax and duty treatment to ensure viability.

Proton's entry into the local automotive industry in 1985 led to a significant structural change in the landscape of the market. The automotive industry shifted from being highly dependent on imported vehicles, particularly from Japan, to an industry dominated by locally produced cars. For distributors of non-national cars, the entry of Proton resulted in greater competition for market share in the mass market segment.

In 1993, the second national car producer, Perusahaan Otomobil Kedua Sdn Bhd ("Perodua"), was established. Perodua is a joint venture between companies from Malaysia and Japan, including UMW Corporation Sdn Bhd, MBM Resources Berhad, Daihatsu Motor Co Ltd, PNB Equity Resource Corporation Sdn Bhd, Daihatsu (Malaysia) Sdn Bhd, Mitsui & Co Ltd and Mitsui & Co (Asia Pacific) Pte Ltd. The first Perodua car was Perodua Kancil, introduced to the market in August 1994 targeting the mini car mass market segment of the industry.

In August 2000, Proton introduced the first in-house designed car, the Proton Waja. Prior to the Proton Waja, all previous Proton models were rebadges³ of Mitsubishi models. In February 2004, another in-house designed car, the Proton Gen2 was launched featuring the 1.6 CamPro engine. The CamPro engine was developed by Proton in collaboration with Lotus Group International Limited, a subsidiary of Proton. The development of the CamPro engine marked a new milestone in the local automotive industry. Proton introduced the Proton Prevé to replace Proton Gen2 in mid-2012. In addition, a newly developed hatchback model, the Proton Suprima was introduced

² Foreign assemblers are forbidden from including certain components in their imported CKD package.

³ The application of a different brand or trademark to an existing product which is subsequently marketed as a distinct product.

by Proton in 2013. In 2014, Proton launched a compact car, the Proton Iriz, under the B-segment (Small Cars) category.

To encourage a competitive domestic automotive industry as well as to promote Malaysia as a regional automotive hub, several measures were undertaken in attempt to liberalise the industry. The introduction of the NAP in 2006 and subsequent reviews in 2009 and 2014 by the Government were aimed towards achieving these objectives. (Please refer to Relevant Laws and Regulations in Section 2.5 of this report for a more detailed discussion on the NAP).

1.2 INDUSTRY SEGMENTATION

Motor vehicles are generally divided into passenger vehicles ("PV"), commercial vehicles ("CV"), and motorcycles. All data quoted will exclude data pertaining to motorcycles.

Table 1-1: Segmentation of Vehicles (Malaysia), 2015

Segment	Types of vehicles
Passenger vehicles ("PV")	Passenger Cars, 4X4, Sports Utility Vehicles ("SUV"), Window Vans and Multi-Purpose Vehicles ("MPV")
Commercial vehicles ("CV")	Trucks, Prime Movers, Pick-ups, Panel Vans, Buses and Others

Source: Malaysian Automotive Association (MAA)

In Malaysia, the automotive industry was dominated by the PV segment, making up 88.3% of the Total Industry Volume ("TIV") in 2015. TIV of PV has grown at a CAGR of 5.9% from 80,420 units in 1980 to 591,298 units in 2015.

The local automotive industry is also classified according to origin of manufacturers, whereby national and non-national vehicles compete within their own segments. This is due to the fact that national car manufacturers and assemblers enjoy greater incentives from the Government to encourage the development of the local industry. As a result, national cars are more competitively priced compared to non-national cars of similar specifications, making it challenging for non-national cars to directly compete with national models in terms of pricing. For the purpose of this report, only Perodua and Proton shall be classified under national manufacturers.

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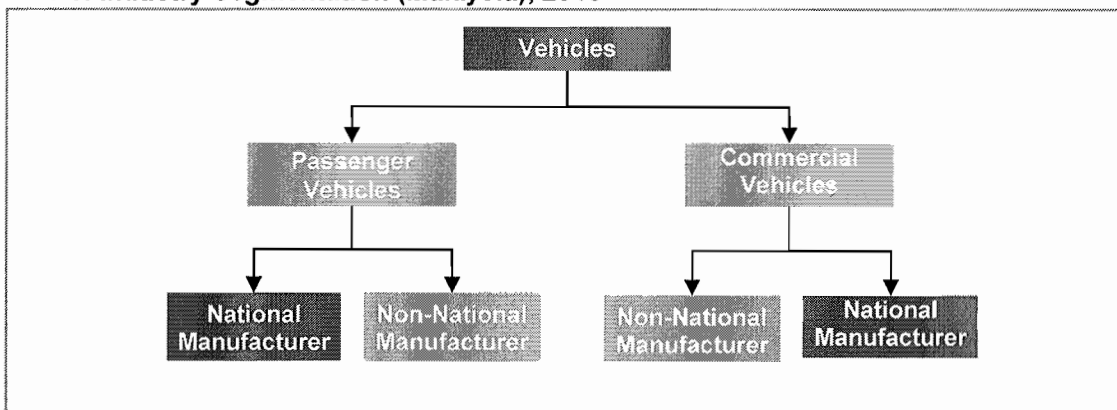
Table 1-2: National and Non-National Manufacturers (Malaysia)

National Manufacturers	Non-National Manufacturers	
	Passenger Vehicles	Commercial Vehicles
Perodua	Audi	Mercedes-Benz^
Proton^	Aston Martin	Mini
	BMW	Mitsubishi^
	Chery	Naza
	Chevrolet	Nissan^
	Citroen	Peugeot
	Ford^	Porsche
	Honda	Renault^
	Hyundai	Saab
	Infiniti	Smart/MINI
	Inokom^	SsangYong^
	Kia	Subaru
	Land Rover^	Suzuki
	Lexus	Toyota^
	Maserati	Volkswagen
	Maybach	Volvo^
	Mazda^	
		BMC
		Changan
		Daihatsu
		Dong Feng
		Hicom Perkasa
		Hino
		Isuzu
		Mahindra
		MAN
		Mercedes-Benz
		Mitsubishi Fuso
		Scania
		Tata
		Tuah
		Volvo

Note: ^ Manufactures both passenger and commercial vehicles

Source: Malaysian Automotive Association, MAA

Figure 1-1: Industry Segmentation (Malaysia), 2015



Source: Frost & Sullivan

The automotive industry in Malaysia further segments the PV category according to vehicle size. The local industry is dominated by vehicles in the A-segment (mini cars) and B-segment (small cars). The popularity of A and B segments is attributed to the fact that both segments are considered entry-level segments, and are typically more fuel efficient as compared to larger models.

Table 1-3: Passenger Vehicles Segmentation (Malaysia)

Segment	Definition	Examples
A-Segment	Mini Cars	Kia Picanto, Hyundai i10, Perodua Viva, Smart ForTwo
B-Segment	Small Cars	Honda City, Ford Fiesta, Mazda2, Nissan Latio, Toyota Vios, Proton Prevé, Nissan Almera, Proton Iriz, Perodua Myvi
C-Segment	Medium Cars	Honda Civic, Hyundai Elantra, Mazda3, Mazda 3 MPS, Kia Forte, Nissan Sylphy, Toyota Altis, Proton Inspira
D-Segment	Large Cars	Honda Accord, Hyundai Sonata, Mazda6, Nissan Teana, Toyota Camry, Proton Perdana, Volkswagen CC
E-Segment	Executive Cars	Audi A6, BMW 5 Series, Jaguar XF, Mercedes E Class
F-Segment	Luxury Cars	Audi A8, Audi TT, BMW 7 Series, Mazda MX-5, Mazda RX-8, Mercedes CLK, Mercedes S Class, Maserati Quattroporte, Nissan 350-Z, Porsche 911
MPV	Multi-Purpose Vehicles	Honda Odyssey, Hyundai Grand Starex Royale, Mazda5, Mazda8, Perodua Alza, Proton Exora
SUV	Sports Utility Vehicles	Audi Q5, BMW X5, Honda CRV, Hyundai Santa Fe, Mazda CX-5, Mazda CX-7, Mazda CX-9, Toyota Harrier, Nissan Murano

Source: Frost & Sullivan

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2 ANALYSIS OF THE AUTOMOTIVE MARKET IN MALAYSIA

2.1 DEMAND CONDITIONS

2.1.1 Market Size and Growth Trends

The automotive industry in Malaysia has experienced a steady growth over the past 35 years, registering a CAGR of 5.7% of the TIV from 1980 to 2015. In 1980, TIV was recorded at 97,262 units and the volume has grown by 585.4% to reach 666,674 units in 2015.

Proton's entry into the automotive industry in 1985 with the introduction of the Proton Saga was marred by the 1985-86 recession. The recession, which saw a decrease in demand and increase in prices of motor vehicles, was caused by the appreciation of the Japanese Yen against the Malaysian Ringgit. Vehicle sales picked up as the domestic economy recovered, contributing to Proton's increased production and market share. As subsequent generations of the Proton Saga were introduced between 1986 and 1990, it became one of the major contributors towards TIV growth in which TIV increased to 181,877 units in 1991.

With the introduction of Perodua Kancil by Perodua, Malaysia's second national car manufacturer in 1994 coupled with the economy growth, the local automotive industry was invigorated. As the Government's support of the establishment of local assembly plants continued, vehicle sales flourished with the upsurge of CKD vehicles in the market. In 1997, TIV hit 404,837 units, almost three times the amount sold in 1992, which was only 145,084 units.

However, the 1998 Asian financial crisis instigated a severe downturn in vehicle sales, with the reduction of TIV by 59.5% from the previous year to just 163,851 units sold in 1998. Similar to the years following the 1985-86 recession, vehicle sales only picked up as the domestic economy recovered. The industry subsequently enjoyed steady growth over the next four years before TIV returned to the pre-1998 recession level of more than 400,000 units. TIV dipped slightly from 434,954 units in 2002 to 405,745 units in 2003, as consumers withheld their purchases in anticipation of lower prices with the implementation of ASEAN Free Trade Area ("AFTA"), along with the imminent launch of new models by Proton.

In January 2004, Malaysia announced tariff reductions for CBU and CKD units under the Common Effective Preferential Tariffs ("CEPT"), CEPT-AFTA scheme, whereby the import duty structure for cars within ASEAN was reduced to 20% (Refer to Section 3.5). The enforcement of the CEPT-AFTA scheme boosted the local demand for non-national cars, and TIV peaked at 552,316 units in 2005.

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Vehicle sales picked up again in 2008 but the effects of the international financial crisis resulted in a slight fall in TIV in 2009. The subsequent recovery of the domestic economy in 2010 led to a steady increase in new registered vehicles, with TIV reaching 605,156 units that year. In 2011, the decline of TIV to 600,123 units was attributed to the tightening of lending rules by BNM since end-2010 along with the disruption upon the automotive value chain due to earthquake in Japan and floods in Thailand which affected supply. However, the swift recovery in supply has seen the TIV resumed its growth trajectory in subsequent years with 627,753 units recorded in 2012 to 666,487 units in 2014. However, the TIV has remained even at 666,674 units in 2015.

Passenger and Commercial Vehicles

Sales of PV in Malaysia have consistently exceeded the sales of CV, from 80,420 to 591,298 new units sold in 1980 and 2015 respectively registering a CAGR of 5.9%. In contrast, CV recorded sales from 16,842 units in 1980 to 75,376 units in 2015 and registering a CAGR of 4.4% in the same period.

Both segments have similar patterns exhibited by the TIV over the years from 1980 to 2015, with the sales of PV moving almost in parallel with TIV. The number of new registered PV and CV dropped in 1985-1987, 1992, 1998, 2006 and 2011 due to unfavourable economic conditions. In 2011, the plunge of 1.6% in TIV from 2010 was also due to the earthquake and tsunami in March 2011 damaging many factories in north-eastern Japan. Hence, this has caused sudden reduction in sales of cars such as Toyota and Honda in Malaysia, mainly due to shortage in parts supply.

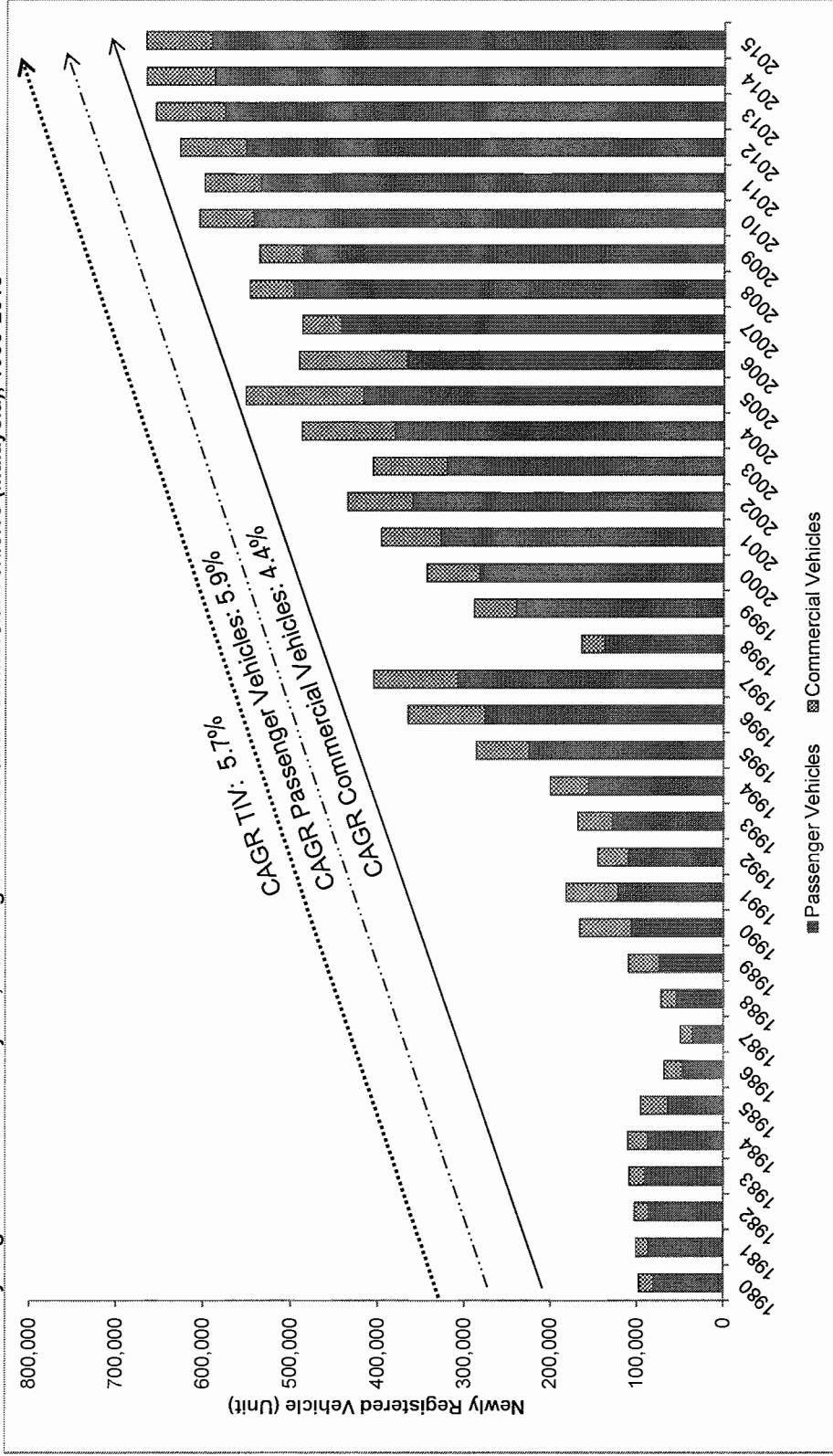
In 2015, only the PV segment registered positive growth compared to 2012. The number of new registered PV increased by 39,109 units (an increase of 7.1% from 2012), while the CV segment decreased by 188 units (a decrease of 0.2% from 2012).

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10. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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Chart 2-1: Newly Registered Vehicles by TIV, Passenger Vehicles and Commercial Vehicles (Malaysia), 1980-2015



10. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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Year	TIV (units)	Passenger Vehicles (units)	Commercial Vehicles (units)
1980	97,262	80,420	16,842
1981	100,935	86,444	14,491
1982	102,447	86,859	15,588
1983	108,314	92,623	15,691
1984	109,915	90,059	19,856
1985	94,999	68,257	26,742
1986	67,847	49,553	18,294
1987	48,996	36,727	12,269
1988	71,592	55,954	15,638
1989	109,357	78,233	31,124
1990	165,861	114,441	51,420
1991	181,877	132,194	49,683
1992	145,084	115,685	29,399
1993	167,928	136,645	31,283
1994	200,435	166,461	33,974
1995	285,792	238,557	47,235
1996	364,788	295,344	69,444
1997	404,837	334,503	70,334
1998	163,851	146,210	17,641
1999	288,547	262,376	26,171
2000	343,173	309,441	33,732
2001	396,381	358,758	37,623
2002	434,954	392,227	42,727
2003	405,745	354,863	50,882
2004	487,605	416,657	70,948
2005	552,316	454,496	97,820
2006	490,768	400,297	90,471
2007	487,176	442,885	44,291
2008	548,115	497,459	50,656
2009	536,905	486,342	50,563
2010	605,156	543,594	61,562
2011	600,123	535,113	65,010
2012	627,753	552,189	75,564
2013	655,793	576,657	79,136
2014	666,487	588,348	78,139
2015	666,674	591,298	75,376
CAGR (1980-2015)	5.7%	5.9%	4.4%

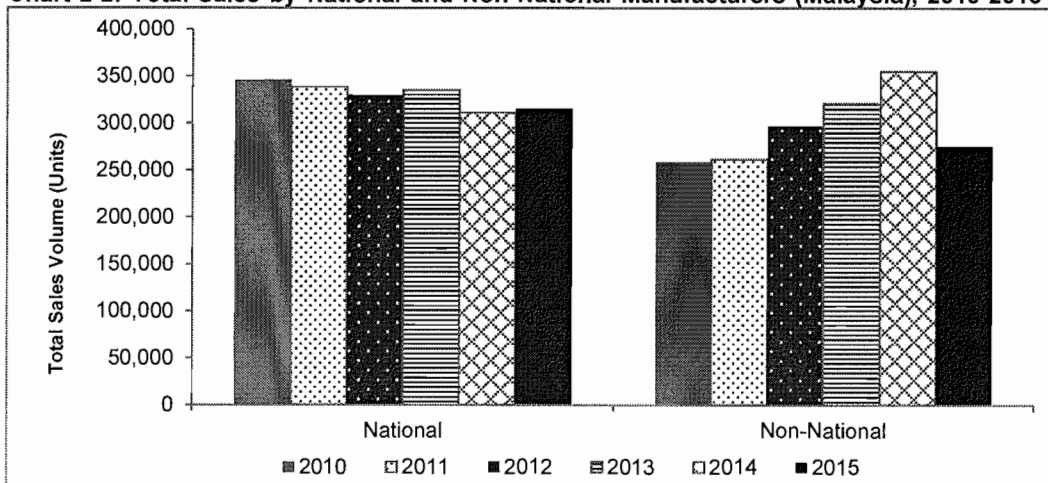
Source: MAA and Frost & Sullivan

National and Non-National Manufacturers

National cars manufactured by Proton and Perodua have dominated the industry due to the preferential duty structure and increased incentives to manufacturers, giving the cars a competitive edge in terms of pricing over the non-national manufacturers. Despite attempts to liberalise the industry, sales volume of national cars remained strong over the period, largely due to dominance of the entry-level segments with competitive pricing.

Malaysia's continuous increase in GDP and GNI resulted in an upsurge of entry-level buyers, who in previous years would have only been able to afford second hand cars. Nonetheless, the liberalisation of the Malaysian automotive market through the NAP initiatives has encouraged the introduction of more competitively priced A and B-segment car models by the non-national car manufacturers. As a result of intensified competition, the combined sales of national cars by Perodua and Proton declined to 47.3% of the TIV in 2015.

Chart 2-2: Total Sales by National and Non-National Manufacturers (Malaysia), 2010-2015



Source: MAA

Proton dominated the market share of national cars since its entry into the automotive industry in 1985 until 2006 when it was overtaken by Perodua. Perodua's upsurge in sales was primarily attributed to the popularity of the Perodua Myvi and Perodua Alza models.

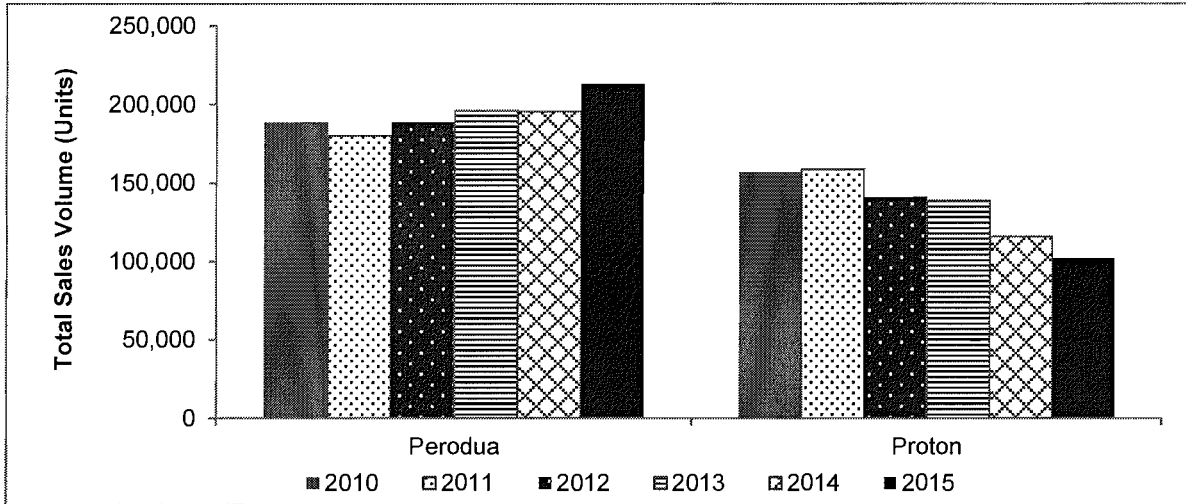
Among the non-national PV manufacturers in Malaysia which largely consist of players from Japan, Korea and Germany, Toyota, Honda, and Nissan were the three leading manufacturers in 2015, which collectively held 73.3% of the market share in terms of sales for non-national PV across all segments.

Toyota has consistently been the market leader of non-national PV manufacturers from 2010 to 2013, where its best-selling models namely Toyota Vios, Toyota Camry and Toyota Corolla Altis sustained its sales volume to range between 60,000 units to 75,000 units annually. However, Toyota was relegated to second position since 2014 as its market share diminished from 35.9% in 2010 to 23.7% in 2015.

10. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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Chart 2-3: Total Sales by National Manufacturers (Malaysia), 2010-2015



Brand	Total Sales Volume (units)					
	2010		2011		2012	
	Unit	%	Unit	%	Unit	%
Perodua	188,641	54.5	179,989	53.2	189,137	57.3
Proton	157,274	45.5	158,599	46.8	141,121	42.7
Total	345,915	100	338,588	100	330,258	100
Brand	2013		2014		2015	
	Unit	%	Unit	%	Unit	%
	Perodua	196,071	58.6	195,579	62.8	213,307
Proton	138,753	41.4	115,783	37.2	102,175	32.4
Total	334,824	100	311,362	100	315,482	100

Source: MAA

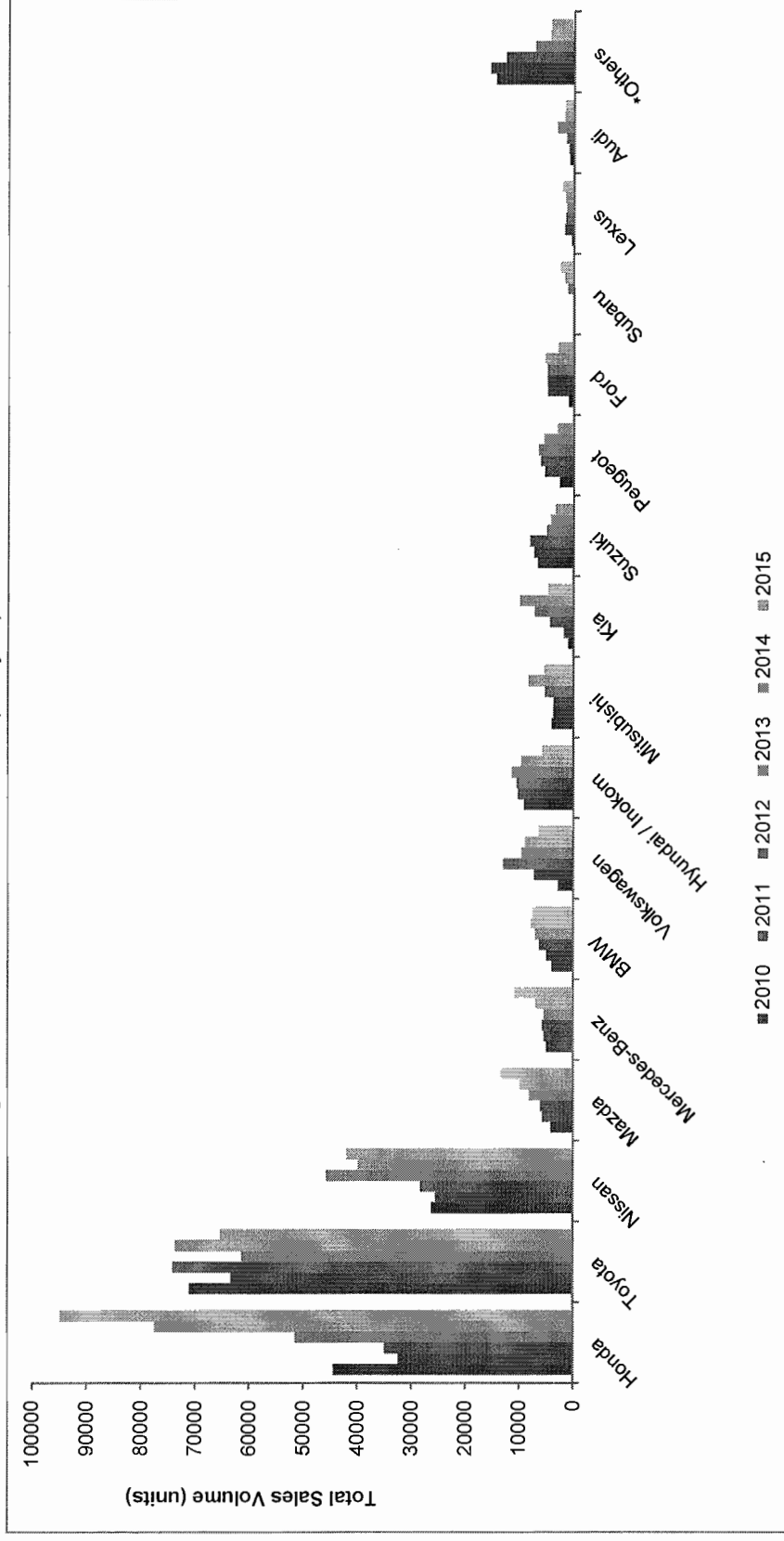
This is attributed to the favourable sales performance of key Honda models, such as Honda City and Honda Jazz in the B-segment, Honda Accord in the D-segment and Honda CRV in the SUV segment which has propelled Honda to become the largest non-national PV manufacturer since 2014. Honda sold 44,483 units in 2010 and its sales grew at a CAGR of 16.4% to 94,902 units in 2015.

Nissan has consistently held third place in terms of sales of non-national PV from 2010 to 2015. Its sales grew from 26,322 units to 41,941 units at a CAGR of 9.8%. Amongst the other manufacturers, Subaru, Lexus, Kia, Mazda, Ford, Volkswagen and Mercedes-Benz have the highest CAGR for the period between 2010 and 2015, with 154.0%, 37.3%, 37.0%, 26.6%, 24.5%, 17.9% and 16.6% respectively.

10. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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Chart 2-4: Total Sales Volume of Leading 16 Non-National PV Manufacturers (Malaysia), 2010-2015



Note: *Others include Chevrolet, Land Rover, Volvo, MINI, Porsche, Chery, Renault, SsangYong, Naza, BAW, GWM, Jaguar, Maybach, Isuzu, Smart and Mahindra.

10. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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Brand	Total Sales Volume (units)					
	2010	2011	2012	2013	2014	2015
Honda	44,483	32,480	34,950	51,544	77,495	94,902
Toyota	71,065	63,493	74,171	61,409	73,693	65,295
Nissan	26,322	25,504	28,318	45,780	39,932	41,941
Mazda	4,125	5,716	6,062	8,133	9,865	13,409
Mercedes-Benz	5,028	5,439	5,817	5,413	6,952	10,859
BMW	4,006	5,000	6,318	7,057	7,808	7,515
Volkswagen	2,810	7,350	13,003	9,538	8,916	6,405
Hyundai / Inokom	9,182	10,287	10,492	11,382	9,692	5,791
Mitsubishi	4,049	3,755	3,662	5,285	8,323	5,398
Kia	968	1,741	4,374	7,184	9,926	4,674
Suzuki	6,748	7,308	8,087	4,962	4,273	3,351
Peugeot	2,562	5,345	6,114	6,505	5,498	2,986
Ford	960	4,839	4,930	4,899	5,361	2,866
Subaru	24	17	53	1,084	1,644	2,539
Lexus	431	1,711	1,471	1,336	1,601	2,101
Audi	741	927	1,414	3,102	1,619	1,592
Others						
MINI	222	301	341	437	655	756
Volvo	673	801	636	533	788	619
Porsche	126	415	395	275	349	567
Land Rover	157	133	410	885	789	525
Chevrolet	540	1,272	1,014	778	966	347
Renault	72	91	52	40	228	472
Isuzu	-	-	-	-	-	431
Chery	3,041	2,997	1,633	738	345	259
SsangYong	242	244	216	246	193	107
Jaguar	-	-	-	-	36	90
BAW	-	-	27	29	16	17
Naza	9,362	9,347	7,953	3,236	12	2
GWM	-	-	18	14	4	-
Maybach	1	-	-	-	-	-
Smart	-	-	-	-	-	-
Mahindra	53	10	-	9	-	-
Various Brands ¹	-	-	-	-	-	2,101
Total Others	14,489	15,611	12,695	7,220	4,381	6,293
Total Non-National	197,993	196,523	221,931	241,833	276,979	275,816

Note: '-' denotes no sales volume recorded for the year; ¹ represent brands which were not specified in the "Market Review for 2015 and Outlook for 2016" released by MAA on 21 January 2016.

Source: MAA

2.2 DEMAND DEPENDENCIES

2.2.1 Market Drivers

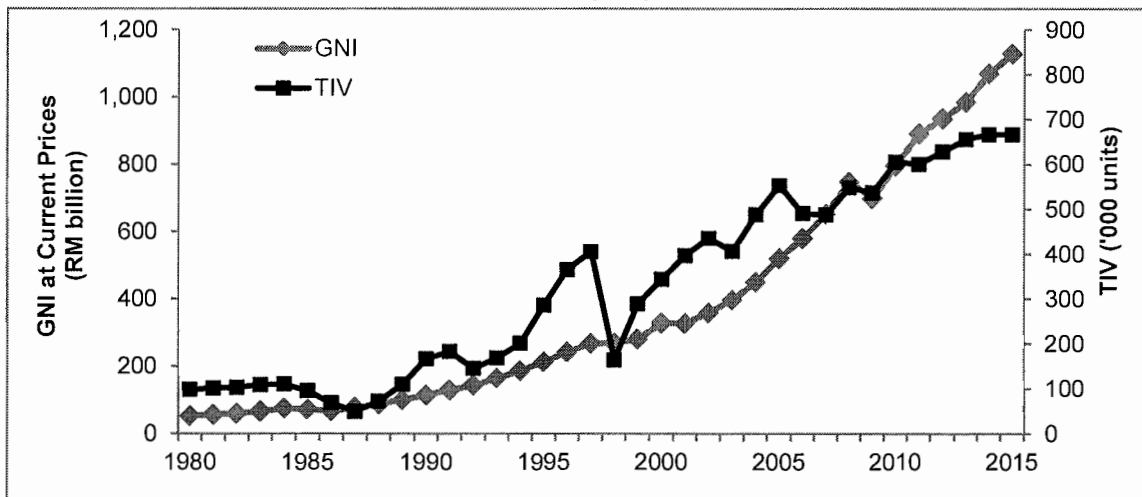
Rising Income Level of Consumers

Malaysia's TIV has been rising steadily along with the GNI at current prices from 1980 to 2015. Demand for motor vehicles has increased, attributed to the nation's economic growth, whereby families are able to afford more cars and entry level buyers are able to buy brand new cars instead of used cars.

Malaysia's economy has shown signs of recovery following the recession caused by the 2008 financial crisis. The economy contracted by 1.7% in 2009 but has since recovered by registering an annual growth rate of 6.0% between 2010 and 2014. According to DOS⁴, Malaysia's economy grew by 5.0% in 2015 and the World Bank has projected growth to be moderate at 4.5% in 2016.

Among the Government initiatives to develop Malaysia into a high income nation by 2020 includes the creation of highly-skilled manpower for critical industries of the National Key Economic Areas ("NKEA"). Higher skilled workforce commands higher wages which enhance their purchasing power. The median monthly household income in Malaysia has increased at a CAGR of 10.1% from RM2,830 in 2009 to RM4,585 in 2014⁵. This trend is favourable for the automotive industry as more consumers may demand premium offerings in vehicles.

Chart 2-5: GNI at Current Prices and TIV (Malaysia), 1980-2015



Source: Department of Statistics, Malaysia ("DOS") and MAA

⁴ Dated February 18th, 2016

⁵ Department of Statistics, Malaysia

Underdeveloped Public Transport System

The public transport system in Malaysia consists of buses, railways and taxi services. However, the current system is neither fully developed nor well-integrated. Public transportation is largely considered to be inefficient and unreliable, and suffers from insufficient capacity as it is not able to cater for the growing population. Furthermore, within the Klang Valley, the Light Rail Transit ("LRT") and monorail systems are concentrated in the Kuala Lumpur ("KL") city centre while a large portion of the surrounding suburbs have yet to be integrated into the routes.

Outside the Klang Valley, the LRT and monorail systems are undeveloped thus the public need to rely on buses and taxis as means of public transportation. Within the Klang Valley, buses are widely known to be unreliable, infrequent and overcrowded. Furthermore, bus routes are concentrated in high-traffic commercial and residential areas, while there is a shortage of bus routes between newly developed housing neighbourhoods and the city centre or LRT stations. In light of this, majority of the population choose to drive instead of taking public transport, driving the demand for PV.

The urban rail system in Malaysia is largely concentrated within the Klang Valley, with other parts of the country still relying on buses as the main mode of public transportation. The RapidKL LRT lines⁶, Keretapi Tanah Melayu ("KTM") Komuter lines, and the Express Rail Link ("ERL") service⁷ connect Greater KL to the city centre, while the KL Monorail line only runs through the heart of KL. However, a large portion of the surrounding KL suburbs such as Damansara Utama, Cheras and Puchong have yet to be integrated into the routes. Consequently, commuters are dependent on buses or taxis as the mode of transportation to get to the nearest stations. In addition, the rail systems are not well integrated, where most interchange stations between various lines are not conveniently located within close distance of each other. Though the Government has plans of improving the Klang Valley urban rail system through the Mass Rapid Transit ("MRT") project, it is only expected to be completed by 2017.

Despite the limitation in connectivity, the annual railway ridership for the KTM Komuter, Light Rail lines and the ERL had grown at a CAGR of 7.6%, 7.3% and 15.3% respectively from 2010 to 2014.

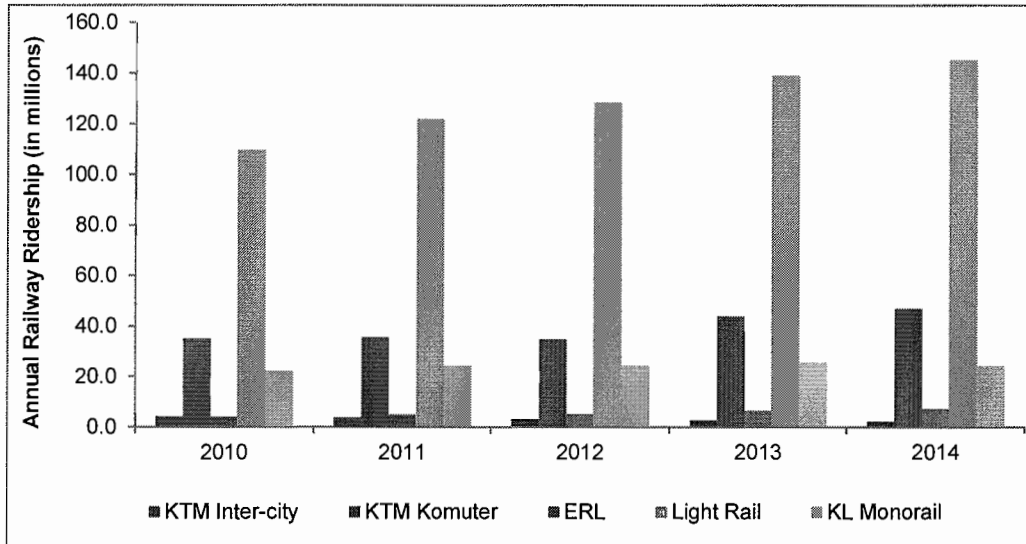
⁶ Ampang and Kelana Jaya lines

⁷ Kuala Lumpur International Airport ("KLIA") Transit and KLIA Ekspres

10. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T & S U L L I V A N

Chart 2-6: Annual Railway Ridership Statistics in Malaysia (in millions), 2010-2014



Year	Annual Railway Ridership (person)					Total
	KTM Inter-city	KTM Komuter	ERL	Light Rail	KL Monorail	
2010	4,216,000	34,995,000	4,134,853	109,609,810	22,108,308	175,063,971
2011	3,686,000	35,510,000	4,819,865	121,967,233	24,200,299	190,183,397
2012	3,056,000	34,847,000	5,362,946	128,384,653	24,113,242	195,763,841
2013	2,703,000	43,942,000	6,437,638	138,910,328	25,437,623	217,430,589
2014	2,223,000	46,957,000	7,302,521	145,241,754	24,403,465	226,127,740
CAGR (2010-2014)	-14.8%	7.6%	15.3%	7.3%	2.5%	6.6%

Note: Latest available ridership data is until 2014. The KTM Inter-city includes Electric Train Service or ETS.

Source: Ministry of Transport ("MOT") and Frost & Sullivan

Malaysia's Car-Centric Culture

Malaysia is known to exhibit a car-oriented culture, whereby most Malaysians in general prefer to drive over using public transport or adopt carpooling practices. This can be attributed to the rising income of consumers and relatively low price of fuel, which is subsidised by the Government. The convenience of driving one's own car still appeals to the Malaysian public. Furthermore, in Malaysia, the number and type of cars owned is perceived by others as a sign of wealth and the social status of an individual. Consequently, these cultural factors are seen to collectively drive the automotive industry forward.

According to the latest data made available by the Jabatan Pengangkutan Jalan ("JPJ"), the number of active private vehicles per 1,000 people in Malaysia has increased at a CAGR of 4.6% from a ratio of 492 private vehicles in 2010 to 589 private vehicles in 2014. The trend of increased ownership of private vehicles is expected to continue, with the Malaysia Automotive Institute in January 2016 projecting the TIV to reach 717,444 units by 2020.

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Table 2-1: Number of Active Private Vehicles per 1,000 Populations (Malaysia), 2010-2014

	2010	2011	2012	2013	2014
Private vehicles per 1,000 people	492	520	542	568	589

Note: Refers to vehicles with valid road tax and insurance.

Source: JPJ, MOT, DOS and Frost & Sullivan

Promotional Activities

Automotive companies engage in extensive marketing and promotional campaigns to create awareness and promote consumer acceptance over their brand models, especially during the launch of a new product. Marketing activities such as advertisements, roadshows, sponsorships, media public relations and social networking play a significant role in determining the sales volume of vehicles. In addition, companies also engage in activities such as end-of-year discounts, sale of demo cars, trade-ins and free maintenance to further attract customers.

Brand positioning is a key factor in gaining a competitive edge over other manufacturers. By adding value in terms of performance, high quality and safety standards, as much as making the brand a lifestyle statement, manufacturers will be able to tap into the appropriate market segment to boost sales.

2.2.2 Market Restraints

High Tariffs for Non-National Cars

National cars have been given protection by the Government since the entry of Proton into the local automotive industry in 1985. The dominance of national cars such as Proton and Perodua is a direct result of having lower prices compared to non-national cars, brought about by preferential tax treatment and protectionist policies of the NAP. High import duties imposed on CBU and CKD units (30% for CBU and 10% for CKD for imports from Most Favoured Nations⁸), excise duties and sales tax, essentially restraints the imports of non-national cars, thereby restricting the choices of consumers.

Despite excise duty being the same for all manufacturers, the NAP mandates that cars consisting of a certain amount of local content as well as local activities (such as local R&D activities) will be eligible to receive incentives from the Automotive Development Fund and Industrial Adjustment Fund. Hence, although Proton and Perodua are still subject to the same level of excise duty as their non-national counterparts, both companies get substantial rebates due to their high investment in the local automotive industry.

⁸ Most Favoured Nations refer to member countries of the World Trade Organisation

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The lifting of the suspended Manufacturing Licence ("ML") on selected vehicle segments⁹ following the NAP review in 2014 is aimed to induce manufacturing and assembling activities that do not directly compete with Proton and Perodua. In addition, the open Approved Permit ("AP") issued for every imported vehicle amounting to RM10,000 each further expands the price gap between national and non-national cars. The protection given to the national manufacturers has resulted in non-national vehicles sold in Malaysia to be priced higher as compared to other countries.

Impact from Recurring Economic Slowdowns

Sales registered by the automotive industry are largely influenced by economic conditions, both domestically and internationally. TIV dropped during the recession in 1985-86, the 1998 Asian financial crisis and the international financial crisis in 2008-09. Uncertain global economic climate leading to unstable fuel prices also led to a drop in TIV, as exhibited in 1992 during the Persian Gulf War. Domestic sentiment also weakened following uncertainty over the implementation of the Goods and Services Tax ("GST") in April 2015. Conversely, a resilient and progressive economy will result in TIV recording healthy growth.

2.3 SUPPLY CONDITIONS AND DEPENDENCIES

2.3.1 Prominent Local Automotive Manufacturing Industry in Malaysia

The manufacturing and assembly of motor vehicles have remained strong over the last decade, with local production of motor vehicles moving in tandem with the economic climate and TIV. Total production volume grew during early 2000s, but dipped in 2003 due to lower demand of PV as consumers withheld purchases in anticipation of lower prices of vehicles following the implementation of AFTA the following year. Subsequently, production volume surged and peaked at 563,408 units in 2005, but the increase in domestic fuel prices led to a temporary fall in demand in 2006 and 2007.

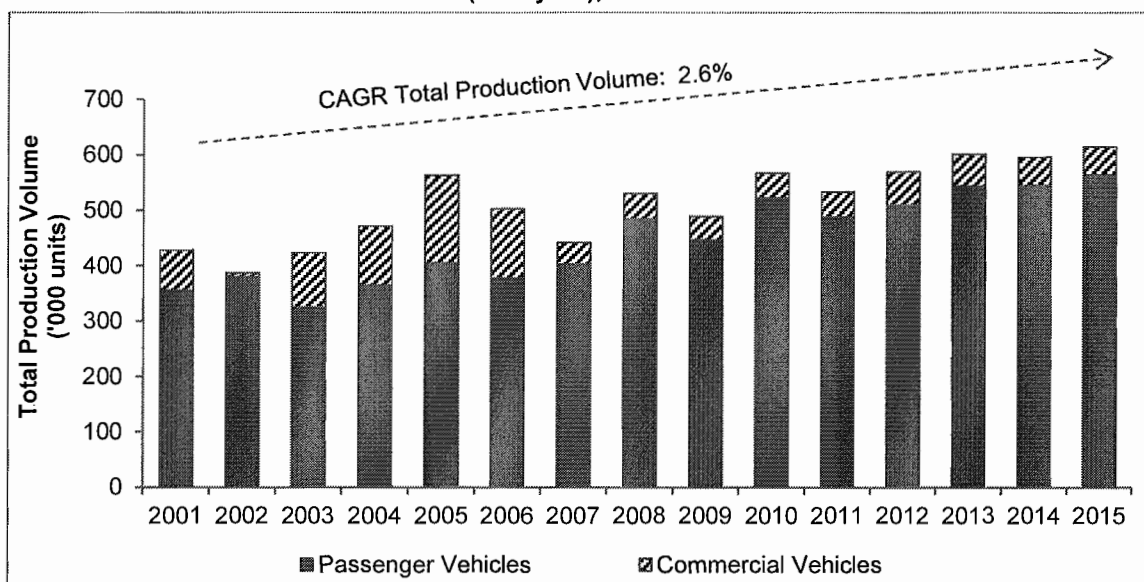
PV and CV were reclassified in 2007, whereby 4X4 vehicles were reclassified under PV, resulting in the sudden decline in CV production and the apparent increase in PV production that year. Production picked up in 2008, but effects of the 2008 international financial crisis led to another fall in production volume in 2009. The local economy has since recovered, with total production volume reaching 614,664 units in 2015.

⁹ Cars with engine capacity of 1,800cc and above and on-the-road price of RM150,000 and above, hybrid and electric cars, pick-up trucks, commercial vehicles and motorcycles with engine capacity of 200cc and above

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Chart 2-7: Total Production Volume (Malaysia), 2001-2015



Year	Total Production (units)	Passenger Vehicles (units)	Commercial Vehicles (units)
2001	428,701	355,863	72,838
2002	456,822	380,050	76,772
2003	424,107	324,911	99,196
2004	471,975	364,852	107,123
2005	563,408	404,571	158,837
2006	503,048	377,952	125,096
2007	441,678	403,245	38,433
2008	530,810	484,512	46,298
2009	489,269	447,002	42,267
2010	567,715	522,568	45,147
2011	533,515	488,261	45,254
2012	569,620	509,621	59,999
2013	601,407	543,892	57,515
2014	596,418	545,122	51,296
2015	614,664	563,883	50,781
CAGR (2001 – 2015)	2.6%	3.3%	(2.5)%

Note: Passenger and commercial vehicles were reclassified in 2007, whereby 4X4 vehicles were then categorised under passenger vehicles

Source: MAA

2.3.2 Reliance and Vulnerability to Imports

The automotive industry is relatively dependent on imports, especially among the non-national manufacturers. CBU units are fully imported from abroad while CKD units assembled locally also largely consist of imported components. The reconditioned car segment is also fully dependent on imports of used cars. National manufacturers have minimal dependence on imports, whereby most vehicle parts and components are sourced from established local vendors. Imports are limited to critical parts and components such as engine parts and tyres.

Non-national manufacturers distribute both CKD and CBU units. CKD units assembled locally are dependent on the import of CKD packs¹⁰ from foreign Original Equipment Manufacturers ("OEM"), which mainly consist of engines, metal body parts and transmission systems. Critical non-safety parts such as rims, entertainment systems, carpet and seats are usually sourced locally. On the other hand, CBU units would require minimal fitting or assembly as they are being fully equipped by foreign OEMs.

The importation of vehicles in Malaysia is subjected to relevant duties and tariffs, and is regulated by the AP system, which is further elaborated in Section 2.4 – Relevant Laws and Regulations. However, since 1 June 2011, import of used auto parts and components into Malaysia are banned by the Government, following the NAP Review 2014.

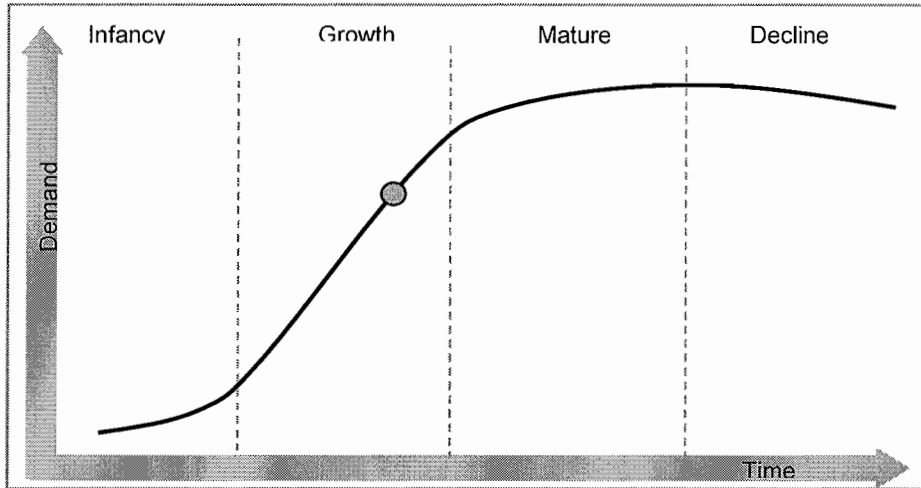
2.4 INDUSTRY LIFECYCLE

The local automotive industry is currently at the growth stage of the industry lifecycle, both in terms of vehicle sales and production. The industry has seen much progression and development since it started off in the 1960s, and its performance is closely tied to present economic conditions. The growth potential of the industry is greatly influenced by increasing GNI of the population. In addition, the Government has set out measures in terms of policies and incentives to further develop the automotive industry.

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¹⁰ CKD packs refer to packs that contain CKD parts and components

Figure 2-1: Lifecycle of the Automotive Industry (Malaysia), 2015



Source: Frost & Sullivan

2.5 RELEVANT LAWS AND REGULATIONS

The local automotive industry is governed by a number of policies and agreements, both local and international, as well as laws and regulations to ensure safety of users. In addition, the Government have put various incentives in place to encourage the development of the local automotive industry.

AP System

The AP for motor vehicles is an import licence issued by the Ministry of International Trade and Industry ("MITI") for the importation of motor vehicles into Malaysia, subject to the laws and regulations stipulated under the Customs Act 1967. An AP is required for the import of all new or used CBU and CKD motor vehicles, including motorcycles and CV. Companies that are eligible to apply for an AP are:

- Companies holding existing allocation of AP for CBU vehicles
- Franchisee of CBU vehicles
- Local assemblers of CKD vehicles
- Non-AP holders importing the following:
 - Classic cars more than 25 years of age
 - Temporary/permanent imports of motor vehicles for the purpose of R&D, exhibitions, grand prix, gifts and contribution
 - Motor vehicles to be used by ministries, government departments, statutory bodies and non-governmental organisation ("NGO")

National Automotive Policy (NAP)

On 22 March 2006, the NAP was first introduced to expedite the required transformation and integration of the domestic automotive industry into regional and global industry networks. It was aimed at increasing the liberalisation of the automotive industry to facilitate global competitiveness underscored by the Third Industrial Master Plan ("IMP3"), 2006-2020. Ultimately, the policy was intended to maximise the long-term contribution of the domestic automotive industry to the national economy.

The latest review of the NAP was in January 2014 with the aim to promote a competitive and sustainable domestic automotive industry with greater emphasis on the automotive supply chain, predominantly vendors of equipment and parts. The latest review envisions Malaysia as an Energy Efficient Vehicle ("EEV") regional hub with increase in exports of vehicles and auto components by 2020. Strengthening of the domestic automotive value chain will lead to greater job creation, particularly in the area of skilled professionals to facilitate even greater technology transfer from abroad. Towards this end, the government have allocated RM2 billion soft loans and grants for the automotive sector and for the human capital development in the automotive industry.

National Budget 2016

While no announcement was made specifically for the automotive sector for 2016, the Budget envisions growth of the automotive industry in line with the National Automotive Policy ("NAP") 2014. Up to 150,000 new jobs are expected to be created in the manufacturing as well as after sales and service sectors by 2020 to sustain the development and competitiveness of the Malaysian automotive industry at the regional and global level.

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3 ANALYSIS OF THE AUTOMOTIVE LEATHER UPHOLSTERY INDUSTRY IN MALAYSIA

3.1 INTRODUCTION AND DEFINITIONS

The automotive sector is one of the prime industries spearheaded by the First Industrial Master Plan ("IMP1") between 1986 and 1995, which outlined the framework for the development of broad-based manufacturing industry in Malaysia. The national car project launched in 1983 provided the impetus to acquire technology and industrial know-how within the manufacturing industry. Subsequent introduction of import substitution policies spurred the growth of domestic manufacturing as it promoted localisation of automotive components¹¹.

The subsequent IMP2 (1996-2005) further strengthened the linkages within the automotive manufacturing sector through the establishment of automotive clusters in Tanjung Malim (Perak), Gurun (Kedah) and Pekan (Pahang). With a structured vendor development programme in place, these clusters have successfully spawned a network of suppliers and producers of automotive parts and components. With local capacity of suppliers strengthened, it is only fitting that the most recent IMP3 (2006-2020) aiming to spur economic integration of the automotive manufacturing industry at the regional and global level.

A vital engine of growth, GDP contributions from the automotive sector is expected to account for 10.0% by 2020 from 3.4% in 2013¹². Investment in the automotive sector has grown to RM 4.9 billion in 2014¹³ from about RM0.7 billion in 2009. As of November 2015, about 19 licensed car assembly plants and manufacturers are in operation with a cumulative annual production capacity of 800,000 vehicles, supported by 550 vendors in the automotive component industry. Overall value of the automotive manufacturing industry have grown at a CAGR of 11.0% from RM14.3 billion in 2008 to RM21.7 billion by 2012. In the same period, manufacturing of automotive components have grown at a slower CAGR of 9.7% from RM4.8 billion to RM6.9 billion.

To ensure the long-term competitiveness of the Malaysian automotive sector, the IMP3 has identified several priority areas to expand the industry profile beyond manufacturing. It demands upgrading of local engineering capabilities to incite innovation in vehicle design and development. Distinctively, this includes the styling of both exterior and interior of vehicles which have progressively become the focal point of brand awareness and differentiation hence a vital feature to attract and retain increasingly sophisticated consumers. However, recalibration of exterior

¹¹ Notable ones include the Local Material Content Policy which aims to increase percentage of local components for all range of motor vehicles from 45% in 1992 to 60% by 1997

¹² Media Briefing on the NAP 2014 by the Minister of International Trade and Industry, January 20th 2014

¹³ As at end 2014

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design of vehicles is typically more onerous and costly as it potentially impinges on the vehicle's performance, safety, and fuel economy. Hence, the automotive brand owners, designated in the industry as the original brand manufacturer ("OBM"), have been experimenting with interior modelling to influence the overall impression of prospective consumers.

Interior components comprise various parts that include instrument panels, door panels as well as electronics. Yet, it is the upholstery that would be the most distinguishable part as it occupies the majority of the car interior. In recent years, the use of leather trim for automotive upholstery and other interior panels such as dashboards and doors has become more widespread. According to a recent survey by Frost & Sullivan, more than half of the passenger car models on sale in Malaysia have leather for its upholstery offered as either standard or optional¹⁴. Given that, this section will focus on the automotive leather upholstery industry.

Generally, the automotive upholstery industry in Malaysia comprises leather manufacturers that at the very least, undertakes the cutting and stitching operations to produce intermediate leather seat covers for the automotive industry. The manufacturers would procure finished leather from tanneries¹⁵ as the key raw material, which are almost exclusively from bovine origin. Upon inspection of the raw materials for defect, the finished leather is then naturally shaped for seats. It is a common practice in the industry for the leather to be affixed with additional material, typically Polyvinyl-chloride ("PVC"), to achieve greater manufacturing cost efficiency. Presently, advanced manufacturing processes allow improved colour-matching that diminish the visual distinction between the two materials.

The leather is subsequently being cut into a template size and shape, based on the clients' requirement, that correspond with its designated installation part on the seats. This is due to the fact that different parts of the leather have different tactile properties hence with varying durability. Upon being sorted by its respective pieces, the leather may be subjected to additional processes such as emboss, embroidery and perforation¹⁶ to meet clients' seat design requirement. The pieces are then sewn together to a foam material, which provide additional padding for comfort before the final stitching which joints all the leather pieces to produce the final intermediate leather seat cover. The seat cover is then is packed according to the orders for delivery based on batches.

¹⁴ A total of 203 models were surveyed across 28 car makers, as of December 2015

¹⁵ A factory where hides and skins are subjected to tanning process which treats it to produce leather, making it more durable and less susceptible to decomposition

¹⁶ A hole or series of holes punched through the upholstery for fitting purposes and workings of seat systems

3.2 MARKET SEGMENTATION AND VALUE CHAIN

The growing international automotive market resulted in the emergence of regional automotive hubs, especially in developing countries with reputable automotive manufacturing profiles. The OBM often engage local automotive manufacturing partners, designated by the industry as the OEMs to manufacture and assemble their car models. Nevertheless, the ultimate decision on the vehicle specification to be manufactured remains with the OBM, including on the use of leather for the vehicle upholstery.

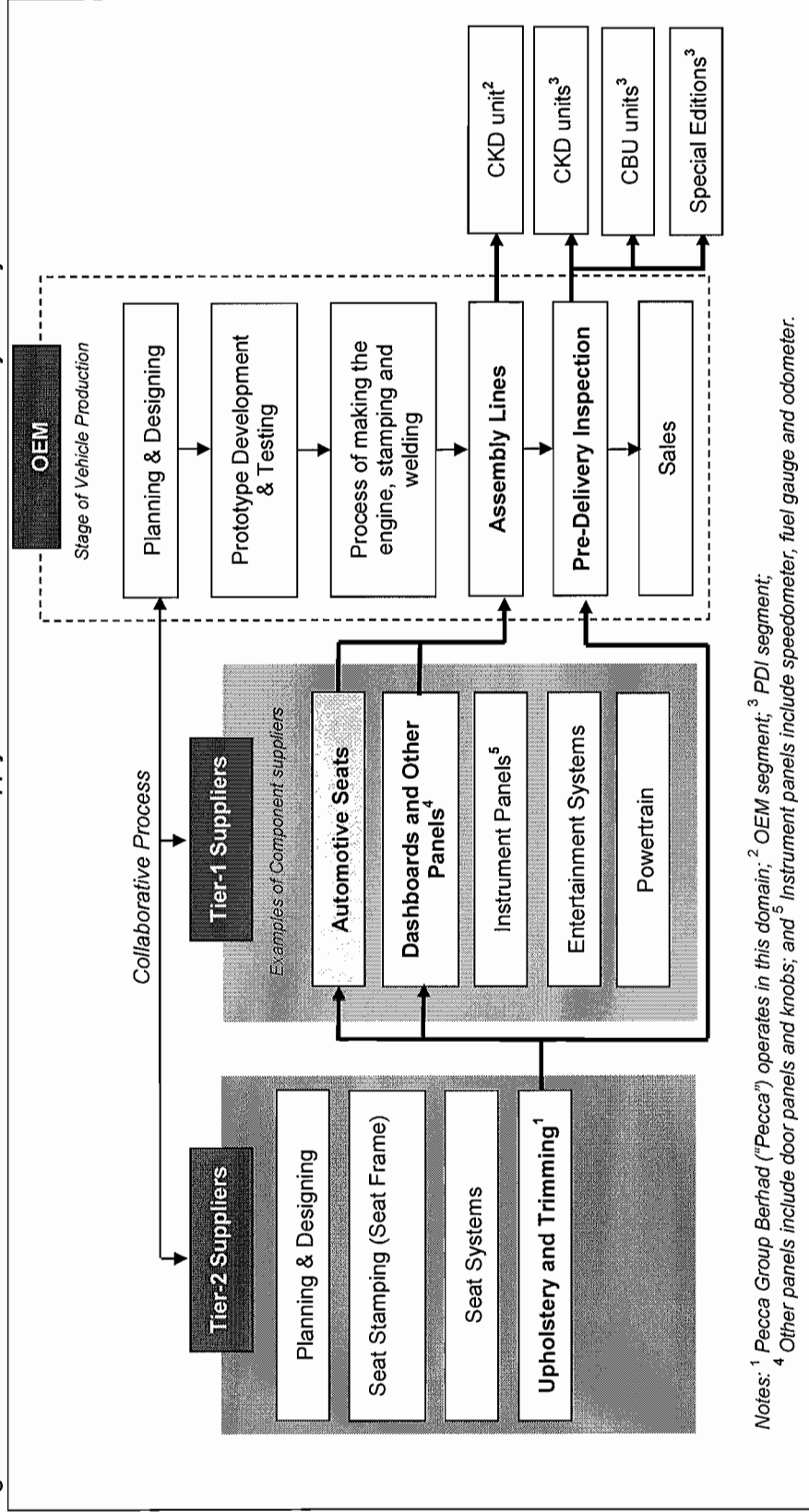
Figure 3-1 presents a general overview of vehicle production processes in the automotive industry. It also highlights the positioning of the leather upholstery industry within the automotive value chain. The assembling process is the core of the vehicle production processes as it involves assembling different semi-finished components into a final functioning product - a fully operational vehicle. This is a very complex operation. The components that build up a vehicle such as doors, headlights, seats, and on-board electronics are made of thousands of individual components.

To ensure that each components and parts of the vehicles are fully compatible and attuned for optimum efficiency and performance, the value chain for the automotive industry are typically segmented into several logical components such as the powertrain, body works, instrumentations and automotive seats. Hence, the automotive manufacturing industry is characterised by cascading requirements imposed by the OEM throughout the supply chain to comply with the OBM-approved specification.

Within the automotive seat segment, the OEM will first engage its direct supplier for finished automotive seats, referred to as the first tier supplier ("T1"). The T1 essentially produce the seats by means of assembly of various seat components that comprise seat frames, automotive seat systems and leather upholstery. As T1 generally do not produce all of the seat components, they would typically source some of the components from multiple manufacturers including from automotive leather upholstery manufacturers. Hence, the automotive leather upholstery manufacturers are referred to as second tier supplier ("T2") in reference to the OEM.

Although the value chain is structured in this manner, both T1 and T2 suppliers are involved in the development stages for new car models including in the production of prototypes for the optimum design for a particular car model. However, later at the production stage, it is the T1 that will work closely with the T2 to ensure that the projected supply of various components of the car seats, including the leather upholstery, can be fulfilled. With growing production volume in emerging markets, the T1 are now expected to manage the shortfall of production faced by the T2. There is also increasing evidence of OBM becoming involved throughout the domestic supply chain as they seek to uphold the quality of parts provided by the T1 and T2 suppliers.

Figure 3-1: An Overview of Vehicle Production Processes and its Supply Chain within the Automotive Industry in Malaysia

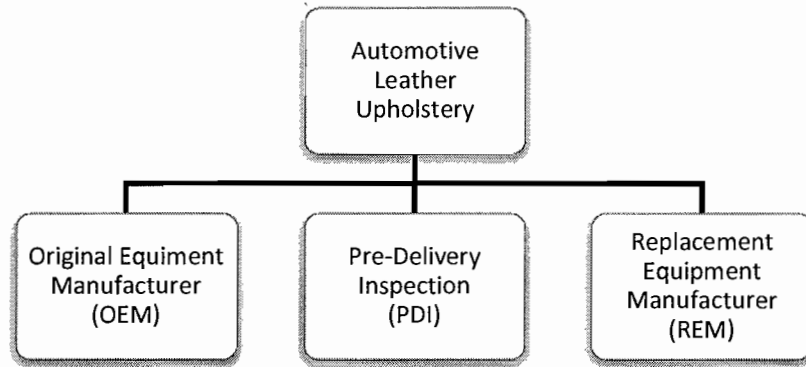


Source: Frost & Sullivan

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On this account, Frost & Sullivan segments the automotive leather upholstery industry in Malaysia, into three distinctive parts which are the OEM segment, the Pre-Delivery Inspection ("PDI") segment and the Replacement Equipment Manufacturer ("REM") segment.

Figure 3-2: Segmentation of Automotive Leather Upholstery Industry



Source: Frost & Sullivan

OEM Market

This segment is the largest in volume as it caters for the design and production of leather upholstery for new vehicles each year by the T1 and T2 suppliers, both of which being appointed by the OEM. The OEM segment refers to the installation of automotive leather seats in a given volume at the vehicle assembly line, where several parts of the vehicle are assembled in sequence until the final product is produced. This meant that the vehicle can be delivered on a shorter delivery time¹⁷.

The OEM typically prefers eligible suppliers to have a manufacturing plant adjacent to their manufacturing plant in order to mitigate logistical risk. Another critical requirement is for the supplier to have a TS/ISO16949 certification which is a dedicated quality management system certification for the automotive manufacturing industry which assures the supplier's capacity to afford seamless integration into existing OEM supply chain.

Given that leather upholstery are being installed in relatively limited quantity, a single supplier will supply the entire leather upholstery for a given OEM model to attain economies of scale, unlike other automotive components including fabric upholstery.

While the OEM segment provides a consistent stream of revenue for the suppliers, this is the most complicated and demanding segment. Suppliers need to have a solid financial standing as they are expected to bear the development cost, throughout the designing phase which varies

¹⁷ Commonly referred by the industry as shorter lead time

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from a month up to a whole calendar year depending on whether the development is for new or existing models. This process entails elaborate calibration, testing and documentation before the final design and the subsequent price that can be agreed upon. Suppliers are also being constantly subjected to fluctuating volume of orders on a quarterly basis reflecting the anticipated demand for a given model.

Strong research and development capabilities and continuous improvement programmes are vital for suppliers to remain competitive. The OEM expect their suppliers to achieve gradual cost-savings throughout the production phase, reflected in the declining price per seat of leather upholstery. This is being accomplished through various methods such as improved repetitive production time and use of cost-effective yet similar materials.

PDI Market

The PDI process is mandatory in automotive manufacturing. It prepares a vehicle for its final delivery to the end consumer. This final process in the automotive manufacturing plant has grown beyond merely final inspection to include accessorisation of the vehicle including leather upholstery. Hence, the PDI segment is a relatively new segment sprouted from the needs of automotive distributors to enhance the attractiveness of their outgoing models or existing stocks during economic downturn through interior refurbishment.

At the outset, installation of leather upholstery in the PDI segment is restricted to vehicles with basic seat designs – those without additional functions such as heating and airbags. The earlier retrofitting processes involved the disassembly of seats for ease of installation and to ensure impeccable finishes. Nonetheless, modern automotive seat designs have become increasingly sophisticated with integrated comfort and safety features. The whole seat including the embedded airbags is essentially draped in upholstery of choice thus retrofitting may affect its deployment and consequently marginalise the safety of the passenger concerned. As a result, disassembly or even retrofitting of seats altogether is not a preferred option by most OEM. Despite these challenges, recent innovations in automotive seat upholstery now enables virtually any vehicles fitted with fabric upholstery to be retrofitted with leather without the need for seat disassembly while still conforming to stringent OEM requirements on seat designs.

This distinctive feature makes the PDI segment increasingly important as a strategic production and marketing device for both OEM and distributors. Before 2009, leather upholstery are reserved only for the premium models and selected trim levels which are usually priced higher as it also includes other accessories, such as enhanced entertainment system and vehicle body modification kits. Leather upholstery can now be offered as an accessory option even for entry-level models by distributors. The OEM would no longer have to disrupt the supply chain of production at the assembly line to cater for increase in the demand for leather upholstery in their models, which can potentially affect its delivery time. With this flexibility, the distributors are able

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to gauge consumers' preference before undertaking leather programmes in the OEM segment, should the volume of demand permits.

As both OEM and PDI segments are in effect installed at the manufacturing plant at different stages of production, both are considered by the industry as factory-made with approval of warranty by their respective suppliers.

Frost & Sullivan expects the frequent launching of new models (especially special edition models) and the increasing segmentation offerings by OEM to result in a higher growth in the PDI segment compared to the OEM segment, where there is shorter vehicle lifecycle.

In fact, the ability of suppliers to meet stringent OEM requirements for PDI installation of leather seats, particularly those with airbags, will give the suppliers a strategic advantage to penetrate the regional and global automotive hubs, where establishing a local manufacturing plant is no longer a requirement to secure the OEM contract.

REM Market

Commonly known as the aftermarket segment, the REM segment involves the distribution, retailing and installation of leather upholstery after the purchase of vehicles by the consumers. The intent of consumer purchasing the REM products is driven by both personal preference (pursuing greater personalisation of the vehicle) and needs (replacement or restoration of parts).

There are various channels of delivery for leather seat REM products which targets varying groups of consumers. In general, these channels would include auto detailing specialists and traditional REM suppliers, as well as independent and OEM-approved workshops.

Presently, the REM products are not being regulated and this may pose danger to consumers due to its incompatibility and quality of parts. While low-priced complementary REM products are the defining feature in this segment, many of these products do not conform to automotive standards. This includes leather REM products which are likely to be made from non-automotive leather, as the raw material is considerably cheaper. Frost & Sullivan estimates that about 65% or approximately 365,000 units of PV produced locally in 2015 are without leather upholstery. As the Government intend to regulate the REM segment by 2020 as outlined by the latest revised NAP in 2014, this will bolster consumer's confidence and interest in the segment going forward.

Furthermore, the global automotive market is expected to reach 89.7 million units in sales in 2015, driven by growth in the emerging markets¹⁸. The ASEAN automotive markets, particularly Indonesia, witnessed both historical highs in automotive sales as well as production in 2013. Although total production in Thailand has declined in 2014 due to weakening domestic demand (see Chapter 4), ASEAN is expected to retain its position as the sixth-largest automotive market

¹⁸ OICA

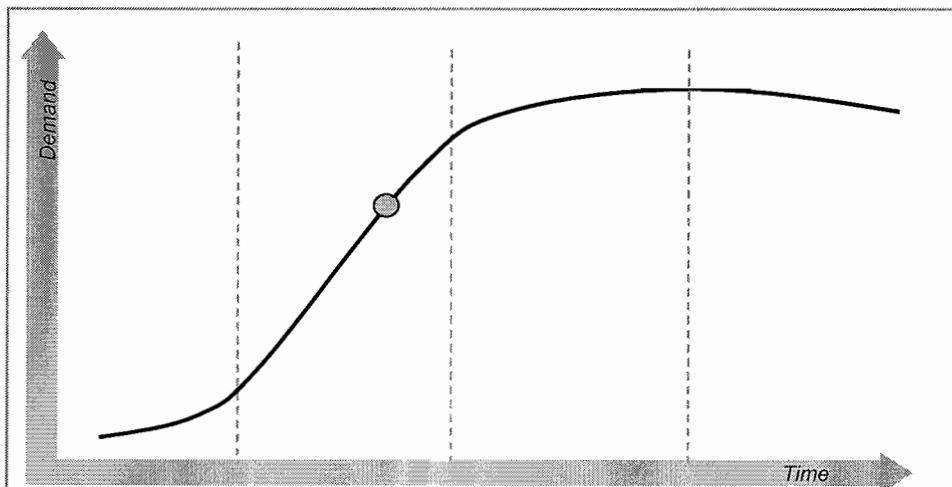
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globally with a total production of 7.6 million units by 2020, with PV emerging as the key segment¹⁹. To date, at least 10 OEMs are recorded to have invested in new plant operations. As there are generally considerably more vehicles produced without leather upholstery annually, this implies greater demand potential in the export market for the REM segment in the near future.

3.3 INDUSTRY LIFECYCLE

The automotive leather upholstery industry is currently in the growth stage of its industry lifecycle. There is ample room for growth as the Government aims to almost double the production volume of PV to about 1.1 million by 2020. In addition, local CKD production for premium continental brands such as Volkswagen and Mini has since commenced. These OEMs are more likely to have leather upholstery installed in their vehicles thus will likely spur the competitors to adopt the material as well. Besides, there is tremendous space for greater use of leather in automotive interior such as dashboards, door panels, seatbacks, sun visors and headlining.

Figure 3-3: Lifecycle of the Automotive Leather Upholstery Industry in Malaysia



Source: Frost & Sullivan

The shifting trends of the regional automotive industry are also favourable to the leather upholstery industry. Asia is expected to account for 51% of global production volume and 44% of global sales of PV by 2020, largely attributed to the Chinese and Indian markets²⁰. Compact and sub-compact vehicles are expected to be the best performing segment in this region due to increased urbanisation. These segments are also becoming increasingly price sensitive; hence greater accessorisation particularly with leather upholstery will be a key value proposition.

¹⁹ Frost & Sullivan - Automotive Market Engineering Report, June 2014

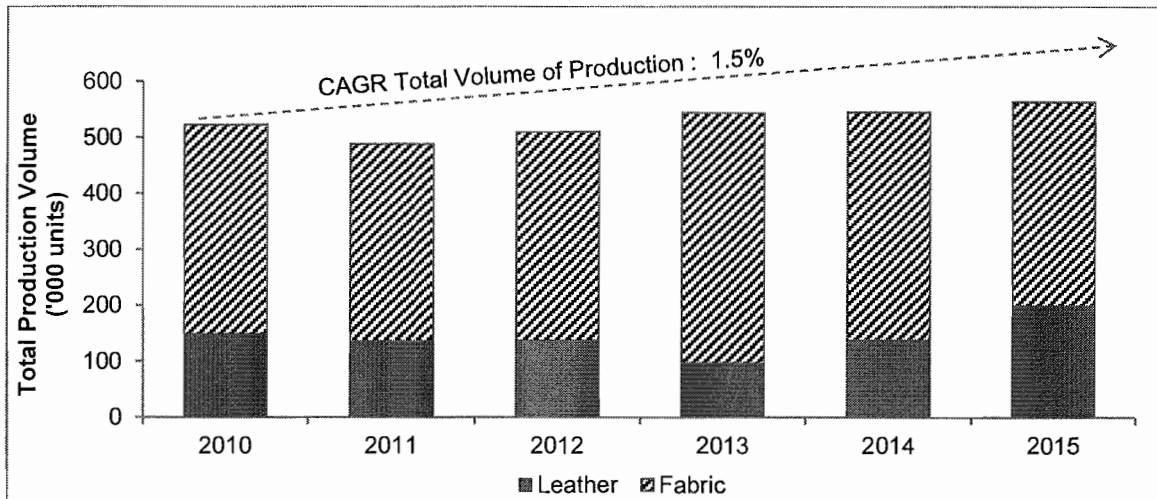
²⁰ Frost & Sullivan – 2020 Vision of the Global Automotive Industry, June 2012

In the same way, leather upholstery is increasingly important for developed automotive markets notably America, Canada and Europe which were dominated by mid-sized and SUV vehicles. Consumers in China are observed to follow similar trends supported by the steady growth in economy and disposable income with a considerably large young population²¹. With a high degree of competition across all segments, consumers continued to seek greater offers and value instead of only attracted to OBM. As the automotive sector becomes more developed, leather upholstery is likely to be a standard offering by OEM.

3.4 MARKET SIZE AND GROWTH TRENDS

The intricacy of automotive supply chain speaks of its competitive nature. Information on suppliers and its production processes are typically proprietary as it establishes a firm's competitive advantage. Therefore, publicly available information is generally confined only to the volume of local production and sales of new vehicles, making it only fitting to estimate the market size for the OEM and PDI segments for the CKD units. The variation of volume and quality of leather installed in particular models also commands the potentially vast difference in pricing. On that basis, Frost & Sullivan estimates the market size of OEM and PDI segment based on the volume of locally-assembled PV that comes with leather upholstery, excluding REM segment.

Chart 3-1: Trends in Volume of Local Production for PV (OEM Segment) by Type of Upholstery, 2010-2015



Source: MAA and Frost & Sullivan

²¹ Frost & Sullivan – 2014 Automotive Outlook for China, July 2014

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The demand for leather upholstery in the automotive industry has been relatively stable with total production increased at a CAGR of 1.5% between 2010 and 2015. Although the national OEM still commands the majority in production, the production of PV with leather upholstery for non-national OEM have already increased at a strong CAGR of 36.9% compared to -5.2% for national OEM between 2010 and 2015, thus hiving off national OEM's market share of leather upholstery to non-national OEM from 85.5% to 48.5% in the same period.

This decline of market share held by national OEM is largely attributed to the fact that most of the models on sale into 2010 by the national OEM are nearing the end or have gone beyond the average industry product lifecycle. According to a publication by the United States International Trade Commission²², the vehicle lifecycle has now reduced from seven to five years to improve the brand appeal and its competitiveness. As launching of new models during the market downturn is unfavourable, accessorising the outgoing models including with leather upholstery, is now part of the OEM strategy to add value to their present offerings. A case in point is Perodua which has extensively utilised leather upholstery for its Myvi line-up prior to the release of a redesigned version in 2011.

This move has altered the competitive landscape of the market particularly in the small, family sedan segment. The adoption of leather upholstery has helped Perodua in its positioning as a market leader thus instigating a similar move by their competitors, with Proton subsequently introducing leather upholstery in their Persona model. This has effectively moved leather upholstery towards the mainstream among the national cars.

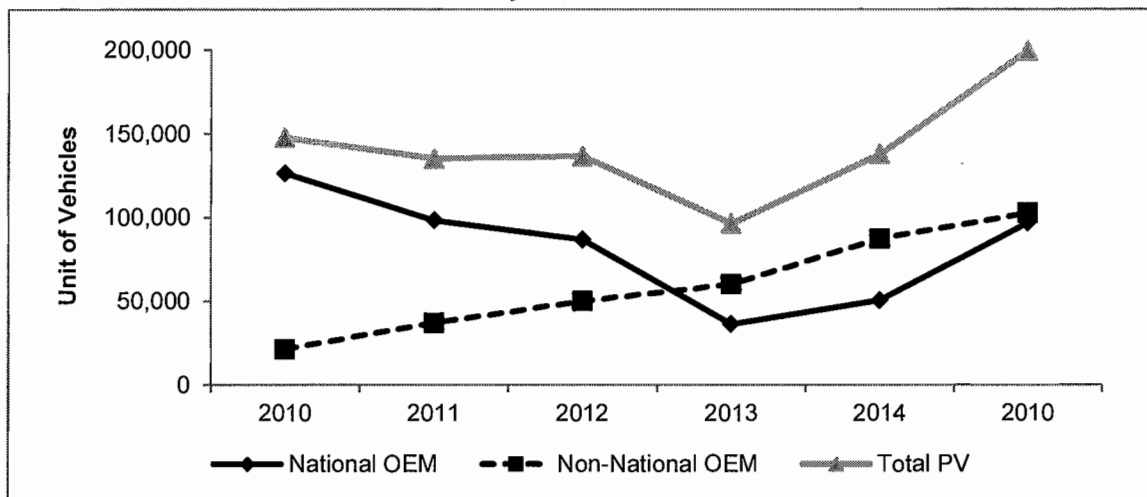
The decline in volume of national cars with leather is attributed to stronger sales projection of newer models by the OEMs. Proton for instance has temporarily ceased its leather programme for the Exora after its successful launch in 2009. Leather options were only re-instated later in 2011 to boost its sales. On the other hand, Proton Saga has been registering solid sales figures without having a leather upholstery programme since its launch in 2010.

The recent launches of Perodua Axia and Proton Iriz in 2014 demonstrated the growing demand and appeal of leather upholstery in PV. As both entry-level models come with a low-base price, this meant the consumers could afford adding accessories such as leather upholstery. Financing such purchase is easier for consumers since it is covered under the Hire Purchase agreement instead of dispensing their savings at the aftermarket. Given that, these factors will drive demand for leather upholstery further.

²² Industry and Trade Summary: Motor Vehicles (September 2002)

10. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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Chart 3-2: Trends in Volume of Local Production of Passenger Vehicles with Leather for National and Non-National OEM in Malaysia, 2010-2015

Year	Estimation of Production Volume (Units)		
	National OEM PV with Leather	Non-national OEM PV With Leather	Total PV with Leather
2010	126,390	21,384	147,774
2011	98,239	36,995	135,234
2012	86,646	49,903	136,549
2013	36,139	60,079	96,218
2014	50,372	87,271	137,643
2015	96,710	102,673	199,383
CAGR (2010-2015)	-5.2%	36.9%	6.2%

Source: MAA and Frost & Sullivan

This availability of leather upholstery in entry-level models also instigated greater adoption in the higher segments due to increased consumer demand, particularly with the non-national OEM. Increasing sales of non-national OEM has encouraged non-national OEM to venture and expand their local production instead of directly importing their vehicles as CBU units. Along with availability of fiscal incentives, the push for higher localisation of content or parts will provides non-national OEM reduction in tariff which will improve their competitive standings. In line with the consistent growth of market share over the national OEM in the PV segment, the non-national OEM's share of PV produced with leather upholstery has simultaneously risen from 14.5% in 2010 to 51.5% in 2015.

This rise is largely driven by Japanese OEMs which has expanded their leather programme by nearly 70,000 units between 2010 and 2015, which translate to a CAGR of 45.3%. The Korean and European OEMs have also shown strong growth with a CAGR of 53.8% and 15.0% respectively in the same period which both augmented their leather programmes by almost 11,100 units combined. Furthermore, non-national OEM such as Volkswagen, Mini and Subaru are gradually expanding their local production footprint. Expansion in local production of premium marques is likely to promote growth in automotive leather upholstery market.

3.5 DEMAND CONDITIONS AND DEPENDENCIES

Greater need for localisation by non-national OEM to achieve competitive pricing

Non-national OEM is currently subjected to high import and excise duties which resulted in a homologated price that is considerably higher than the national OEM. With the exception of AFTA and other free trade agreements with Japan and Australia²³, the Government still imposes a high import duty of 30% for other importing countries in 2014²⁴. Excise duty is also being imposed on all non-national OEMs which range between 60% and 105%²⁵. Along with the limit on the numbers of cars that can be imported under the AP framework, this has consequently subdued the demand of non-national and premium car models.

However, non-national OEM has pursued various avenues to strengthen availability and achieve more competitive pricing. Apart from venturing into local CKD assembly for selected models which eliminates the import duty, they have increasingly adopted greater localisation of contents or parts ("LC") from Malaysia and other ASEAN countries²⁶. Through the LC approach, non-national OEM may obtain tax rebates to reduce overall excise duty which will largely reduce its final selling price²⁷.

Despite these advantages, non-national OEM especially the premium marques are very selective in establishing or expanding their local manufacturing footprint, even more of their LC strategy to safeguard their premium brand reputation. Critical component such as engines and transmissions are often shipped as finished parts as this affect the final performance and reliability of vehicles. As such, it is the non-critical component or accessories such as entertainment system, batteries, tires and leather upholstery that become the preferred LC items. As there are only limited accessory items available from local suppliers, the automotive leather upholstery industry is fast becoming an integral part of the non-national and premium OEM strategy to achieve competitive pricing for both CKD and CBU units.

Strong Institutional Support for a Competitive Automotive Industry

The automotive sector has long been one of Malaysia's strategic sectors. A key priority area of the latest NAP is the development of high value-added manufacturing activities in niche areas

²³ According to MITI, import duties for all car segments from ASEAN have been rationalised in 2010 with similar expectation for both Australia and Japan 2016

²⁴ The import duty is unlikely to change in the immediate future as it is a major revenue source for the government

²⁵ MAA – "Duties and Taxes on Motor Vehicles"

²⁶ Under ASEAN Free Trade Agreement ("AFTA")

²⁷ According to MITI's Car Price Reduction Framework, this alone will result in reduction of car price up to 30% by 2017

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through the liberalisation of ML²⁸ for selected segments particularly luxury cars²⁹. The sales of luxury cars have been growing strong in the past decade, especially in the greater Asia Pacific region. As this segment offers their clientele a higher degree of customisation including design of leather interior, proximity between suppliers and assemblers does not only provide the critical cost advantage but also allow OBM to stay abreast on consumers' trends. This proves to be a pivotal feature for Malaysia as it is geographically located at the heart of the ASEAN automotive hub.

On that basis, the Automotive Supply Chain Development Roadmap of the NAP will facilitate the expansion of local manufacturers' engineering and innovation capabilities, from basic assembly of imported kits to regional supply and global export. As OEMs often establish regional design and innovation centres near their assembly plants, the development of world-class vendors would incentivise global OEM to source design and intermediate inputs from local suppliers. Soft loans such as the Automotive Development Fund and Industrial Adjustment Fund of approximately RM295.0 million are allocated to spearhead this transformation under the NAP³⁰. Hence, these strategic interventions of the NAP will enhance both the supply as well as the demand for automotive leather upholstery.

Application of Leather for Brand Differentiation and Appeal

Similar to fashion, the automotive sector has become increasingly sensitive to consumer trends. With this understanding, leather upholstery has become a vital tool for OEM to convey a statement of luxury and prestige. It is also used to improve marketability of existing, outgoing models without compromising on its final selling price. Recent innovation allows cost-effective refurbishment of automotive upholstery in unsold cars to include leather which greatly enhance its appeal, allowing car makers to improve their turnover rates.

Improved and cost-effective supplies of leather upholstery have facilitated greater adoption in the growing compact car segment as leather are now increasingly offered as standard while maintaining its competitive pricing thus its appeal. Car interiors have become more important as consumers are spending more time in their cars commuting longer distances. Hence, consumers would generally prefer higher quality and comfort of leather upholstery.

Growing affluence of the population in both industrialised and developing countries have also stimulated demand in fashion, personal preference and prestige for natural materials in vehicles particularly leather. The vehicle is adapted to meet a diversity of customer's individual needs to

²⁸ The suspension of Manufacturing License previously was due to excess capacity in the industry. Vehicle assemblers were allowed to make available their excess capacity to third parties to assemble new models provided it did not directly compete with models of national car manufacturers

²⁹ Vehicles with on the road prices not less than RM150,000

³⁰ MITI Briefing on the NAP 2014

enhance its functionality and appeal, especially among owners of existing vehicles, which drive greater adoption of leather upholstery in the REM segment.

3.6 SUPPLY CONDITIONS AND DEPENDENCIES

The supply of automotive leather upholstery is dependent on its immediate upstream tanning industry. As automotive leather is a highly-engineered product to yield its durable characteristics, Frost & Sullivan is of the view that there are no local production available as of 2014 thus this raw material has to be imported from tanneries abroad. According to the International Trade Statistics³¹ the global export and import of raw hides and leather were valued at USD36.6 billion (RM127.9 billion) and USD35.9billion (RM125.5 billion) respectively for 2014³². Italy was the top leather exporting country, which accounted for 15.4% of the world exports followed by the United States (9.6%), Brazil (7.6%) and Hong Kong SAR (5.8%). Tighter environmental regulations may slow the expansion of output tanneries, especially in the European Union ("EU"). According to Food and Agriculture Organisation ("FAO"), production of tanneries is also marginally affected by export restriction of raw hides by several African nations.

3.7 PRODUCT SUBSTITUTION

Textile or fabric is the standard material for automotive upholstery. However, with growing consumer affluence, demand for higher quality substitute such as leather upholstery is likely to increase in tandem with increasing production of vehicles. Simultaneously, improvement in textile technology has also led to invention of synthetic leather that exhibit similar aesthetics properties to leather. Synthetic leather thus can be considered as a close substitute, yet it does not command similar prestige and quality as leather. Nevertheless, the availability of synthetic leather provides the platform for industry players to use complementary materials to achieve greater cost advantage that meets the OEM configuration.

3.8 RELIANCE AND VULNERABILITY TO IMPORTS

The importation of finished hides takes place to make up for the shortfall of leather in local tanneries. According to FAO, Malaysia produced about 6.2 thousand tonnes of bovine hides and

³¹ Managed by the joint agency of the World Trade Organisation and the United Nations

³² USD/MYR exchange rate is based on 31 December 2014 of RM 3.4950 per USD dollar

imported less than 1.0 thousand tonnes of bovine hides and skin in 2012³³. However, automotive leather is a highly-engineered product which is not locally produced currently thus automotive upholstery industry players import the raw materials from key producers, typically from the EU.

Tanneries prefer to supply leather in pre-cut pieces of finished leather instead of hides to improve their profit margin by earning the cutting yield. On the contrary, the industry players have preference to source the raw materials in hides as this would also provide them with greater control over the input quality and to capture greater value. The increasing LC adoption has induced OBM to have greater clout over the suppliers primarily to uphold quality and pricing of inputs.

3.9 RELEVANT LAWS AND REGULATIONS

Although there were no particular legislation governing the automotive leather upholstery industry, there are increasing legislation in place in recent years aimed to reduce harmful effects of the leather industry on the environment particularly in the EU that restrict the usage of substances in leather production and toxicity of its wastewater. The automotive leather industry in the EU is well-organised in conforming to the stringent regulations. The application of leather in the automotive sector is governed by the technical standards specified by the United States-based Society of Automotive Engineers and the International Standard Organisation.

3.10 INDUSTRY RISKS AND CHALLENGES

Fluctuation in Leather Hide Prices

Automotive leather is a major cost component in the automotive leather upholstery industry. There are great variations in the price of automotive leather which largely corresponds with the difference in its quality. As the tanneries that manufacture automotive leather procure the semi-processed or wet-blue leather, there is also inherent yet limited risk from the fluctuation of leather hide prices with the supply and demand condition in the global market. This is due to the fact that only a portion of leather hides are used to produce automotive leather.

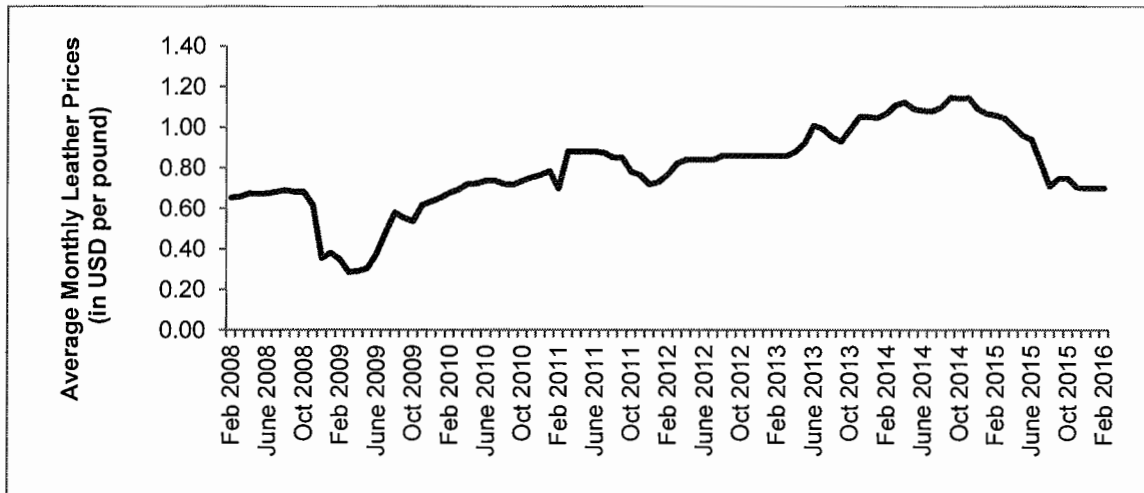
According to the IMF Primary Commodity Prices, leather hide prices based on the Heavy Native Steers category have moderated from its all-time high in September 2014 of USD1.15 per pound to USD0.70 per pound in February 2016. The dip mirrors similar trends in global commodity prices. Furthermore, weaker growth in the emerging markets has also resulted in lower market demand especially for leather-based products. As of 2015, the US remains as the world leader in

³³ FAO - World Statistical Compendium for Raw Hides and Skins, Leather and Leather Footwear (1992-2012)

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exportation of bovine hides by value while China became the world's largest importers of hides despite seeing its production grow in the past since 1993³⁴.

Chart 3-3: Trends in Average Monthly Leather Hide Prices (in USD per pound), 1990-2016



Note: Based on Heavy Native Steers category

Source: IMF Primary Commodity Prices

Availability of Raw Materials

The cost, quality and availability of leather inputs are major impediments to the competitiveness of automotive leather industry. Competition in sourcing the raw material alone has become increasingly intense with the growth of automotive manufacturing hubs in China and South America, as well as competing demands from the apparel and clothing industries³⁵. Unabated, this will result in the growing use of synthetic materials. Advancement in fabric technology has already led to the development of fabric with leather-like properties at greater economic value.

3.11 BARRIERS TO ENTRY

Although the industry will have lower entry barriers as it becomes more competitive with the progressive market liberalisation under the revised NAP, most of the automotive leather upholstery players have established close working relationship with the OBM who decide on the final specification and to some extent, suppliers for the OEM to procure on their behalf. Hence, appointed T2 have long-term contracts with the T1 to cater for the production of selected models for an OEM that may last for several years. It is likely there will be horizontal integration of existing

³⁴ According to FAO and International Trade Centre

³⁵ Confederation of National Associations of Tanners and Dressers of the European Community (COTANCE), News Release following the COTANCE Council meeting in February 2013

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suppliers to achieve greater economies of scale in the immediate future. An enlarged footprint particularly in the automotive upholstery industry in general will make it difficult for new firms to capture value.

3.12 COMPETITIVE LANDSCAPE AND STRUCTURE

A prospective OEM supplier would have to comply with a set of stringent safety and manufacturing standards. It is understood that very few of the existing local automotive leather manufacturers would qualify for the role of OEM supplier. Based on publicly available information, the following is the profile of selected automotive leather upholstery manufacturing companies that partake in the automotive upholstery industry, particularly in the OEM segment in Malaysia.

Table 3-1: Profile of Key Industry Players, 2015

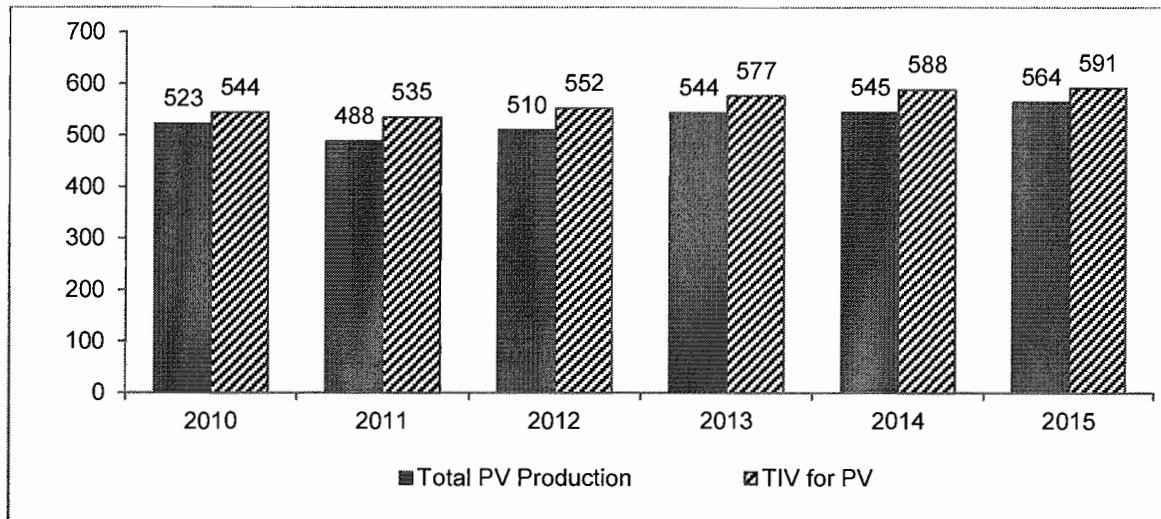
Company	Company Structure	Clients in 2015
<ul style="list-style-type: none"> Pecca Leather Sdn Bhd ("PLEather") 	<ul style="list-style-type: none"> Privately-owned 	Proton, Perodua, Toyota, Nissan, Subaru, Mitsubishi, Hyundai, Peugeot
<ul style="list-style-type: none"> DK Leather Corporation Berhad 	<ul style="list-style-type: none"> Privately-owned Previously listed in Bursa Malaysia between 2004 and 2008 	BMW, Honda, Mazda, Proton, Renault, Volvo
<ul style="list-style-type: none"> Gosford Leather Sdn Bhd 	<ul style="list-style-type: none"> Privately-owned 	
<ul style="list-style-type: none"> OEM Autoseats Malaysia Sdn Bhd 	<ul style="list-style-type: none"> Privately-owned 	

Source: Company's Websites, Companies Commission of Malaysia and Frost & Sullivan

3.13 MARKET SHARE

As noted in Section 3.4, there are limitations in the market share estimation for the automotive leather upholstery industry in Malaysia.

The aggregated statistics from MAA shows that the total industry volume (TIV) for PV and the locally-assembled PV are nearly identical - even though TIV is based on sales. Frost & Sullivan infer that high domestic demand remains the major thrust for locally-assembled PV, which subsequently led to higher sales or TIV for PV. Based on publicly available publication, total production of locally-assembled PV represents at least 95.4% of TIV in 2015 thus it is representative of the industry.

Chart 3-4: Trends of Locally-Assembled and TIV for PV (in '000 units), 2010- 2015

Source: MAA

Hence, Frost & Sullivan's methodology entails the assessment of all active car models with leather programme from 2011 to 2015, which covers approximately 203 models and variants across 28 car makers. Once a comprehensive industry profile is obtained, the information which is subsequently charted against the production volume of locally-assembled PV would provide a more accurate representation for the OEM and PDI segments. This is the best frame of reference as the annual production statistics by make and models are publicly available and closely monitored by the Malaysian Automotive Association (MAA).

The fact that PDI segment has recently grown increasingly important since 2015 needs to be taken into consideration despite it being a relatively new segment. Given these conditions, the market size estimation will be based on the OEM and PDI segments.

While Frost & Sullivan views the REM as a potential segment given that vehicle ownership often span nearly a decade due to long period of purchasing repayment up to 9 years and more than 2.7 million PV aged 10 years or more in 2011, lax regulation and enforcement³⁶ on automotive REM products in general has permitted offerings of identical products with substandard quality³⁷.

The respective models with a leather programme in a particular year were validated to derive the market size for the automotive leather upholstery industry. The production numbers of PLeather is subsequently evaluated against the market size for its market share approximation.

³⁶ Malaysia Institute of Road Safety Research (MIROS) - Review Report 02/2012

³⁷ Products that did not meet the automotive manufacturing and safety standards

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Table 3-2: Trends in Volume of Locally-Assembled PV by Type of Upholstery (in unit), 2011-2015

Year	Total PV Production	Total PV with Fabric	Total PV with Leather
2011	488,261	353,027	135,234
2012	509,621	373,072	136,549
2013	543,892	447,674	96,218
2014	545,122	407,479	137,643
2015	563,883	364,500	199,383
CAGR (2011-2015)	3.7%	0.8%	10.2%

Source: MAA and Frost & Sullivan Analysis

Table 3-3: Breakdown of Locally-Assembled PV Production Volume with Leather Upholstery by PLeather and Other Players (in unit), 2011-2015

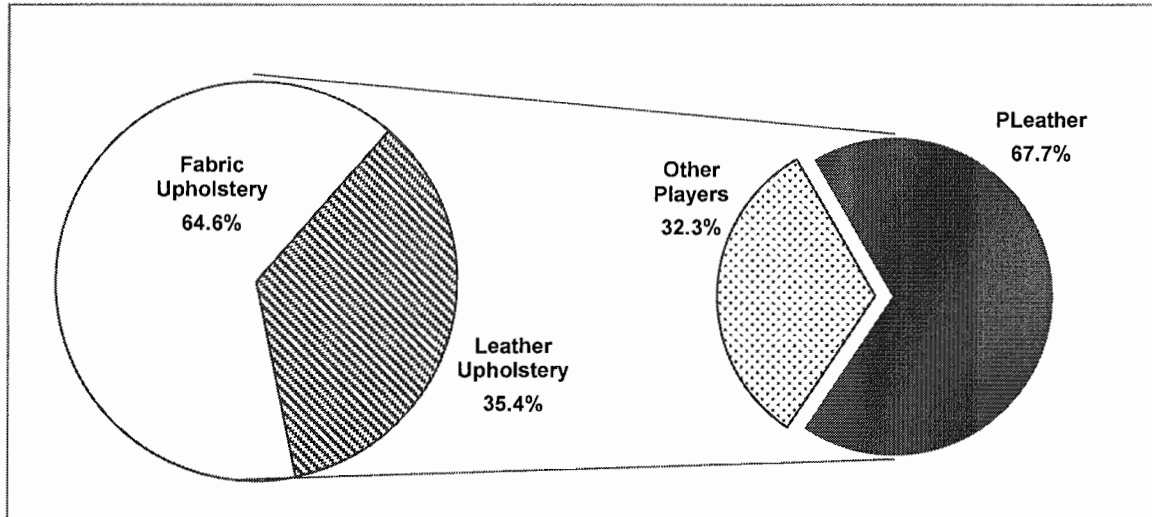
Year	Total PV with Leather	PLeather	Other Players
2011	135,234	49,113	86,121
2012	136,549	52,389	84,160
2013	96,218	55,630	40,588
2014	137,643	89,786	47,857
2015	199,383	135,046	64,337
CAGR (2011-2015)	10.2%	28.8%	-7.0%

Source: MAA and Frost & Sullivan Analysis

Frost & Sullivan estimates the volume of locally-assembled PV with leather upholstery in Malaysia after excluding the REM segment to be at 199,383 units in 2015, of which PLeather has supplied approximately 133,046 units. Hence, PLeather captured a market share of 67.7% in 2015 while other players commanded 32.3%. This established the company as the leading player in the combined OEM and PDI segments of the automotive leather upholstery market in Malaysia, without the inclusion of REM segment. As observed in the following table, PLeather's market shares were 36.3%, 38.4%, 57.8% and 65.2% respectively from 2011 to 2014.

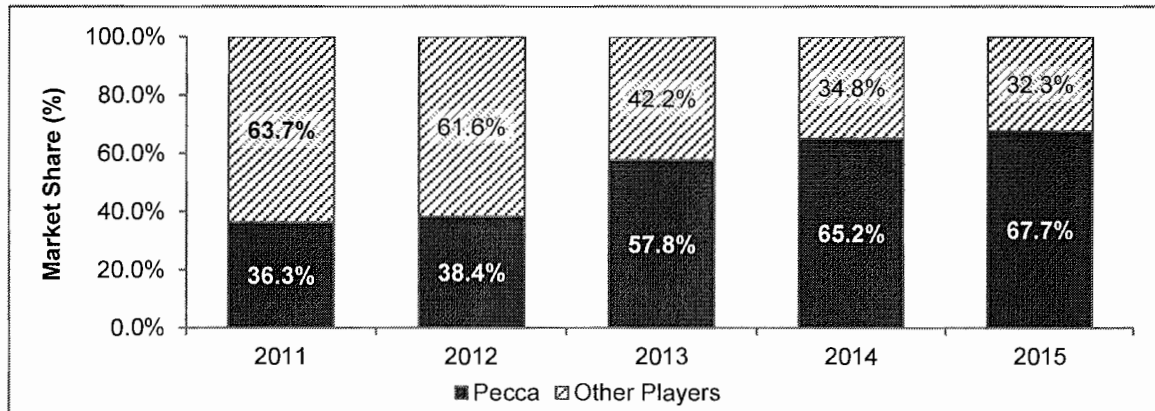
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Chart 3-5: Distribution of Total PV Production by Upholstery and Market Share of PLeather Among Automotive Leather Upholstery Companies, 2015



Source: PLeather and Frost & Sullivan Analysis

Chart 3-6: PLeather's Market Share among Leather Upholstery Companies Based On Locally-Assembled PV with Leather Upholstery in Malaysia, 2011- 2015



Source: PLeather and Frost & Sullivan Analysis

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4 OVERVIEW OF THE AUTOMOTIVE UPHOLSTERY INDUSTRY IN THAILAND

Thailand's economy has been growing rapidly at a CAGR of 7.2% from USD263.7 billion in 2009 to USD373.8 billion by 2014 and is estimated to grow by 3.5% in 2015. During the same period, its population³⁸ grew marginally at a CAGR of 0.4% from 66.5 million to 67.7 million. Thailand's population is becoming more affluent with GDP per capita³⁹ rising at a CAGR of 6.9% from USD3,979 in 2009 to USD5,561 in 2014. It has been observed that increasingly wealthy population leads to increase in vehicle ownership⁴⁰.

The sales of new passenger cars in Thailand have increased nearly three-fold from 230,037 units in 2009 to 411,402 units in 2014, growing at a CAGR of 12.3%. According to Frost & Sullivan⁴¹, a favourable industry trend is the steady rise in sales volume of PV with larger engine capacity⁴² at a CAGR of 11.2% from 43,094 units in 2009 to 73,383 units in 2014. These larger capacity engines are typical of midsize and large vehicles of which the interior of the vehicles are fitted with leather upholstery⁴³. It is clear that these recent trends are favourable to the automotive components and parts industry particularly the leather upholstery industry.

Thailand is reported to have a favourably conditioned automotive supplier landscape in ASEAN⁴⁴ and Interhides PLC is the leading leather upholstery supplier in Thailand. The company's operations are vertically-integrated from the tannery process to the manufacturing of finished leather products. In 2014, it supplied to more than 30 car models largely comprised of Japanese and Continental OEMs⁴⁵. Other players⁴⁶ include Chai Watana Tannery Group Limited, Trim International Co. Ltd. and Kuru Tannery Co., Ltd. As the industry is dependent on the performance of the automotive industry, it is expected to grow further in tandem with the increase in production capacity of PV spurred by growing domestic and export demand.

Thailand accounted for 2.1% or 1.92 million units of the world's automotive production in 2015⁴⁷ in which it ranked nineteenth and sixth in global production of PV and CV respectively. The PV and

³⁸ World Bank

³⁹ World Bank

⁴⁰ Thailand Case Study - Global Report on Human Settlements 2013, for UN Habitat

⁴¹ Frost & Sullivan Car PARC Database, July 2015

⁴² Passenger vehicles with engine displacement of 1,801cc and more

⁴³ A presentation on "Vehicle Interior Trends and Technologies for 2025" by Johnson Controls, a leading global OEM automotive seat supplier

⁴⁴ Thailand Board of Investment

⁴⁵ Maybank Kim Eng Research Report on Thai Auto Parts, June 2013

⁴⁶ Thai Autoparts Manufacturers Association and Frost & Sullivan analysis

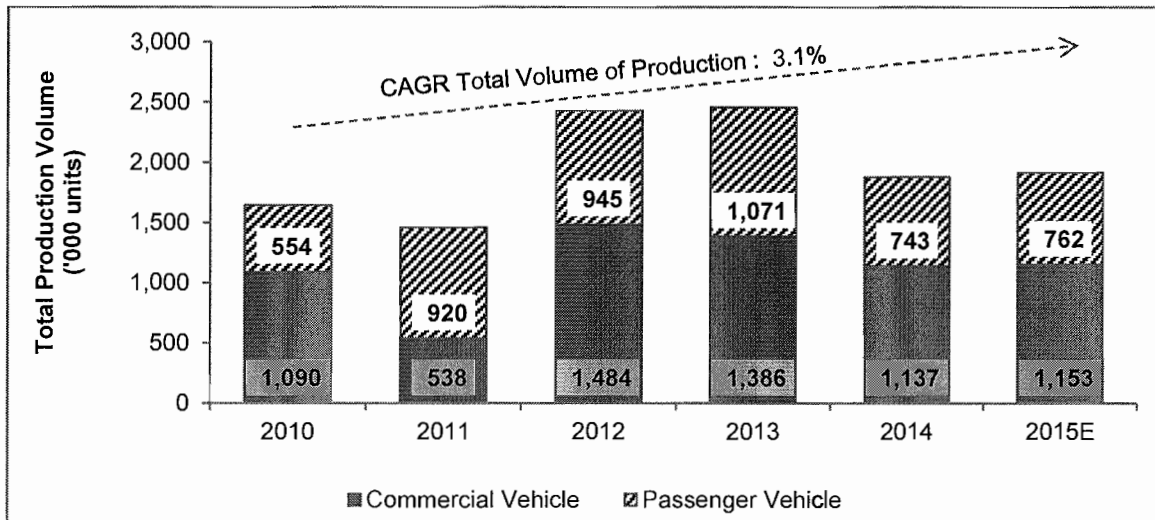
⁴⁷ OICA

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CV⁴⁸ segments accounted for approximately 39.8% and 60.2% of Thailand's automotive production in 2015 respectively⁴⁹. The PV production is expected to witness stronger growth than CV with a CAGR of 6.6% from 554,387 units in 2010 to 762,308 units in 2015.

Although the brief implementation of the First Car Buyer Scheme⁵⁰ by the Thai Government between 2011 and 2012 has stimulated excessive production of vehicles to meet strong domestic demand, the weak macroeconomic conditions coupled with the rising level of household debts have impacted loan growth in various industries including the automotive industry. This caused the weakening of sales for PV and CV from 2013 onwards⁵¹.

Chart 4-1: Trends in Volume of Production for Passenger and Commercial Vehicles in Thailand, 2010-2015E



Source: OICA, TAIA and Frost & Sullivan

Nevertheless, the automotive industry in Thailand has long been export-oriented. The automotive manufacturing and components industry has grown rapidly since the late 1990s as it swiftly emulated the Japanese approach in strengthening the industry's integration in the global automotive supply chain⁵². The industry, which is dominated by the Japanese OBMs, is catalysed by the Thai Government's total liberalisation of the sector⁵³ with accommodative fiscal incentives and low corporate tax rate environment.

⁴⁸ Passenger vehicles segment in Thailand comprised of Passenger Cars and Pick-up Trucks

⁴⁹ TAIA

⁵⁰ Allowed First Car Buyers to receive up to THB100,000 (approximately USD3,333) in tax refund at the time

⁵¹ Federation of Thai Industries – Monthly News Update, August 2015

⁵² JBICI Review No. 11

⁵³ According to Thailand's Board of Investment, there is no restriction in foreign ownership, local content, export volume and foreign currency

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The regional economic integration of the ASEAN Economic Community also enhanced Thailand's prospect as an attractive gateway to penetrate ASEAN countries that has none or low automotive manufacturing base. Approximately 55.9% of the total automotive production in Thailand is being exported in 2014 with Asia Pacific commanding the major share of the export volume with 43.1%⁵⁴. The export market too had a major effect on the automotive leather upholstery industry as the premium midsize and large vehicle segments commanded sizable export value of USD2.4 billion or 35.7% of USD6.6 billion in total PV exports in 2013⁵⁵.

In fact, the elimination of import tariff on automotive parts and components within ASEAN in 2010 has accelerated the industry linkages within the region particularly with Malaysia, Indonesia and Philippines. The Japanese OEMs have progressively expanded their manufacturing footprint across ASEAN following the massive floods in 2011 which has caused severe disruption to automotive production and its supply chain⁵⁶. Hence, it is the Japanese OEMs that become a critical enabler in the sourcing of automotive leather upholstery within the region particularly from Malaysia through the PDI segment, given that it does not require a local manufacturing base.

It is evident that the automotive leather upholstery industry stands to gain from these recent developments. As accommodative automotive national and regional policies are expected to continue in the near future, the nation's macroeconomic growth factors and rising demand for the larger PV segment, which led to higher sales of premium vehicles, are expected to drive the industry forward.

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⁵⁴ According to the Thailand Board of Investment

⁵⁵ Compiled from UN Comtrade Database, including parts and accessories

⁵⁶ 2012 White Paper on International Economy and Trade, published by Japan's Ministry of Economy, Trade and Industry (METI)

5 OVERVIEW OF THE AVIATION UPHOLSTERY INDUSTRY IN MALAYSIA

The civil aviation industry in general encompasses a network of commercial aircraft operators, airports, and manufacturer of aircrafts and their components. Since 2000, the Malaysian aviation sector grew significantly, dovetailing the progressive liberalisation of air services in region⁵⁷.

Total passengers handled in Malaysian airports⁵⁸ have recorded strong growth at a CAGR of 9.9% from 58.4 million in 2010 to 85.1 million in 2014, while it stands at 63.8 million as of September 2015. In the same period, total commercial aircraft movement⁵⁹ in Malaysian airports has increased at a CAGR of 9.1% from 590,024 aircrafts in 2010 to reach 834,538 aircrafts in 2014⁶⁰, while it stands at 647,813 aircrafts as of September 2015.

The growing middle class and fleet expansion of Malaysian-based airliners especially the Low Cost Carriers ("LCC") have made air travel accessible to the larger population. Based on publicly available publications, Malaysian Airlines Berhad ("MAB")⁶¹ (formerly known as Malaysia Airlines System Berhad⁶²) along with Airasia Berhad and Airasia X Berhad ("Airasia")⁶³ collectively operate approximately 336 aircrafts⁶⁴ as of 2014.

Liberalisation in air services is expected to further augment regional and international connectivity. Total international passengers handled in airports throughout the country recorded similar growth at a CAGR of 9.7% from 27.6 million passengers in 2010 to 40.0 million passengers in 2014, against total domestic passengers with a CAGR of 10.0% from approximately 30.8 million passengers to 45.1 million passengers in the same period. This is reflective of the larger trend globally where more commercial aircraft operators competing over lucrative international routes especially in Asia Pacific driven by the fast growing tourism industry⁶⁵. Although it has been

⁵⁷ Commitment to liberalisation guided by the WTO agreement and the ASEAN multilateral Open Sky policy

⁵⁸ According to statistics reported by the Ministry of Transportation which excludes transit passengers and covers airports operated by the Malaysian Airports Holdings Berhad and Senai Airport Terminal Services Sdn Bhd

⁵⁹ Refer to movement of an aircraft take-off or landing at an airport. For airport traffic purposes, one arrival and one departure is counted as two movements

⁶⁰ MOT

⁶¹ Excludes 6 Viking Air DHC6 400 Series Twin Otter

⁶² Prior to September 1, 2015

⁶³ Includes Airasia X Berhad

⁶⁴ Malaysia Airlines Berhad and Airasia Berhad

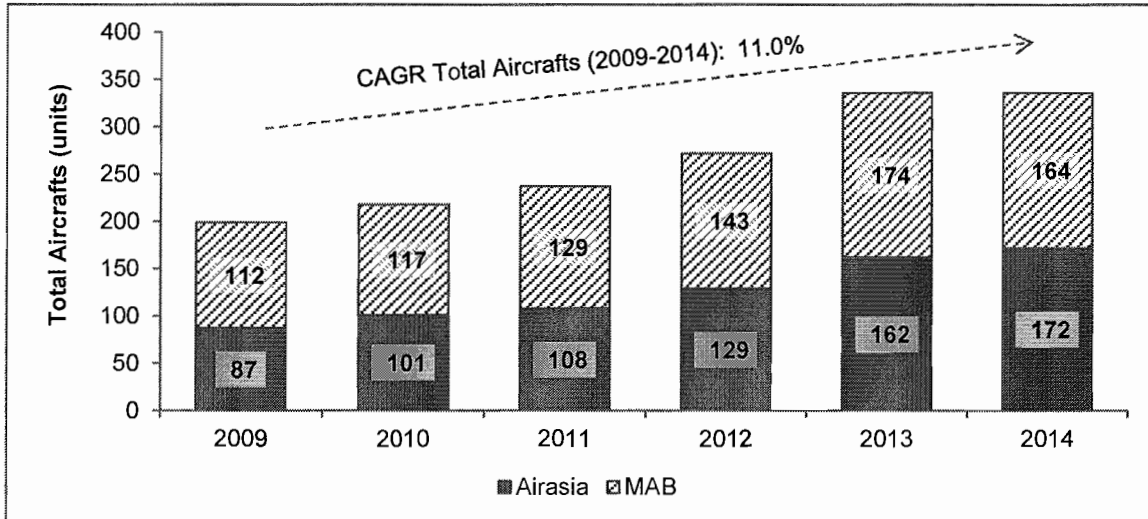
⁶⁵ International Air Transport Association (IATA), International Civil Aviation Organisation (ICAO) and Frost & Sullivan Analysis

10. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T & S U L L I V A N

resilient to external factors such as volatile fuel prices, consumer demand for aviation sector is acutely price-sensitive⁶⁶.

Chart 5-1: Total Aircrafts Operated by MAB and AirAsia, 2009-2014



Note: Estimates on AirAsia X Berhad's aircrafts for 2009 is based on known flight destination for the year. Latest available data on aircraft fleet from annual reports of MAB and Airasia are until 2014.

Source: Malaysia Airlines Berhad, Airasia Berhad, Airasia X Berhad and Frost & Sullivan

Given that, there is increasing emphasis by global airlines especially with the LCCs on the design of the aircraft interior particularly on seating arrangements and selection of upholstery such as leather⁶⁷ in view of improving traffic through enhanced consumer experience while inducing greater cost efficiency. Being a highly-regulated industry, the aviation upholstery including aviation leather must comply with the stringent regulations on flammability standards⁶⁸ for all permanently attached cabin contents to an aircraft promulgated by the Federal Aviation Administration⁶⁹.

There is greater proposition for leather as the preferred aviation upholstery especially for the long-haul flights. The highly-engineered aviation leather is lighter and more durable than conventional fabric upholstery thus reducing maintenance costs due to wear and tear. It also diminishes airport charges with quicker cabin preparation turnaround and lighter take-off weight.

⁶⁶ International Air Transport Association (IATA) and Airbus Group

⁶⁷ Aircraft Interiors International, a leading publication serving the industry

⁶⁸ FAA Federal Aviation Regulation - Section 23.853

⁶⁹ A United States agency that is primarily responsible for the advancement, safety and regulation of civil aviation

F R O S T & S U L L I V A N

The Malaysian-based airlines particularly MAB and Airasia are also catching up with the global trend. AirAsia X has retrofitted its aircraft designated for long-haul flights with leather seats since the delivery of their first aircraft in 2009⁷⁰. In 2012, MAB announced that its fleet of Airbus A380s and Boeing 737-800s will be equipped with full leather upholstery⁷¹. In addition, leather upholstery will also be used on new and refurbished headrests on its fleet of Airbus A330. In July 2013, MASwings, a wholly-owned subsidiary of MAB, purchased their first new ATR 72-600 turboprop aircrafts fitted with leather seats in a dual class configuration for the East Malaysia routes within Sabah and Sarawak⁷². With the expansion of the aviation industry underscored by the airlines' pursuit for greater cost efficiency and enhanced customer value proposition, the demand for the aviation leather upholstery will drive future growth.

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⁷⁰ Airasia public relation article titled "Finally, New Seats for Airasia X" published on 16th February, 2010

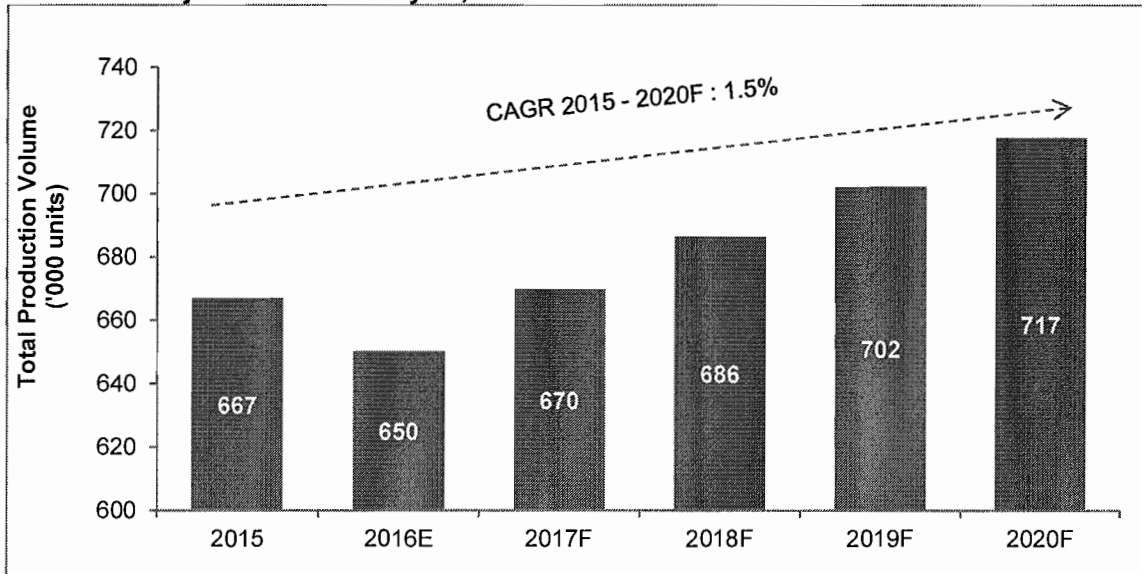
⁷¹ Published online on 25 September 2012 through the official publication of ADS, a trade organization that advance the United Kingdom's Aerospace, Defense, Security and Space industries

⁷² Malaysia Airlines Annual Report 2013

6 FUTURE OUTLOOK AND PROSPECTS FOR PLEATHER

Malaysia has achieved a TIV of 666,674 units in 2015 and it is projected to grow to approximately 717,444 units in 2020, registering a CAGR of 1.5% over the same period by the MAA. The demand for the automotive industry is expected to be driven by the rising income level of consumers, inefficient public transportation system, Malaysia's car-centric culture and promotional activities undertaken by the various manufacturers and distributors. These factors will collectively drive TIV, and consequently the automotive industry forward.

Chart 6-1: Projected TIV in Malaysia, 2015-2020F



Projected TIV (Malaysia), 2015-2020F		
Year	TIV (units)	Growth Rate (%)
2015	666,674	-
2016E	650,000	-2.5
2017F	669,500	-3.0
2018F	686,200	2.5
2019F	702,000	2.3
2020F	717,444	2.2
CAGR (2015-2020F)		1.5%

Source: MAA and Frost & Sullivan

F R O S T  S U L L I V A N

The positive outlook of the automotive industry will provide a promising growth prospect for PLeather. Increasingly wealthy population, supportive institutional policies and greater localisation of content by non-national OEM are the key drivers for the automotive leather industry. Non-national OEM has pursued various avenues to strengthen its availability and to achieve more competitive pricing including venturing into local CKD assembly of selected models and increasingly implement greater localisation of contents or parts from Malaysia and other ASEAN countries⁷³. According to MAA, sales of PV by non-national OEM increased at a CAGR of 1.2% compared to -1.8% for national OEM between 2010 and 2015.

With the non-critical component or accessories such as leather upholstery becoming the preferred LC items, the automotive leather upholstery industry is fast becoming an integral part of the non-national and premium OEM's strategy to achieve competitive pricing for both CKD and CBU segments. This bodes well with the revised NAP which aims to develop high value-added manufacturing activities in selected segments particularly the luxury cars⁷⁴ segment. The Automotive Supply Chain Development Roadmap of the NAP has earmarked RM295.0 million to develop world-class Malaysian automotive vendors between 2014 and 2020, which Frost & Sullivan believes PLeather is well-positioned to reap the benefits from this initiative.

According to Frost & Sullivan, it is estimated that about 35.4% of the total local PV production in 2015 came with leather upholstery. Frost & Sullivan notes that there is favourable growth potential with the rising sales of affordable passenger car models launched in 2014 such as Proton Iriz and Perodua Axia and the selective facelift models of Perodua Myvi equipped with leather upholstery. For the overseas business, PLeather is also expected to benefit positively as the demand for automotive leather upholstery products is growing faster than the output of local production. This will place PLeather in a strategic position to capitalise on this growing market.

Hence, the outlook is strongly favourable as the demand for automotive leather upholstery is well-supported with the growing sales of PV annually and is even greater when its sales are less optimistic. As an example, Perodua's adoption of leather upholstery for its Myvi line-up prior to the release of a redesigned version in 2011 helped the OEM to retain its market share. All of the above factors bode well for PLeather as it looks to strengthen its position as a key player in the automotive leather upholstery industry in Malaysia, especially with its commanding market share of 67.7% in 2015 according to Frost & Sullivan. Demand will remain strong as Malaysia's automotive industry continues to undergo further liberalisation and transformation.

⁷³ Under the ASEAN Free Trade Agreement (AFTA")

⁷⁴ Vehicles with on-the-road prices not less than RM150,000

7 RESEARCH METHODOLOGY

7.1 INTRODUCTION

Frost & Sullivan has refined its research methodology over many years of experience, having researched diverse markets in many different life cycles—from the embryonic to mature. Frost & Sullivan's reference publication, *Industrial Market Engineering* (Publication 5168-80), explains the research methodology in great depth.

Frost & Sullivan's Market Engineering system:

- Focuses on challenges, problems, and the needs of industry participants
- Is based on primary market research, and not on secondary or previously published ones
- Focuses on detailed, comprehensive, "bottom-up" data collection techniques
- Is based on measurements

7.1.1 Market Engineering Forecasting Methodology

7.1.1.1 Overview

One of the most common questions that Frost & Sullivan receives from its clients is, "What is your forecasting methodology and how can I assess its level of credibility and accuracy?" This section on Frost & Sullivan's proprietary Market Engineering forecasting methodology has been added to answer this question.

This methodology integrates several forecasting techniques with the Market Engineering measurement-based system. It relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements include:

- Expert-opinion forecasting methodology
- Delphi forecasting methodology
- Integration of market drivers and restraints
- Integration with the market challenges
- Integration of the Market Engineering measurement trends
- Integration of econometric variables
- Integration of customer demographics

The Market Engineering forecasting methodology is a seven-step system that maximises the credibility and accuracy of the forecasts. These are:

7.1.1.2 Market Engineering Research Process Completed

The Market Engineering research process provides the navigational measurements of current market position and trends, which become the basis of the forecast.

7.1.1.3 Measurements and Challenges Analysed over Time

Measurements and challenges are analysed over time to provide additional insights into their potential impact on the market size and development.

7.1.1.4 Identification of Market Drivers and Restraints

At this stage, the analyst specifies the factors that will drive the market forward in terms of revenues and determines the elements that will inhibit growth.

7.1.1.5 Expert-Opinion Integration with Analyst Team

The interview process includes a variety of industry experts: competitors and key customers. These experts' opinions on the direction of the market are integrated with the data and analysis already created.

7.1.1.6 Forecasts Calculated

At this stage, analysts collect the market data needed to create the initial forecast scenarios. Each scenario is assessed to determine the most probable outcome for the market size. For example, the forecasts are matched to the leading economic indicators and drivers for each specific industry.

7.1.1.1 DELPHI TECHNIQUE INTEGRATION, IF NEEDED

If data and forecast scenarios conflict, it becomes necessary to again discuss the market forecasts with the industry experts interviewed in the research process.

7.1.1.7 Quality Control within Research Department

Once the forecasts are integrated into the market section, they are verified by the other team members in the industry research group (IRG), and the research director. The forecasts are also ensured for mathematical accuracy and internal consistency by the final review preparation department and the editing department.

7.1.1.8 Strategic Significance of the Market Engineering Forecast

The Market Engineering forecast can have a significant impact on the business in several areas. Therefore, it should be integrated into business planning, strategy development, and decision-making.

7.1.1.9 Judging Credibility and Accuracy of Market Engineering Forecasts

Frost & Sullivan forecasts integrate the key elements that typically have an impact on market growth and size. No one can consistently make accurate forecasts, but market research has a proven track record in making accurate projections of market trends and growth rates.

The key test of credibility is whether the analyst team had integrated all the critical elements of the market into the forecast. If all such elements are included in the analysis, then the forecast has strong credibility.

The accuracy of a forecast to within a 10.0 percent range over a three-year period is not vitally important. What is important is that the overall trend be forecast correctly, because it drives the appropriate strategy and subsequent decisions. The Market Engineering forecasting methodology has consistently proved to be an accurate and reliable forecasting tool, particularly for high technology and industrial markets.

All the currencies reported are specified in US dollars, unless indicated otherwise.


Over the last 40 years, Frost & Sullivan has had an impressive track record in forecasting emerging markets, new technologies, and shifts in existing markets. Unexpected events have significantly changed the marketplace, but these do not occur often, and they merely delay the development of the market, rather than destroy it.

Frost & Sullivan always advise clients that its forecasts should not be the exclusive basis for decision-making at their companies. It should be an additional source of input and a support tool for their work in investigating the market and creating a winning strategy.

In the final analysis, decision-making is based on the general trend of the forecast, not its absolute accuracy.

It is important to accurately determine the range of the forecast, as it will have the greatest impact on the investment or strategy decision. Typically, the decisions revolve around questions such as:

10. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

F R O S T  S U L L I V A N

Should the company enter the market?

Should the company increase or decrease its investment?

Should the company improve its performance in the market?

These decisions do not require accuracy within a few percentage points. They require accuracy in the determination of the general trend category. All business decisions carry some risk. Market Engineering increases the probability that the decisions will be correct, but it does not eliminate all risks.

11. DIRECTORS' REPORT

(Prepared for inclusion in the Prospectus)



PECCA
GROUP BERHAD

Date: **14 MAR 2016**

The shareholders of
Pecca Group Berhad
Lot 6.05, Level 6,
KPMG Tower, 8 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor DarulEhsan


Dear Sir/ Madam,

On behalf of the Board of Directors of Pecca Group Berhad ("**Pecca**" or the "**Company**") ("**Board**"), I wish to report after due enquiry by the Board of Directors of Pecca, for the period between 30 November 2015, being the date to which the last audited financial statements of Pecca and its subsidiaries ("**Pecca Group**" or the "**Group**") have been made up, and the date of hereof, being a date not earlier than 14 days before the issuance of this Prospectus), that: -

- (a) in the opinion of the Board, the business of the Group has been satisfactorily maintained;
- (b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in the Prospectus, there are no contingent liabilities that have arisen by reason of any guarantees or indemnities given by the Group;
- (e) there have 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 by the Company or any of its subsidiaries since the last audited financial statements of the Group; and
- (f) save as disclosed in the Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited financial statements of the Group.

Yours faithfully,

For and on behalf of the Board of Directors of
PECCA GROUP BERHAD


.....
DATUK TEOH HWA CHENG
Group Managing Director

Passion & Perfection

12. VALUATION CERTIFICATES

(Prepared for inclusion in the Prospectus)



Chartered Surveyors, Registered Valuers & Estate Agents, Project & Property Managers, Development Consultants

8th Floor, Campbell Complex,
98 Jalan Dang Wangi,
50100 Kuala Lumpur, Malaysia.
Tel : (603) 2692 3236 Fax : (603) 2692 6457
E-mail: admin@ppc.com.my Website: www.ppc.com.my

VALUATION CERTIFICATE

Our Ref: PPC/14/V0395 (2)

1 October 2014

THE BOARD OF DIRECTORS
PECCA LEATHER SDN BHD
No. 1, Jalan Perindustrian Desa Aman 1A
Industri Desa Aman, Kepong
52200 Kuala Lumpur

Attention : Datuk Teoh Hwa Cheng

Dear Sir,

REPORT AND VALUATION OF

STRATA TITLE NO. GERAN 58055/M2/6/178, PARCEL NO. 178, STOREY NO. 6, BUILDING NO. M2, PARENT LOT NO. 2854, TOWN OF KEPONG, DISTRICT OF GOMBAK, STATE OF SELANGOR DARUL EHSAN (UNIT NO. B-5-1, 5TH FLOOR, BLOCK B, DAMANSARA SUTERA APARTMENT, PERSIARAN KIP UTAMA, KIPARK DAMANSARA, 52200 KUALA LUMPUR)

This valuation has been prepared for Submission to Securities Commission for the purpose of the **Initial Public Offering of Pecca Group Berhad on the Main Market of Bursa Malaysia Securities Berhad.**

This valuation certificate is for the inclusion in the prospectus in conjunction with the initial public offering. For all intent and purpose, it should be read in conjunction with the Report and Valuation prepared by us bearing Reference No. PPC/14/V0395 (2) dated 1 October 2014.

In accordance with your instruction to value the above mentioned property, we have inspected the above mentioned property on 28 August 2014 which the same is also taken as the material date of valuation. We have also extracted a legal description of the property from the copies of the Title Document provided to us by the client and the Title Particulars of title document from our search at the Registered Document of Title at the Selangor Darul Ehsan Registry of Land Titles in Shah Alam on 9 September 2014 and gathered other relevant information to arrive at our opinion of value.

The Basis of Valuation adopted by us is the "Market Value" which is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.

This valuation has been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and adopting the necessary professional standards and due diligence.

Directors

Sr KAMARUDZAMAN SAAD, AMK
B. Sc. (Hons) Land Mgt, MRICS, FRISM, MPEPS, MMIPPM

DATUK Sr SIDSAPESAN SITTAMPALAM, D.P.S.M. (SIDERS)
B. Sc. (Est Mgt) U.K., MBA (Real Est) Sydney,
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Sr THIRUSELVAM ARUMUGAM (THIRU)
B. Surv. (Hons) Property Mgt, MRICS, FRISM, MPEPS, MMIPPM

Sr MARK SAW KHAY LIANG, PJK
B. Sc. (Hons) (Est Mgt) U.K., Dip (Hons) (Rural Est Mgt),
FRICS, FRISM, MPEPS, MMIPPM, MMIEA

Associate Directors / Registered Valuers

Sr NORAKMAL MDHD SALLEH @ ELIAS
B. Sc. (Hons) in Prop Mgt & Valuation, MRISM

Sr NAZEERUDDIN MOHD SARJID
B. (Hons) E.M., Dip E.M., MRICS, MRISM, MPEPS, MMIPPM

Sr SUMIT KHINDRIYA PURAN CHAND
B. Sc. (Hons) in Real Est Mgt, MRISM, MPEPS, MMIPPM

PRIVATE & CONFIDENTIAL



VALUATION CERTIFICATE (Cont'd)

Identification of Property

Legal Description : Strata Title No. Geran 58055/M2/6/178, Parcel No. 178, Storey No. 6, Building No. M2, Parent Lot No. 2854, Town of Kepong, District of Gombak, State of Selangor Darul Ehsan

Address : No. B-5-1, 5th Floor, Block B, Damansara Sutera Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur

Property Type : A three-bedroom apartment unit

Tenure : Freehold

Category of Land Use : Building

Registered Proprietor : Pecca Leather Sdn Bhd

Location

The property is located approximately 24 kilometres (15 miles) north-west of the Kuala Lumpur city centre.

The immediate locality is mainly developed with apartment buildings, one and half storey to two and a half storey terrace factories, one and a half storey semi-detached factories and detached factories, individually designed detached factories, two to three storey shopoffices and terrace houses.

Property Description

The block within which the property is located is a free standing 12-storey apartment building known as Block B, Damansara Sutera Apartment. The building was issued with the Certificate of Fitness for Occupation by Majlis Perbandaran Selayang on 13 October 2006.

The titular floor area of the property is about 79 square metres (850 square feet).

The property was observed to be in a good state of decorative repair.

Occupancy/Tenancy Status

The Property is currently owner-occupied by way of staff accommodation.

Planning Details

As indicated in the Strata Title, the property is designated for residential use.

Method of Valuation

The property is valued by using the Comparison and Income Approaches.

1. Comparison Approach

The **Comparison Approach** entails comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land, tenurial interest and restrictions if any, occupancy status, built-up area, building construction, finishes and services, age and condition of building and other relevant characteristics.

12. VALUATION CERTIFICATES (Cont'd)**VALUATION CERTIFICATE (Cont'd)****Sale Evidences**

In our analysis of sales data available, we have noted the transactions of comparable properties within Damansara Sutera and the neighbouring apartment scheme known as Damansara Suria. In particular, we have considered the following transactions:-

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Scheme	Damansara Sutera, Kipark Damansara	Damansara Suria Kipark Damansara	Damansara Suria Kipark Damansara	Damansara Sutera, Kipark Damansara
Address / Location	Unit No. A-5-1, 5th Floor, Damansara Sutera Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur	Unit No. B-12-9, 12th Floor, Damansara Suria Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur	Unit No. B-9-9, 9th Floor, Damansara Suria Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur	Unit No. B-6-7, 6th Floor, Damansara Sutera Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur
Property	A three-bedroom apartment unit			
Titular Floor Area (Sq Ft.)	850	980	980	850
Tenure of Master Title	Freehold			
Date of Transaction	25-Apr-14	17-Apr-14	15-Apr-14	15-Apr-14
Sales Price (RM)	RM350,000.00	RM380,000.00	RM380,000.00	RM308,000.00
Transacted Unit Price (RM/sq.ft. on NFA)	RM411.76	RM387.76	RM387.76	RM362.35
Source	Jabatan Penilaian dan Perkhidmatan Harta			
ADJUSTMENTS TO ARRIVE AT VALUE OF THE PROPERTY				
Adjustments	No adjustment were made to the Sale Evidences			
Adjusted Unit Rate (RM/sq.ft. on NFA)	RM410.00 psf	RM390.00 psf	RM390.00 psf	RM360.00 psf

After taking into consideration all the above, we are of the opinion that the Market Value of the property adopting the Comparison Approach is **RM320,000.00 (RM376.47 per square foot)**.

2. Income Approach

The Income Approach - Income Capitalisation Method is most appropriate for the valuation of an income producing properties which is held for investment purposes.

The Income Capitalisation Method involves the following steps:-

- i. Estimate the gross income receivable from the property.
- ii. Estimate annual outgoings and service charges to cover annual expenditures such as quit rent, assessment rates, repairs and maintenance, insurance, water and electricity, cleaning, pest control, management, etc.
- iii. The estimated net income is obtained by deducting (ii) from (i).
- iv. The estimated net income is then capitalised by using an appropriate rate of interest (yield) reflecting the security of future incomes in relation to the use that the property is being put to.

12. VALUATION CERTIFICATES (Cont'd)**VALUATION CERTIFICATE (Cont'd)**

The following rates are adopted in the Income Capitalisation Method:-

Components	Adopted in the Income Capitalisation Method	Remarks
Average Gross Rent	RM1,250 per month (Approximately RM1.50 per sq ft/per month)	The rental rate adopted is based on the asking rentals of similar apartment units within Damansara Sutera and Damansara Suria apartments. The current asking rentals ranges from RM1,300 to RM1,500 per month for standard and furnished units
Outgoings	RM0.20 psf/month	The outgoings are based on a combination of the maintenance charges, sinking fund, quit rent, assessment and fire insurance which is approximately RM2,200 per annum.
Yield	4.0%	It is derived from the analysis of the transacted prices and the asking rentals of similar apartment units within Damansara Sutera and Damansara Suria. The net yield generally ranges from 4% to 5%.
Vacancy Allowance Rate (Void)	5%	Void is usually adopted to reflect possible future vacancies, rent free periods and the possibility of bad debts.

Our valuation working adopting the Income Capitalisation Method derives at a Market Value of **RM300,000.00 (RM352.94 per square foot)**.

Reconciliation of Value

Comparison Approach - RM320,000.00

Income Approach - RM300,000.00

Taking into consideration that the property is a residential apartment unit, we are of the opinion that the Comparison Approach – Comparison Method is the most appropriate method of valuation due to the availability of abundance of latest sale transactions in the market and derived at a market value of **RM320,000.00**. This is also supported by the Market Value derived from the Income Approach.

OPINION OF VALUE

Having regard to the foregoing, we are of the opinion that **Market Value** of the freehold interest in the property, Strata Title No. Geran 58055/M1/7/61, Parcel No. 178, Storey No. 6, Building No. M2, Parent Lot No. 2854, Town of Kepong, District of Gombak, State of Selangor Darul Ehsan, with vacant possession, free from the existing charge to EON Bank Berhad (now known as Hong Leong Bank Berhad), private caveat lodged by the same and all other encumbrances, as at 28 August 2014 is **RM320,000.00 (Ringgit Malaysia : Three Hundred And Twenty Thousand Only)**.

For and on behalf of

PPC INTERNATIONAL SDN BHD

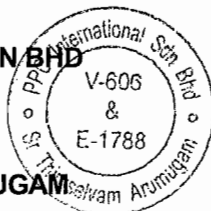
Sr THIRUSELVAM ARUMUGAM

Executive Director

B. Surv. (Hons) Property Mgt.

MRICS, FRISM, MPEPS, MMIPPM

Registered Valuer (V-606)



Date: 1 October 2014

SK/TA

12. VALUATION CERTIFICATES (Cont'd)



Chartered Surveyors, Registered Valuers & Estate Agents, Project & Property Managers, Development Consultants

8th Floor, Campbell Complex,
98 Jalan Dang Wangi,
50100 Kuala Lumpur, Malaysia.
Tel : (603) 2692 3236 Fax : (603) 2692 6457
E-mail: admin@ppc.com.my Website: www.ppc.com.my

Directors

- Sr KAMARUDZAMAN SAAD, AMK**
B. Sc. (Hons) Land Mgt, MRICS, FRISM, MPEPS, MMIPPM
- DATUK Sr SIDSAPESAN SITTAMPALAM, D.P.S.M. (SIDERS)**
B. Sc. (Est Mgt) U.K., MBA (Real Est) Sydney,
FRICS, FRISM, MPEPS, MMIPPM
- Sr THIRUSELVAM ARUMUGAM (THIRU)**
B. Surv. (Hons) Property Mgt, MRICS, FRISM, MPEPS, MMIPPM
- Sr MARK SAW KHAY LIANG, PJK**
B. Sc. (Hons) (Est Mgt) U.K., Dip (Hons) (Rural Est Mgt),
FRICS, FRISM, MPEPS, MMIPPM, MMIEA

Associate Directors / Registered Valuers

- Sr NORAKMAL MOHD SALLEH @ ELIAS**
B. Sc. (Hons) in Prop Mgt & Valuation, MRISM
- ~~**Sr NAZEERUDDIN MOHD SARJID**
B. (Hons) E.M., Dip E.M., MRICS, MRISM, MPEPS, MMIPPM~~
- Sr SUMIT KHINDRIYA PURAN CHAND**
B. Sc. (Hons) in Real Est Mgt, MRISM, MPEPS, MMIPPM

UPDATE VALUATION CERTIFICATE

Our Ref: PPC/15/V0857 (2)

3 February 2016

**THE BOARD OF DIRECTORS
PECCA LEATHER SDN BHD**
No. 1, Jalan Perindustrian Desa Aman 1A
Industri Desa Aman, Kepong
52200 Kuala Lumpur

Attention : Datuk Teoh Hwa Cheng

PRIVATE & CONFIDENTIAL

Dear Sir,

**UPDATE VALUATION CERTIFICATE OF
STRATA TITLE NO. GERAN 58055/M2/6/178, PARCEL NO. 178, STOREY NO. 6, BUILDING NO. M2,
PARENT LOT NO. 2854, TOWN OF KEPONG, DISTRICT OF GOMBAK, STATE OF SELANGOR DARUL
EHSAN
(UNIT NO. B-5-1, 5TH FLOOR, BLOCK B, DAMANSARA SUTERA APARTMENT, PERSIARAN KIP
UTAMA, KIPARK DAMANSARA, 52200 KUALA LUMPUR)**

We refer to your instruction to conduct an update valuation of the abovementioned property for the purpose of submission to Securities Commission for **Initial Public Offering of Pecca Group Berhad on the Main Market of Bursa Malaysia Securities Berhad.**

This update valuation certificate is for the inclusion in the prospectus in conjunction with the initial public offering. For all intent and purpose, it should be read in conjunction with the Valuation Certificate and Report and Valuation prepared by us bearing Reference No. PPC/14/V0395 (2) dated 1 October 2014.

In accordance with your instruction, we have re-inspected the property on 28 January 2016 which the same is also taken as the material date of valuation.

The Basis of Valuation adopted by us is "**Market Value**" which is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

This valuation has been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and adopting the necessary professional standards and due diligence.

12. VALUATION CERTIFICATES (Cont'd)



UPDATE VALUATION CERTIFICATE (Cont'd)

TERM OF REFERENCE

This update valuation has been carried out based on the same Terms of Reference as stated in our previous valuation report dated 1 October 2014.

TITLE PARTICULARS

We have also conducted a private title search at the at the Registered Document of Title at the Selangor Darul Ehsan Registry of Land Titles in Shah Alam on 5 January 2016 which revealed that there is no change in the legal particulars of the property since the last search conducted on 9 September 2014.

GENERAL DESCRIPTION

Based on our inspection on 28 January 2016, we would like to confirm that the physical state of the Property generally remains unchanged since our previous valuation conducted on 28 August 2014.

OCCUPANCY/TENANCY STATUS

At the date of inspection; i.e. 28 January 2016, we noted that the property remained to be owner-occupied by way of staff accommodation.

PLANNING DETAILS

As indicated in the Strata Title, the property is designated for residential use.

MARKET CONDITION

The Malaysian property market since 2010 has undergone a bull run and residential property values have surpassed previous booms in the property price cycle. During the first half of 2014, sales of residential units generally saw a slowdown in relation to the first halves of the past 4 years largely due to cooling measures which had an impact on market sentiments besides difficulties in obtaining loans for property acquisitions.

The Malaysia's economic growth, as measured by the Gross Domestic Product (GDP), recorded a higher growth at 6.0% in year 2014 due to the large contribution from domestic demand and the services sector. In 2015 it grew by 5.6% and 4.9% in the first and second quarter respectively, supported by a turnaround in agricultural production and moderated by 4.7% in the third quarter.

House prices increased tremendously and affordability was becoming a major issue when Bank Negara introduced a string of cooling measures to curb rising property prices. As a result, residential price growth decelerated in 2014 and further decelerated in the first half of 2015.

In the first half of 2014, the residential property market transaction recorded a drop by 2.6% in volume and to the contrary, values experienced a larger drop by 9.7%. In the third quarter of 2015, transaction volume dropped by 3.9% and transaction value experienced a higher drop of 7.8% from the second quarter.

The higher decline in value against volume indicates that residential properties had experienced a general drop in prices for the year 2015. This could be largely attributed to Bank Negara's introducing tight lending policies, the implementation of GST on 1st April 2015, the declining Malaysian Ringgit, drop in global oil price and general market sentiments.

However, it was noted that in the second and third quarter of this year, residential property transactions dominated by 74.8% and 79.3% of total transactions in Selangor. The total value of residential transaction for the state was recorded at 49.1% and 49.7% respectively for both the quarters.

12. VALUATION CERTIFICATES (Cont'd)



UPDATE VALUATION CERTIFICATE (Cont'd)

Our observation for 2015 indicates that the residential sales transaction has not shown any improvements since January and we do not anticipate a recovery in the immediate future given the current economy scenario both internal and external. Notwithstanding that the residential sector is expected to continue to drive the market although not at the momentum recorded in the previous years.

METHOD OF VALUATION

The property is valued by using the Comparison and Income Approaches.

1. Comparison Approach

There were four new transactions of comparable properties within Damansara Sutera Apartment since our previous valuation conducted on 28 August 2014 details of which are as follows:-

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Address / Location	Unit No. B-2-11, 2nd Floor, Damansara Sutera Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur	Unit No. B-8-6, 8th Floor, Damansara Sutera Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur	Unit No. B-9-12, 9th Floor, Damansara Suria Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur	Unit No. B-3A-3A, 4th Floor, Damansara Sutera Apartment, Persiaran KIP Utama, Kipark Damansara, 52200 Kuala Lumpur
Property	A three-bedroom apartment unit			
Titular Floor Area (Sq Ft.)	865	850	883	850
Tenure of Master Title	Freehold			
Date of Transaction	15-May-15	4-Feb-15	22-Dec-14	13-Oct-15
Sales Price (RM)	RM360,000.00	RM360,000.00	RM350,000.00	RM355,000.00
Transacted Unit Price (RM/sq.ft. on NFA)	RM416.18	RM423.53	RM396.54	RM417.65
Source	Jabatan Penilaian dan Perkhidmatan Harta			
ADJUSTMENTS TO ARRIVE AT VALUE OF THE PROPERTY				
Adjustments	No adjustment were made to the Sale Evidences			
Adjusted Unit Rate (RM/sq.ft. on NFA)	RM416.18	RM423.53	RM396.54	RM417.65

After taking into consideration all the above, we are of the opinion that the Market Value of the property adopting the Comparison Approach is **RM350,000.00 (RM411.76 per square foot)**.

12. VALUATION CERTIFICATES (Cont'd)**UPDATE VALUATION CERTIFICATE (Cont'd)****2. Income Approach**

The Income Approach - Income Capitalisation Method is most appropriate for the valuation of an income producing properties which is held for investment purposes.

The following rates are adopted in the Income Capitalisation Method:-

Components	Adopted in the Income Capitalisation Method	Remarks
Average Gross Rent	RM1,300 per month (Approximately RM1.53 per sq ft/ per month)	The rental rate adopted is based on the asking rentals of similar apartment units within Damansara Sutera and Damansara Suria apartments. The current asking rentals ranges from RM1,350 to RM1,500 per month for standard and furnished units
Outgoings	RM0.20 psf/month	The outgoings are based on a combination of the maintenance charges, sinking fund, quit rent, assessment and fire insurance which is approximately RM2,200 per annum.
Yield	4.0%	It is derived from the analysis of the transacted prices and the asking rentals of similar apartment units within Damansara Sutera and Damansara Suria. The net yield generally ranges from 4% to 5%.
Vacancy Allowance Rate (Void)	5%	Void is usually adopted to reflect possible future vacancies, rent free periods and the possibility of bad debts.

Our valuation working adopting the Income Capitalisation Method derives at a Market Value of **RM320,000.00 (RM376.47 per square foot)**.

RECONCILIATION OF VALUE

Comparison Approach - RM350,000.00
Income Approach - RM320,000.00

Taking into consideration that the property is a residential apartment unit, we are of the opinion that the Comparison Approach is the most appropriate approach due to the availability of abundance of latest sale transactions in the market and derived at a market value of **RM350,000.00**. This is also supported by the Market Value derived from the Income Approach.

12. VALUATION CERTIFICATES (Cont'd)



UPDATE VALUATION CERTIFICATE (Cont'd)

OPINION OF VALUE

Having regard to the foregoing, we are of the opinion that **Market Value** of the freehold interest in the property, Strata Title No. Geran 58055/M1/7/61, Parcel No. 178, Storey No. 6, Building No. M2, Parent Lot No. 2854, Town of Kepong, District of Gombak, State of Selangor Darul Ehsan, with vacant possession, free from the existing charge to EON Bank Berhad (now known as Hong Leong Bank Berhad), private caveat lodged by the same and all other encumbrances, as at 28 January 2016, is **RM350,000.00** (Ringgit Malaysia : Three Hundred And Fifty Thousand Only).

For and on behalf of

PPC INTERNATIONAL SDN BHD



Sr THIRUSELVAM ARUMUGAM
Executive Director
B. Surv. (Hons) Property Mgt.
MRICS, FRISM, MPEPS, MMIPPM
Registered Valuer (V-606)

Date: 3 February 2016

SK/TA

12. VALUATION CERTIFICATES (Cont'd)



Chartered Surveyors, Registered Valuers & Estate Agents, Project & Property Managers, Development Consultants

8th Floor, Campbell Complex,
98 Jalan Dang Wangi,
50100 Kuala Lumpur, Malaysia.
Tel : (603) 2692 3236 Fax : (603) 2692 6457
E-mail: admin@ppc.com.my Website: www.ppc.com.my

VALUATION CERTIFICATE

Our Ref: PPC/14/V0395 (1)

1 October 2014

THE BOARD OF DIRECTORS
PECCA LEATHER SDN BHD
No. 1, Jalan Perindustrian Desa Aman 1A
Industri Desa Aman, Kepong
52200 Kuala Lumpur

Attention : Datuk Teoh Hwa Cheng

REPORT AND VALUATION OF
H.S. (M) 24691, LOT P.T. NO. 2034, LOCALITY OF DESA AMAN, BANDAR SUNGAI BULOH;
DISTRICT OF GOMBAK, STATE OF SELANGOR DARUL EHSAN
(NO. 1, JALAN PERINDUSTRIAN DESA AMAN 1A, INDUSTRI DESA AMAN, KEPONG 52200 KUALA LUMPUR

This valuation has been prepared for Submission to Securities Commission for the purpose of the **Initial Public Offering of Pecca Group Berhad on the Main Market of Bursa Malaysia Securities Berhad.**

This valuation certificate is for the inclusion in the prospectus in conjunction with the initial public offering. For all intent and purpose, it should be read in conjunction with the Report and Valuation prepared by us bearing Reference No. PPC/14/V0395 (1) dated 1 October 2014.

In accordance with your instruction to value the above mentioned property, we have inspected the above mentioned property on 28 August 2014 which the same is also taken as the material date of valuation. We have also extracted a legal description of the property from the copies of the Title Document provided to us by the client and the Title Particulars of title document from our search at the Register Document of Title at District of Gombak Land Office in Bandar Baru Selayang on 25 June 2014 and gathered other relevant information to arrive at our opinion of value.

The Basis of Valuation adopted by us is the **"Market Value"** which is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.

This valuation has been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and adopting the necessary professional standards and due diligence.

Directors

Sr KAMARUDZAMAN SAAD, AMK
B. Sc. (Hons) Land Mgt, MRICS, FRISM, MPEPS, MMIPPM
DATUK Sr SIDSAPESAN SITTAMPALAM, D.P.S.M. (SIDERS)
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Sr MARK SAW KHAY LIANG, PJK
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Associate Directors / Registered Valuers

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Sr MAZEERUDDIN MOHD SARJID
B. (Hons) E.M., Dip E.M., MRICS, MRISM, MPEPS, MMIPPM
Sr SUMIT KHINDRIYA PURAN CHAND
B. Sc. (Hons) in Real Est Mgt, MRISM, MPEPS, MMIPPM

PRIVATE & CONFIDENTIAL

12. VALUATION CERTIFICATES (Cont'd)**VALUATION CERTIFICATE (Cont'd)****IDENTIFICATION OF PROPERTY**

- Legal Description : H.S. (M) 24691, Lot P.T. No. 2034, Locality of Desa Aman, Bandar Sungai Buloh, District of Gombak, State of Selangor Darul Ehsan, shall be referred to as **"the Property"**
- Address : No. 1, Jalan Perindustrian Desa Aman 1A, Industri Desa Aman, Kepong, 52200 Kuala Lumpur
- Property Type : A parcel of industrial land erected upon with a 4-storey office building with a mezzanine floor annexed to a 4-storey flatted factory building and a 6-storey hostel building together with ancillary buildings
- Titular Land Area : 6,736 square metres (72,506 square feet)
- Tenure : 99-year leasehold interest expiring on 4 August 2107 having an unexpired term of approximately 93 years
- Category of Land Use : Industrial
- Registered Proprietor : Pecca Leather Sdn Bhd

LOCATION

The property is situated about 22 kilometres north-west of the Kuala Lumpur city centre.

The locality is mainly developed with one and half storey to two and a half storey terrace factories, one and a half storey semi-detached factories and detached factories and individually designed detached factories.

Prominent landmarks within the immediate and larger locality include Valencia Golf Club, Hospital Sungai Buloh and UiTM Medical Faculty Sungai Buloh.

SITE DESCRIPTION

The site is rectangular in shape. It is generally flat in terrain and lies about the same level as the frontage metalled road and surrounding lots except for its south-eastern side which is higher than Persiaran KIP Utama.

BUILDING DESCRIPTION

The buildings erected on the site comprise a 4-storey office building with a mezzanine floor annexed to a 4-storey flatted factory building, a 6-storey hostel building and ancillary buildings which include a guardhouse and car park shed.

The total gross floor of the two main buildings is 14,645.42 square metres (157,642 square feet).

The building is installed with modern fire fighting and protection equipment which include sprinkles, smoke detectors and fire rated doors whilst central air-conditioning is provided by water cooling system distributed by air handling units (AHU) on each floor. Vertical access to the upper floors of the buildings are facilitated by staircases and passenger lifts located at strategic positions within the building.

The factory area is installed with a ventilation system incorporating exhaust fans installed at the factory areas on the upper floors, i.e. first to third floor to provide adequate ventilation and also to control the humidity levels. This is to ensure that the leather products within this section are intact.

12. VALUATION CERTIFICATES (Cont'd)**VALUATION CERTIFICATE (Cont'd)**

The buildings were issued with a Certificate of Completion and Compliance by Majlis Perbandaran Selayang on 21 June 2011 and 5 January 2011.

OCCUPANCY/TENANCY STATUS

The property is currently owner-occupied.

TOWN PLANNING

As indicated in the title document, the property is designated for industrial use.

METHOD OF VALUATION AND VALUATION RATIONALE

The property is valued by using the Comparison and Cost Approaches.

1. Comparison Approach

The Comparison Method entails comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land, tenurial interest and restrictions if any, occupancy status, built-up area, building construction, finishes and services, age and condition of building and other relevant characteristics.

In our analysis of sales data available, we have noted the transactions of comparable properties (office buildings) in the immediate and wider locality. In particular, we have considered the following transactions:-

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Address / Location	No. 32, Persiaran Industri, Bandar Sri Damansara, 52200 Kuala Lumpur	No. 39, Persiaran Industri, Bandar Sri Damansara, 52200 Kuala Lumpur	No. 12, Jalan Persiaran KIP 7, Taman Perindustrian KIP, 52200 Kuala Lumpur	No. 9, Jalan KIP 3, Taman Perindustrian KIP, 52200 Kuala Lumpur
Property Type/ Land Use	A 3-storey detached flatted factory building	A 3-storey detached flatted factory building	A 3-storey detached factory building annexed to a single storey warehouse	A 3-storey detached factory building annexed to a single storey warehouse
Land Area (SF)	15,299	11,937	17,491	22,314
Est. Gross Floor Area (GFA) (SF)	23,000	16,000	15,000	20,000
Tenure	Freehold	Freehold	Freehold	Freehold
Date of Transaction	16 December 2013	19 July 2013	8 April 2013	8 February 2013
Sales Price (RM)	RM9,668,000.00	RM6,400,000.00	RM6,500,000.00	RM8,500,000.00
Source	Jabatan Penilaian dan Perkhidmatan Harta			
Quantitative Adjustments	Adjustment were made to the land and building sizes of the sale comparables to make it as identical as possible to the Property			
ADJUSTMENTS TO ARRIVE AT VALUE OF THE PROPERTY				
Qualitative Adjustments	Adjustments were made to sale comparables to reflect the difference in location, building condition / physical construction, tenure and quantum; i.e. size			
Adjusted Rate (RM)	RM36,800,000.00	RM33,100,000.00	RM36,400,000.00	RM36,700,000.00

After taking into consideration all the above, we noted that Sale Evidence No. 4 is the best comparable to be adopted as least adjustments are made and both are located closest to the property. Therefore, we are of the opinion that the Market Value of the property adopting the Comparison Approach is **RM36,700,000.00**.

12. VALUATION CERTIFICATES (Cont'd)**VALUATION CERTIFICATE (Cont'd)****Cost Approach**

In the Cost Approach, the values of the land and building are separately determined and a summation of these values is taken to be Market Value of the property as an integral whole.

The value of the land is arrived by the Comparison Approach whilst the value of the building is arrived at by the Depreciated Replacement Cost Method.

In the Depreciated Replacement Cost Method, the building value is taken to be equal the cost of replacing the building in its existing condition. This is determined by taking the current replacement cost of the building as new and allowing for depreciation for physical, functional and economic obsolescence.

In the Cost Approach, we have considered the following:-

i. Land Value

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Address / Location	Lot No. 67182, off Jalan Kusta, Taman Industri Jaya Sungai Buloh, Sungai Buloh, Selangor Darul Ehsan	No. 11, Jalan Usaha Ehsan E1/1, Kawasan Perindustrian Ehsan Jaya, Kepong, Kuala Lumpur	Lot No. 1556, Jalan Kusta, Taman Industri Jaya Sungai Buloh, Sungai Buloh, Selangor Darul Ehsan	No. 42, Persiaran Industri, Bandar Sri Damansara, 52200 Kuala Lumpur
Property Type / Land Use	A parcel of vacant industrial land			
Land Area (Sq. M.)	6,873.99	4,048.30	10,879.99	1,097.33
Land Area (Sq. Ft.)	73,991	43,576	117,111	11,813
Tenure	Freehold	99-year leasehold interest expiring on 9 July 2078	Freehold	Freehold
Date of Transaction	1 July 2013	11 October 2012	8 October 2012	16 January 2012
Sale Price	RM8,582,956.00	RM8,230,000.00	RM14,500,000.00	RM3,550,000.00
Est. Land Value (PSF)	RM116.00	RM188.87	RM123.81	RM300.55
Source	Jabatan Penilaian dan Perkhidmatan Harta			
ADJUSTMENTS TO ARRIVE AT VALUE OF THE PROPERTY				
Adjustment	Adjustments were made to sale comparables to reflect the difference in location, time, tenure, shape and zoning			
Adjusted Unit Rate (RM/sq.ft. on NFA)	RM174.00 psf	RM161.00 psf	RM167.00 psf	RM165.00 psf

We have adopted RM160.00 per square foot as our Land Value based on the Sale Comparable 2 which is the best comparable.

ii. Building Value

For the main buildings, we have adopted buildings value between RM110.00 to RM220 per sq. foot and the above costs are in tandem to the market rate supported by published quantity surveyor costing; i.e. Langdon Seah Asia Construction Cost, past record of contracts from internal source and verbal verifications with a few contractors.

The 5% to 10% depreciation rate for the buildings is arrived based on its age, condition and state of repair. It is a combination of physical, economical and functional obsolescence.

Our valuation working adopting the Cost Approach derives at a Market Value of **RM36,000,000.00**.

12. VALUATION CERTIFICATES (Cont'd)



VALUATION CERTIFICATE (Cont'd)

RECONCILIATION OF VALUE

Comparison Approach - RM36,700,000.00
Cost Approach - RM36,000,000.00

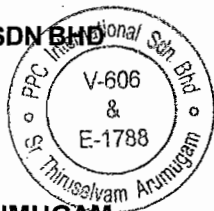
The Market Value adopted is **RM36,000,000.00** based on the Cost Approach as it is the most suitable approach based on the nature of the property and the availability of suitable evidences. This is further supported by the Market Value derived from the Comparison Approach.

OPINION OF VALUE

Having regard to the foregoing, we are of the opinion that the **Market Value** of the unexpired term in the 99-year leasehold interest in the property, H.S. (M) 24691, Lot P.T. No. 2034, Locality of Desa Aman, Bandar Sungai Buloh, District of Gombak, State of Selangor Darul Ehsan, having an unexpired term of approximately 93 years, with vacant possession, free from the existing charges to United Overseas Bank (Malaysia) Berhad and all other encumbrances, as at 28 August 2014, is **RM36,000,000.00 (Ringgit Malaysia: Thirty Six Million Only)**.

For and on behalf of

PPC INTERNATIONAL SDN BHD



Sr THIRUSELVAM ARUMUGAM
Executive Director
B. Surv. (Hons) Property Mgt.
MRICS, FRISM, MPEPS, MMIPPM
Registered Valuer (V-606)

Date: 1 October 2014

SK/TA

12. VALUATION CERTIFICATES (Cont'd)



Chartered Surveyors, Registered Valuers & Estate Agents, Project & Property Managers, Development Consultants

8th Floor, Campbell Complex,
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Tel : (603) 2692 3236 Fax : (603) 2692 6457
E-mail: admin@ppc.com.my Website: www.ppc.com.my

UPDATE VALUATION CERTIFICATE

Our Ref : PPC/15/V0857 (1)

3 February 2016

**THE BOARD OF DIRECTORS
PECCA LEATHER SDN BHD**
No. 1, Jalan Perindustrian Desa Aman 1A
Industri Desa Aman, Kepong
52200 Kuala Lumpur

Attention : Datuk Teoh Hwa Cheng

Directors

Sr KAMARUDZAMAN SAAD, AMK
B. Sc. (Hons) Land Mgt, MRICS, FRISM, MPEPS, MMIPPM

DATUK Sr SIDSAPESAN SITTAMPALAM, D.P.S.M. (SIDERS)
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FRICS, FRISM, MPEPS, MMIPPM, MMIEA

Associate Directors / Registered Valuers

Sr NORAKMAL MOHD SALLEH @ ELIAS
B. Sc. (Hons) in Prop Mgt & Valuation, MRISM

Sr NAZEERUDDIN MOHD SARJID
B. (Hons) E.M., Dip. E.M., MRICS, MRISM, MPEPS, MMIPPM

Sr SUMIT KHINDRIYA PURAN CHAND
B. Sc. (Hons) in Real Est Mgt, MRISM, MPEPS, MMIPPM

PRIVATE & CONFIDENTIAL

**UPDATE VALUATION CERTIFICATE OF
H.S. (M) 24691, LOT P.T. NO. 2034, LOCALITY OF DESA AMAN, BANDAR SUNGAI BULOH,
DISTRICT OF GOMBAK, STATE OF SELANGOR DARUL EHSAN
(NO. 1, JALAN PERINDUSTRIAN DESA AMAN 1A, INDUSTRI DESA AMAN, KEPONG 52200 KUALA
LUMPUR**

We refer to your instruction to conduct an update valuation of the abovementioned property for the purpose of submission to Securities Commission for **Initial Public Offering of Pecca Group Berhad on the Main Market of Bursa Malaysia Securities Berhad.**

This update valuation certificate is for the inclusion in the prospectus in conjunction with the initial public offering. For all intent and purpose, it should be read in conjunction with the Valuation Certificate and Report and Valuation prepared by us bearing Reference No. PPC/14/V0395 (1) dated 1 October 2014.

In accordance with your instruction, we have re-inspected the property on 28 January 2016 which the same is also taken as the material date of valuation.

The Basis of Valuation adopted by us is "Market Value" which is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

This valuation has been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and adopting the necessary professional standards and due diligence.

12. VALUATION CERTIFICATES (Cont'd)**UPDATE VALUATION CERTIFICATE (Cont'd)****TERMS OF REFERENCE**

This update valuation has been carried out based on the same Terms of Reference as stated in our previous valuation report dated 1 October 2014.

TITLE PARTICULARS

We have also conducted a private title search at the District of Gombak Land Office in Bandar Baru Selayang on 4 November 2015 which revealed that there is no change in the legal particulars of the property since the last search conducted on 25 June 2014.

GENERAL DESCRIPTION

Based on our inspection on 28 January 2016, we would like to confirm that the physical state of the buildings within the site generally remains unchanged since our previous valuation conducted on 28 August 2014.

We were given to understand by the Client that an application which was made to add an additional floor to the existing 4-storey flatted factory building has been approved by the local authorities; i.e. Majlis Perbandaran Selayang on 20 May 2015. This approval will provide an additional gross floor area of about 1,837 square metres (19,773 square feet) to the building and it is valid for one (1) year subject to terms and conditions stated in the Approval Letter. However, we noted that the extension works have not commenced as yet and we have not taken into account this extension in our valuation.

OCCUPANCY/TENANCY STATUS

At the date of inspection; i.e. 28 January 2016, we noted that the property remained to be owner-occupied except for part of a production area on the 3rd floor measuring approximately 3,418 square feet which is tenanted to Tint Auto Sdn. Bhd at a monthly rental of RM18,000.00. The tenancy is for a period of one (1) year commencing from 1 September 2015 and expiring on 31 August 2016.

TOWN PLANNING

As indicated in the title document, the property is designated for industrial use.

MARKET CONDITION

Malaysia's economic growth was recorded at 4.9% in the second quarter of 2015 whilst Selangor's economic growth only rose between 0.5% and 1.0% compared to the 4.5% to 5.5% forecasted for 2015. The industrial sub-sector of the nation improved in its performance after three continuous years of downtrend with Selangor continued to dominate the market with 27.6% of the country's transaction volume.

The industrial sub-sector in Klang Valley has been experiencing a monotonous trend since year 2012. Industrial parks designed with good infrastructure, facilities and services which are competent enough to support high technology and capital intensive manufacturing outfits are prone to experience increase in values.

Selangor has the largest volume of industrial properties followed by Johor due to its Southern Industrial and Logistics Clusters (SiLC) industrial parks in Nusajaya, within Iskandar Development Region. Prominent industrial parks within Klang Valley includes TemasyaGlenmarie Industrial Park, Subang New Village, Shah Alam Technology Park and Rawang Integrated Industrial Park to name a few. These exclude established industrial zones such as the Port Klang Free Trade Zone and Selangor Halal Hub.

Selangor, in the first quarter of year 2015 recorded 564 units of industrial property transactions which then increased to 585 units in the following quarter but decreased to only 341 units in the third quarter. The total value of transaction on the other hand was registered at RM2.28 billion in the first quarter but dropped to RM1.34 billion and then to RM0.87 billion in the next two consecutive quarters.

12. VALUATION CERTIFICATES (Cont'd)

**UPDATE VALUATION CERTIFICATE (Cont'd)**

The industrial sector is estimated contribute about 30% to the GDP in 2016. We do not foresee a higher industrial sector growth in Selangor as the overall economic growth in the country is bound to experience a slower growth given the economic challenges in 2016. As such, upward price movement may not be seen in 2016. However industrial property market in Selangor is expected to be stable.

METHOD OF VALUATION AND VALUATION RATIONALE

The property is valued by using the Comparison and Cost Approaches.

1. Comparison Approach

There were two new transactions of similar detached factories within the immediate locality since our previous valuation conducted on 28 August 2014 details of which are as follows:-

	Comparable 5	Comparable 6
Address / Location	No. 70, Jalan TSB 9, Taman Industri Sungai Buloh, 47810 Petaling Jaya, Selangor Darul Ehsan	No. 3, Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan
Property Type/ Land Use	A one and a half storey detached factory building	A 3-storey detached flatted factory building
Land Area (SF)	37,243	39,773
Est. Gross Floor Area (GFA) (SF)	25,000	39,840
Tenure	99-year leasehold expiring on 24 March 2091	99-year leasehold expiring on 18 October 2106
Date of Transaction	9-Jan-15	22-Dec-14
Sales Price (RM)	RM12,300,000.00	RM20,800,000.00
Source	Jabatan Penilaian dan Perkhidmatan Harta	
Quantitative Adjustments	Adjustment were made to the land and building sizes of the sale comparables to make it as identical as possible to the Property	
ADJUSTMENTS TO ARRIVE AT VALUE OF THE PROPERTY		
Qualitative Adjustments	Adjustments were made to the above sale comparables to reflect the difference in time, location, building condition / physical construction and quantum; i.e. size	
Adjusted Rate (RM)	RM36,900,000.00	RM34,400,000.00

The comparables have been analysed taking into consideration various factors such as time, location, physical construction, condition & finishes and size to arrive at the adjusted value.

Apart from the two sale comparables above, the rates of adjustments of the abovementioned factors remained as adopted in the previous valuation for the other four sale comparables.

After taking into consideration the above two new sales together with the previous four sale comparables adopted in our previous valuation, we noted that Sale Evidence No. 4 is still the best comparable to be adopted as least adjustments are made and is located closest to the property. Therefore, we are of the opinion that the Market Value of the property adopting the Comparison Approach is **RM36,700,000.00**.

2. Cost Approach

We have adopted the same sale comparables as per our previous valuation report dated 1 October 2014 as there are no new transactions of similar lands within the locality. Our valuation working adopting the Cost Approach derives a Market Value of **RM36,000,000.00**.

RECONCILIATION OF VALUE

Comparison Approach	- RM36,700,000.00
Cost Approach	- RM36,000,000.00



UPDATE VALUATION CERTIFICATE (Cont'd)

The Market Value adopted is **RM36,000,000.00** based on the Cost Approach as it is the most suitable approach based on the nature of the property and the availability of suitable evidences. This is further supported by the Market Value derived from the Comparison Approach.

OPINION OF VALUE

Having regard to the foregoing, we are of the opinion that the **Market Value** of the unexpired term in the 99-year leasehold interest in the property, H.S. (M) 24691, Lot P.T. No. 2034, Locality of Desa Aman, Bandar Sungai Buloh, District of Gombak, State of Selangor Darul Ehsan, having an unexpired term of approximately 91 years, with vacant possession, free from the existing charges to United Overseas Bank (Malaysia) Berhad and all other encumbrances, as at 28 January 2016, is **RM36,000,000.00 (Ringgit Malaysia: Thirty Six Million Only)**.

For and on behalf of

PPC INTERNATIONAL SDN BHD



Sr THIRUSELVAM ARUMUGAM

Executive Director

B. Surv. (Hons) Property Mgt.

MRICS, FRISM, MPEPS, MMIPPM

Registered Valuer (V-606)

Date: 3 February 2016

SK/TA

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION

13.1 SHARE CAPITAL

- (a) No shares will be allocated or issued on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (b) Neither our Company nor our subsidiaries have any share capital that is under option, or agreed conditionally or unconditionally to be put under option.
- (c) As at the LPD, there is only one (1) class of shares in our Company, being ordinary shares of RM0.50 each, the details of which are outlined in Sections 2.1 and 4.1.2 of this Prospectus.
- (d) Save as disclosed in Sections 2.1, 4.1.2 and 4.1.4 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Company and our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) years preceding from the date thereof.
- (e) Save for the Public Issue Shares reserved for the employees of our Group as disclosed in Section 2.3.1(b) of this Prospectus, there is currently no other scheme for or involving our Directors or employees of our Company or our subsidiaries.
- (f) As at this date hereof, our Company does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

13.2 ARTICLES OF ASSOCIATION

The following provisions are extracted from our Company's Articles of Association. The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Articles of Association.

13.2.1 Transfers and Transmission of Securities

The provisions in our Company's Articles of Association in respect of the arrangements for transfer and transmission of securities and restrictions on their free transferability are as follows:-

Article 21

Subject to the provisions of the Depositories Act, the transfer of any Deposited Security or class of Deposited Security shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to Section 107C(2) of the Act and any exemption that may be made from compliance with Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

Article 24

- (1) Subject to these Articles, the Act, the Depositories Act and the Rules (with respect to the transfer of Deposited Securities), the Directors may in their absolute discretion and without assigning any reason therefor, decline to register any transfer of shares which are not Deposited Securities. The registration of any transfer shall be suspended when the Register of Transfers (as described in Article 25) is closed pursuant to Article 26.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (2) Subject to the provisions of the Act, the Depositories Act and the Rules, all dealings in respect of Deposited Securities shall only be effected by the beneficial owners of such Deposited Securities or an authorised nominee, as the case may be. A Depositor shall not withdraw the Securities which have been deposited with the Depository except in such manner as may be specified in the Rules.
- (3) The Directors shall decline to register an instrument of transfer where the Directors are aware or have reason to believe that the registration of such transfer would result in the contravention of or a failure to comply with any provision of the laws of Malaysia.
- (4) All instruments of transfer which are registered may be retained by the Company.
- (5) If the Directors decline to register any transfer of instrument, they shall within ten (10) Market Days after the date on which the instrument of transfer was lodged with the Company, send to the transferor, lodging broker and to the transferee written notice of refusal and the precise reasons thereof. Any instrument of transfer which the Directors have declined to register shall be returned to the person who tendered the same for registration save and except in cases where the Directors suspect fraud.

Article 25

The Company shall maintain a book called "Register of Transfers" which shall be kept by the Secretary or such other person authorised by the Directors. Subject to Article 21, particulars of the transfer or transmission of every share shall be entered into the Register of Transfers.

Article 29

In the case of the death of a Member, the legal personal representative or representatives of the deceased Member shall be the only person or persons recognised by the Company as having any interest in the shares of the Member; but nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share which had been held by him.

Article 30

- (1) Any person becoming entitled to a share in consequence of the death or bankruptcy, or insolvency of a Member may, upon such evidence as may from time to time properly be required by the Directors being produced and subject as hereinafter provided, elect either to be registered himself as the holder of the share or to have some person nominated by him registered as the holder thereof, but the Directors shall, in accordance with the provisions of the relevant laws, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that Member before his death or bankruptcy or insolvency (as the case may be) PROVIDED ALWAYS that where the share is a Deposited Security which is subject to the Rules, a transfer or withdrawal of the share may be carried out by the person becoming so entitled in accordance with the Depositories Act.

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13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (2) If any person becoming entitled to a share in consequence of the death or bankruptcy of a Member elects to be registered as the holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects PROVIDED ALWAYS that where the share is a Deposited Security which is subject to the Rules, a transfer of the share may only be carried out by the person so becoming entitled in accordance with the Depositories Act. Conversely, if such person shall elect to have another person registered as the holder of the share, he shall effect a transfer of such share in favour of that person. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer signed and effected by the Member.

Article 31

Subject to the provisions of any law, where the registered holder of any share is deceased or becomes bankrupt, his personal representative or the assignee of his estate (as the case may be) shall upon the production of such evidence as may from time to time be reasonably required by the Directors, be entitled to the same dividends and other advantages to which he would be entitled if he were a registered holder of the share except that he shall not be entitled to exercise any right to vote at any general meetings of the Company in respect of that share until he shall have been registered as a Member in respect of the share.

Article 32

Where:-

- (1) the Securities of the Company are listed on another stock exchange (other than the Exchange); and
- (2) the Company is exempted from compliance with Section 14 of the Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such Securities,

the Company shall, upon the request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such Securities.

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13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

13.2.2 Remuneration of Directors

The provisions in our Company's Articles of Association in respect of remuneration of Directors are as follows:-

Article 84

The Directors' fees in any year (excluding amounts payable under any other provision of these Articles) shall be a fixed sum as determined from time to time by an ordinary resolution of the Company in a general meeting. Unless otherwise directed by such resolution, any such fees shall be divided amongst the Directors into such proportions as they may agree or failing agreement, equally. Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting. Notwithstanding anything to the contrary in these Articles, the Directors shall also be entitled to be repaid all travelling and hotel expenses properly incurred by them respectively in or about the performance of their duties as Directors, including their expenses for travelling to and from meetings of Directors or general meetings of the Company or which he may otherwise incur on or about the business of the Company. If by arrangement with the other Directors, any Director shall perform or render any special duties or service outside his ordinary duties as a Director, including residing away from his usual place of business or residence for the purpose of the Company's business or giving special attention to the business of the Company as a member of a committee of the Directors, the Directors may, in addition to his Director's fees, pay such Director remuneration for such special duties or services rendered by him in such amount and in such manner as the Directors shall determine Provided That no Director (non-executive or executive) shall, in any circumstances, be remunerated by a commission on or percentage of turnover and that nothing herein shall prejudice the power of the Directors to appoint any of their number to be the employee or agent of the Company at such remuneration (which shall not include a commission on or percentage of turnover) as the Directors may determine.

Article 85

The fees payable by the Company to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover. Salaries payable by the Company to executive Directors may not include a commission on or percentage of turnover.

Article 87

The remuneration of a Managing Director may be by way of salary, commission and/or participation in profits but shall not include a commission on or a percentage of turnover of the Company.

Article 89(5)

An alternate Director may be repaid by the Company for such expenses as might properly be repaid to him if he were a Director and he shall be entitled to receive from the Company such proportion (if any) of the remuneration otherwise payable to his appointer as such appointer may by notice in writing to the Company from time to time direct, but save as aforesaid he shall not in respect of such appointment be entitled to receive any remuneration from the Company.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

13.2.3 Voting and Borrowing Powers of Directors

The provisions in our Company's Articles of Association in respect of the voting and borrowing powers of Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested in, are as follows:-

Article 82

There shall be no shareholding qualification for Directors until and unless the Company in general meeting shall otherwise determine.

Article 90

The business and affairs of the Company shall be conducted and managed by or under the direction of the Directors. The Directors shall have all powers necessary for managing, directing and supervising the business and affairs of the Company subject to any modification, exception or limitation contained in the Act, the Company's Memorandum of Association or these Articles and may pay all expenses incurred in promoting and registering the Company. The Directors may and shall be entitled to exercise all such powers of the Company which are not by the Act or these Articles required to be exercised by the Company in general meeting; but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

Article 94

- (1) The Directors shall ensure that the Company duly complies with the relevant provisions of the Act.
- (2) The Directors shall not without the prior approval of the Company in general meeting:-
 - (a) carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or for the disposal of a substantial portion of the Company's undertaking or property;
 - (b) exercise any power of the Company to issue shares unless otherwise permitted under the Act; or
 - (c) enter into any arrangement or transaction with a Director or with a person connected with such Director to acquire from or dispose to such Director or person any non-cash assets of the requisite value (as defined in Section 132E of the Act).

Article 95

The Directors may, at their discretion, raise or borrow from time to time such sums of moneys as they think proper for the purpose of the business of the Company.

Article 96

Notwithstanding anything to the contrary in these Articles, the Directors shall not borrow any money or mortgage or charge any of the Company's or any of its Subsidiaries' undertaking, property or any uncalled capital, or issue debentures and other Securities of the Company or any of its Subsidiaries for the benefit of, or as a security for any debt, liability or obligation of, an unrelated third party.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**Article 97**

- (1) Subject to these Articles and the relevant laws, the Directors may borrow or raise funds for the purpose of the Company's business in such manner and on such terms as they think proper, including by the issue or sale of any bonds, debentures, debenture stocks or securities upon such terms as to the time of repayment, the rate of interest, the price of issue or sale, the payment of premium or bonus upon redemption or repayment or otherwise as they may think proper.
- (2) Subject to these Articles and the relevant laws, the Directors may secure or provide for the payment of any moneys to be borrowed or raised by the Company in such manner and on such terms as they think proper, including by the creation of a mortgage or a charge upon all or any part of the undertaking or property of the Company both present and future or upon any capital remaining unpaid upon the shares of the Company whether called up or not or by any other security, and the Director may confer upon any mortgagees or persons in whom any debentures, debenture stock or security is vested such rights and powers as they think necessary or expedient; and they may vest any property of the Company in trustees for the purpose of securing any moneys so borrowed or so raised and confer upon the trustees or any receiver to be appointed by them or by any debenture holder, such rights and powers as the Director may think necessary or expedient in relation to the undertaking or property of the Company, or the management or the realisation thereof, or the making, receiving or enforcing of calls upon the Members in respect of unpaid capital and otherwise, and may make and issue debentures to trustees for the purpose of further security, and any such trustee may be remunerated on such terms as the Directors shall think fit.

Article 104

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any Board meeting shall be determined by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote unless:-

- (1) two (2) Directors form the quorum and only such quorum is present at the meeting;
or
- (2) only two (2) Directors are competent to vote on the question at issue.

Article 113

- (1) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract or an arrangement with the Company shall declare the nature of his interest in accordance with the provisions of the Act. Save as otherwise provided in this Article 113(1) and Article 113(2), a Director shall not vote in respect of any contract or proposed contract or arrangement in which he is interested, direct or indirectly, (and if he shall do so, his vote shall not be counted) nor shall he be counted as forming part of the quorum present at the meeting convened for the purpose of any resolution regarding the same, but this Article shall not apply to:-
 - (a) any arrangement for giving to him any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company; or
 - (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

13.2.4 Changes in Share Capital and Variation of Rights

The provisions in our Company's Articles of Association in respect of the changes in share capital and variation of rights, which are in accordance with the requirements, are as follows:-

Article 3

- (1) Subject always to the provisions of the Act, these Articles (including but not limited to Articles 3(2) and 4(4) and to the provisions of any resolution of the Company, the shares of the Company shall be under the control of the Directors who may allot or otherwise dispose of the same to such persons and on such terms and conditions with such preferred, deferred or other special rights or such restrictions whether in regard to dividend, voting or return of share capital and either at a premium or at par or (subject to the provisions of Section 59 of the Act) at a discount and at such time or times as the Directors may think fit. Unless otherwise expressly stated in these Articles, there shall be no special rights attached to shares of a class other than ordinary shares.
- (2) Article 3(1) shall be subject to the following restrictions:-
 - (a) no Director shall participate in a share issuance scheme unless members of the Company in general meeting have approved the specific allotment to be made to such Director; and
 - (b) no shares shall be issued at a discount except in compliance with the provisions of Section 59 of the Act.
- (3) The Company must ensure all new issue of Securities for which listing on the Exchange is sought shall be made by way of crediting the Securities Account of the allottees with such Securities save and except where the Company is specifically exempted from compliance with Section 38 of the Depositories Act, in which event it shall so similarly be exempted from compliance with this Article. For this purpose, the Company shall notify the Depository of the names of the allottees and all such particulars required by the Depository, to enable the Depository to make the appropriate entries in the Securities Accounts of such allottees.
- (4) Notwithstanding anything to the contrary in these Articles, the Company shall comply with the provisions of the Depositories Act in respect of all matters relating to Securities which are required to be deposited with the Depository pursuant to the Depositories Act.

Article 4

- (1) The Company shall have power to issue preference shares carrying a right to redemption out of profits or which are liable to be redeemed at the option of the Company and to issue preference capital ranking equally with but not in priority to preference shares already issued and the Directors may, subject to the provisions of the Act, redeem such preference shares either at par or at a premium and on such terms and in such manner as they may think fit.
- (2) Preference shareholders of the Company shall have the same rights as ordinary shareholders of the Company in relation to receiving notices, reports and audited financial statements, and attending general meetings of the Company.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (3) Preference shareholders of the Company shall also have the right to vote in each of the following circumstances:-
- (a) when the dividend or part of the dividend on the preference shares held is in arrears for more than six (6) months;
 - (b) on a proposal to reduce the Company's share capital;
 - (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
 - (d) on a proposal that affects the rights attached to the preference shares held;
 - (e) on a proposal to wind up the Company; and
 - (f) during the winding up of the Company.
- (4) The repayment of preference capital other than redeemable preference capital or any other alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned, PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths (3/4) of the preference capital concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Article 8

- (1) Except as otherwise required or provided by these Articles, the law and/or the Rules, or pursuant to any order of the Court, no person shall be recognised by the Company as holding any share of the Company upon any trust, and the Company shall not be bound by or be required in any way to recognise (even when having express notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or any other rights in respect of any share, except an absolute right to the entirety thereof in the registered holder of such share.
- (2) Unless the contrary intention appears, and the law or the Rules otherwise provide, a Depositor whose name appears in the Record of Depositors is entitled to all rights, benefits, powers and privileges and shall be subject to all liabilities, duties and obligations in respect of, or arising from, any such Security as are appearing to be held by such Depositor in the Record of Depositors, as if he were a Member registered in the Register in respect of those Securities, but nothing in this Article 8(2) shall be construed so as to deem the Record of Depositors to be the Register.
- (3) Notwithstanding Article 8(2), the Company shall not be liable to any person in respect of any dispute raised by any person whose name appears in the Record of Depositors but not in the Register.

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13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**Article 45**

The Company may in general meeting and from time to time, and whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, increase its capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and (subject to any special rights for the time being attached to an existing class of shares) to carry such preferential, deferred or other special rights (if any) or to be subject to such conditions or restrictions (if any) in regard to dividend, return of capital, voting or otherwise as the Company, by ordinary resolution authorising such increase directs.

Article 46

- (1) Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or Securities bear to shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Article 46(1).
- (2) Notwithstanding any resolution made pursuant to Section 132D of the Act, the Company shall not issue any shares or convertible securities which when aggregated with the nominal value of any such shares or convertible securities issued by the Company during the preceding twelve (12) months, exceed ten per centum (10%) of the nominal value of the issued and paid-up capital of the Company, except where the issue of the shares or convertible securities and the precise terms and conditions of such issue are approved by the Members of the Company at a general meeting prior to such issue.

Article 47

Except so far as otherwise expressly provided by the conditions of issue, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company and shall be subject to the same provisions relating to the payment of the calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital.

Article 48

The Company may by ordinary resolution:-

- (1) consolidate and divide all of its share capital into shares of larger amounts than its existing shares;
- (2) (a) cancel any shares which at the date of the passing of the resolution have not been taken, or agreed to be taken, by any person or which have been forfeited, and diminish the amount of its capital by the amount of shares so cancelled; or

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (b) cancel any shares that have been purchased by the Company and extinguish all rights attaching to the shares including suspended right in accordance with Section 67A of the Act and the Listing Requirements; or
- (3) sub-divide its shares, or any of them, into shares of a smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Act) provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

Article 52

An annual general meeting of the Company shall be held once every year in accordance with the provisions of the Act. All general meetings shall be held within Malaysia at such time and place as may be determined by the Directors.

Article 54

The Directors may convene an extraordinary general meeting whenever they think fit or on requisition in accordance with the Act.

Article 56

- (1) In addition to the information stated in Article 55, there shall appear in every notice of a general meeting, with reasonable prominence, a statement that a person entitled to attend and vote at such general meeting is entitled to appoint a proxy to attend and vote instead of him.
- (2) In the case of an annual general meeting, the notice shall also specify the meeting as such.
- (3) In the case of any general meeting at which business other than ordinary business is to be transacted, the notice shall specify the general nature of such business and shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business and if any resolution is to be proposed as a special resolution, the notice shall contain a statement to that effect.
- (4) Ordinary business shall, for the purposes of these Articles, mean business transacted at an annual general meeting in connection with the following:-
 - (a) declaring final dividends;
 - (b) reading, considering and adopting the balance sheet, the reports of the Directors and auditors of the Company and other accounts and documents required to be annexed to the balance sheet;
 - (c) approving the Directors' fee;
 - (d) electing Directors in place of those retiring or otherwise; and
 - (e) appointing the auditors of the Company and fixing the remuneration of the auditors or determining the manner in which such remuneration is to be fixed.

Save as aforesaid, all other business that is transacted at any general meeting, including an annual general meeting, shall be deemed special.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (5) The Company shall, in accordance with the Rules, request the Depository to issue a Record of Depositors to whom notices of general meetings shall be given by the Company.
- (6) The Company shall also, in accordance with the Rules, requests the Depository to issue a Record of Depositors as at the latest date which is reasonably practicable which shall in any event be not less than three (3) Market Days before the general meeting (referred to as "General Meeting Record of Depositors").
- (7) Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a Depositor shall not be regarded as a Member entitled to attend any general meeting of the Company and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

Article 71

Subject to Articles 56(5), 56(6) and 56(7), a Member of the Company shall be entitled to be present and to vote at any general meeting in respect of any share or shares upon which all calls due to the Company have been paid.

Article 74

Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator shall carry the same voting power when such right is exercisable.

13.3 LIMITATION OF RIGHTS

There are no limitations on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by law or by the constituent documents of our Company.

13.4 DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- (a) The names, addresses and occupations of the Directors of our Company are set out in the Corporate Directory of this Prospectus.
- (b) A Director is not required to hold any qualification share in our Company unless otherwise so fixed by the Company in general meeting.
- (c) Save as disclosed in Section 2.9 of this Prospectus, no commission, discounts, brokerages or other special terms have been paid, granted or are payable by our Company or our subsidiaries within the two (2) years immediately preceding the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of our Company or our subsidiaries or in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no Directors, Promoters or experts is or are entitled to receive any such payment.
- (d) Save and except for the dividend paid or payable, related parties transactions, salaries, remunerations and material benefits-in-kind for services rendered in all capacities to our Group as disclosed in Sections 2.3.1(b), 4.2(a), 5.1.1, 5.2.1, 5.2.3, 5.8, 7.1.1, 7.1.2 and 8.7 of this Prospectus, there are no amounts or benefits paid or intended to be paid or given to any of the Promoters, substantial shareholders or Directors within two (2) years preceding the date of this Prospectus.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (e) Save as disclosed in Sections 7.1.1, 7.1.2 and 13.5 of this Prospectus, none of the other Directors and/or substantial shareholders of our Company has interest in any contract or arrangement subsisting at the LPD, which is significant in relation to the business of our Company or our Group taken as a whole.
- (f) Save as disclosed in Sections 5.1 and 5.2 of this Prospectus, the Directors and substantial shareholders of our Company are not aware of any persons who are able, directly or indirectly, jointly or severally, to exercise control over our Company.

13.5 MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, there are no other material contracts (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business which have been entered into by us and our subsidiaries within two (2) years preceding the date of this Prospectus:-

- (a) Joint Venture Agreement dated 23 September 2014 between Datuk Teoh Hwa Cheng, Datin Sam Yin Thing and Wohlstand ("**JV Agreement**") to govern the relationship of the parties as shareholders in a joint venture company engaging in the business of, inter alia, manufacturing, repair, refurbishment and sales of aircraft leather seat covers and other leather related products for business or commercial airlines. Subsequently, pursuant to the Ratification and Accession Agreement dated 1 December 2015 between Pecca and Wohlstand ("**Ratification & Accession Agreement**"), Pecca shall observe, perform and be bound by all the terms of the JV Agreement to the intent and effect that Pecca shall be deemed to be a party to the JV Agreement with effect from the date on which Pecca is registered as a shareholder of the joint venture company, namely, PAviation.
- (b) Deed of Assignment dated 24 December 2014 between PLeather and MRZ ("**Assignor**") for the assignment of all Assignor's rights and interest in the trademarks together with the goodwill of the business of the Assignor in relation to the goods for which the trademarks are registered, to PLeather at a consideration price of RM1.00 to be satisfied entirely via cash.
- (c) Deed of Assignment dated 24 December 2014 between PLeather and Seatcoverpro ("**Assignor**") for the assignment of all Assignor's rights and interest in the trademarks together with the goodwill of the business of the Assignor in relation to the goods for which the trademarks are registered and/or applied for, to PLeather at a consideration price of RM1.00 to be satisfied entirely via cash.
- (d) Deed of Assignment dated 24 December 2014 between PLeather and Seatcoverpro ("**Assignor**") for the assignment of all Assignor's rights and interest in the patents and the patent applications to PLeather at a consideration price of RM1.00 to be satisfied entirely via cash.
- (e) Conditional Sale and Purchase Agreement dated 24 December 2014 between Pecca (as the purchaser) and PLeather (as the vendor) for the acquisition of the entire issued and paid-up share capital in EEmpire for a purchase consideration of RM5,980,000 to be satisfied entirely via cash.

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13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (f) Conditional Sale and Purchase Agreement dated 24 December 2014 between Pecca (as the purchaser) and MRZ, Datuk Teoh Hwa Cheng and Syed Mohammad Hafiz bin Syed Razlan (collectively as the Vendors of PLeather) for the acquisition of the entire issued and paid-up share capital in PLeather for a purchase consideration of RM70,041,997 to be satisfied entirely via the issuance of 140,083,994 new Pecca Shares at an issue price of RM0.50 per Pecca Share.
- (g) Conditional Sale and Purchase Agreement dated 24 December 2014 between Pecca (as the purchaser) and Datuk Teoh Hwa Cheng and Datin Sam Yin Thing (collectively as the Vendors of PAviation) for the acquisition of 60% of the issued and paid-up share capital in PAviation for a purchase consideration of RM60,000 to be satisfied entirely via the issuance of 120,000 new Pecca Shares at an issue price of RM0.50 per Pecca Share.
- (h) DMSA Service Agreement for the appointment of Dato' Mohamed Suffian bin Awang as Independent Non-Executive Director of Pecca for an initial period of three (3) years with effect from 26 December 2014, as disclosed in Section 5.8(a) of this Prospectus.
- (i) LKW Service Agreement for the appointment of Leong Kam Weng as Independent Non-Executive Director of Pecca for an initial period of three (3) years with effect from 26 December 2014, as disclosed in Section 5.8(b) of this Prospectus.
- (j) CKS Service Agreement for the appointment of Chew Kian Seng as Independent Non-Executive Director of Pecca for an initial period of three (3) years with effect from 26 December 2014. The CKS Service Agreement has been mutually terminated by the parties on 18 August 2015 and that both parties' rights and obligations will cease and shall have no claim against each other in respect of the CKS Service Agreement.
- (k) DNHM Service Agreement for the appointment of Dato' Dr. Norraesah binti Haji Mohamad as Independent Non-Executive Director of Pecca for an initial period of three (3) years with effect from 1 August 2015, as disclosed in Section 5.8(c) of this Prospectus.
- (l) Sale, purchase and transfer deed dated 10 August 2015 between PLeather, Pecca Holdings Sdn Bhd and Coöperatie Leder Inbouw Nederland U.A, for the sale and transfer of 5% membership interest in the Coöperatie Leder Inbouw Nederland U.A from Pecca Holdings Sdn Bhd to PLeather for a purchase consideration of EUR24,285.
- (m) An Underwriting Agreement dated 8 March 2016 made between Pecca and the Joint Underwriters for the underwriting of 18,800,000 Public Issue Shares for an underwriting commission of 2.0% at the IPO Price.

13.6 MATERIAL LITIGATION AND ARBITRATION

As at the LPD, we are not presently involved in any material litigation and arbitration, whether as plaintiff or defendant or as a third party, which has a material effect on our position or business and we are not aware of any proceedings, pending or threatened, or of any fact likely to give rise to any proceedings which might materially affect our position or business.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

13.7 REPATRIATION OF CAPITAL AND PROFITS

To the best of our Directors' knowledge and belief, there are no governmental law, decree, regulation or other requirements which may affect the repatriation of capital and the remittance of profit by or to our Group. We do not operate in any other countries apart from Malaysia.

13.8 GENERAL INFORMATION

During the last financial year and the current financial period up to the LPD, there were no:-

- (i) public take-over offers by third parties in respect of our Company's shares; and
- (ii) public take-over offers by our Company in respect of other companies' shares.

13.9 CONSENTS

- (a) The written consent of the Principal Adviser, Joint Underwriters and Joint Placement Agents, Solicitors, Independent Registered Valuers, Principal Bankers, Company Secretaries, Registrars and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (b) The written consent of the Reporting Accountants and Auditors to the inclusion in this Prospectus of their names, Accountants' Report and letter relating to the Proforma Consolidated Statement of Financial Position and audit reports in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.
- (c) The written consent of Messrs SL Ling & Co (being the auditors of Pecca and EEmpire for the FYE 2012, FYE 2013 and FYE 2014) to the inclusion in this Prospectus of their names and statements in the form and context in which such statements appear in the Accountants' Report has been given before the issue of this Prospectus and has not subsequently been withdrawn.
- (d) The written consent of Messrs YK Tan, Lee & Associates (being the auditors of PAViation for the FYE 2012, FYE 2013 and FYE 2014) to the inclusion in this Prospectus of their names and statements in the form and context in which such statements appear in the Accountants' Report has been given before the issue of this Prospectus and has not subsequently been withdrawn.
- (e) The written consent of the Independent Business and Market Research Consultants to the inclusion in this Prospectus of their names and the Independent Market Research Report in the form and context in which they are contained in this Prospectus, has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

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13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

13.10 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of our Company during normal business hours for a period of twelve (12) months from the date of this Prospectus:-

- (a) The Memorandum and Articles of Association of our Company;
- (b) The Directors' Report referred to in Section 11 of this Prospectus;
- (c) The Accountants' Report as included in Section 9 of this Prospectus;
- (d) The Reporting Accountants' letters relating to the Proforma Consolidated Statement of Financial Position as set out in Section 8.1 of this Prospectus;
- (e) The audited financial statements of our Company and our subsidiaries for the past four (4) FYE 2012 to FYE 2015 and FPE 2015;
- (f) The unaudited financial statements of our Company and our subsidiaries for the FPE 2014;
- (g) The material contracts referred to in Section 13.5 of this Prospectus;
- (h) The Valuation Certificates as set out in Section 12 of this Prospectus and the valuation reports prepared by Independent Registered Valuers;
- (i) The letters of consent referred to in Section 13.9 of this Prospectus; and
- (j) The Independent Market Research Report by Frost & Sullivan GIC Malaysia Sdn Bhd as set out in Section 10 of this Prospectus.

13.11 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in the Prospectus false or misleading.

AmlInvestment Bank, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO.

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14. PROCEDURES FOR APPLICATIONS AND ACCEPTANCE

14.1 OPENING AND CLOSING OF APPLICATIONS

Applications will be accepted from 10.00 am on 29 March 2016 to 5.00 pm on 5 April 2016 or for such further period or periods as the Directors and Promoters of our Company together with the Joint Underwriters in their absolute discretion may mutually decide. In the event that the closing date of the Applications is extended, you will be notified of the change in a widely circulated daily Bahasa Malaysia and English newspaper in Malaysia. Should the application period be extended, the dates for the balloting, allotment of the IPO Shares and the Listing will be extended accordingly. **Late applications will not be accepted.**

14.2 METHODS OF APPLICATION

Application Forms, Electronic Share Applications and Internet Share Applications.

14.3 PROCEDURES FOR APPLICATION

(a) Applications by the Malaysian Public via Balloting

Applications for the 9,400,000 Pecca Shares made available to the Malaysian Public must be made on the **White** Application Forms provided or by way of Electronic Share Application or Internet Share Application. A corporation or institution **cannot** apply for Pecca Shares by way of Electronic Share Application or Internet Share Application.

(b) Applications by Selected Investors

Selected investors being allocated the 53,526,000 Pecca Shares by way of private placement will be contacted directly by the Joint Placement Agents and are to follow the instructions as communicated by the Joint Placement Agents.

(c) Applications by Bumiputera Investors Approved by MITI

Bumiputera investors approved by MITI being allocated the 18,800,000 Pecca Shares by way of private placement will be contacted directly by the Joint Placement Agents and are to follow the instructions as communicated by the Joint Placement Agents.

(d) Applications by Eligible Directors, Employees and business associates of our Group

Application for the 9,400,000 Pecca Shares made available for eligible Directors, employees and business associates of our Group must be made on the **Pink** Application Forms provided and **not** on any other Application Form, or by way of Electronic Share Application or Internet Share Application

14.4 APPLICATIONS USING APPLICATION FORMS

Applications shall be made in connection with and subject to the terms of this Prospectus and the Memorandum and Articles of Association of our Company.

THE FOLLOWING RELEVANT APPLICATION FORMS ISSUED WITH THE NOTES AND INSTRUCTIONS PRINTED THEREIN ARE ENCLOSED WITH THIS PROSPECTUS AND ARE DEEMED TO FORM PART THEREOF:-

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

White Application Forms together with copies of this Prospectus may be obtained, subject to availability, from AmInvestment Bank, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and MIH.

Pink Application Forms together with copies of this Prospectus will be sent out to eligible Directors, employees and the business associates of our Group.

The submission of an Application Form does not necessarily mean that the application will be successful.

Directors and employees of MIH and their immediate families are **strictly** prohibited from applying for the IPO Shares.

Only one (1) Application Form from each applicant will be considered and applications must be for 100 ordinary shares or multiples thereof. **Multiple applications** will not be accepted. A person who submit multiple applications in his own name or by using the name of others, with or without their consent, commits an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1,000,000 and to a jail term of up to ten (10) years under Section 182 of the CMSA.

Persons submitting applications by way of Application Forms or Electronic Share Applications or Internet Share Applications must have a CDS account.

The amount payable in full upon application is RM1.42 per Pecca Share. Persons submitting applications by way of Application Forms may not submit applications by way of Electronic Share Applications or Internet Share Applications and vice versa. A corporation or institution cannot apply for Pecca Shares by way of Electronic Share Application or Internet Share Application.

IN THE CASE OF AN INDIVIDUAL APPLICANT OTHER THAN A MEMBER OF THE ARMED FORCES OR POLICE, THE NAME AND NATIONAL REGISTRATION IDENTITY CARD ("NRIC") NUMBER OF THE APPLICANT MUST BE EXACTLY THE SAME AS STATED IN:-

- (a) (i) THE APPLICANT'S NRIC;
 - (ii) ANY VALID TEMPORARY IDENTITY DOCUMENT AS ISSUED BY THE NATIONAL REGISTRATION DEPARTMENT FROM TIME TO TIME; OR
 - (iii) THE APPLICANT'S RESIT PENGENALAN SEMENTARA ("KPPK 09") ISSUED PURSUANT TO PERATURAN 5(5), PERATURAN-PERATURAN PENDAFTARAN NEGARA 1990; AND
- (b) THE RECORDS OF BURSA DEPOSITORY.

WHERE THE APPLICANT IS A MEMBER OF THE ARMED FORCES OR POLICE, THE NAME AND THE ARMED FORCES OR POLICE PERSONNEL NUMBER, AS THE CASE MAY BE, OF THE APPLICANT MUST BE EXACTLY THE SAME AS THAT STATED IN HIS/HER AUTHORITY CARD.

IN THE CASE OF A CORPORATE/ INSTITUTIONAL APPLICANT, THE NAME AND THE CERTIFICATE OF INCORPORATION NUMBER OF THE APPLICANT MUST BE EXACTLY THE SAME AS THAT STATED IN THE APPLICANT'S CERTIFICATE OF INCORPORATION.

No **acknowledgement** of the receipt of the Application Form or Application monies will be made by our Company and/or MIH.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**14.4.1 Terms and Conditions for Application Using the White and Pink Application Forms**

Applications by way of White and Pink Application Forms shall be made on, and subject to, the terms and conditions set out below:-

- (a) Applicant who is an individual must be a Malaysian citizen residing in Malaysia, with a CDS account and a Malaysian address (**White Application Forms only**).

Applicant who is an individual must have a correspondence address in Malaysia with CDS account (**Pink Application Forms only**).

- (b) Applicants which are corporations/ institutions incorporated in Malaysia and applying via **White Application Forms** must have a CDS account and be subject to the following:-

(i) If the corporation/ institution has a share capital, more than half of the issued share capital (excluding preference share capital) is held by Malaysian citizens; and

(ii) There is majority of Malaysian citizens on the board of directors/ trustee.

Applicants which are corporations/ institutions incorporated outside Malaysia and applying via **Pink Application Forms** must have a CDS account and provide a correspondence address in Malaysia.

For clarification, applicants which are corporations/ institutions incorporated outside Malaysia will not be allowed to apply for Pecca Shares via White Application Forms.

- (c) Applicant which is a superannuation, co-operative, foundation, provident or pension fund must be established or operating in Malaysia and has a CDS account.
- (d) Applications will not be accepted from trustees, any person under 18 years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations/ institutions referred to in Sections 14.5 (b) and (c) above or the trustees thereof.
- (e) Application for Pecca Shares must be made on the respective Application Forms issued together with this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and this Prospectus. In accordance with Section 232 of the CMSA, the Application Form together with the notes and instructions printed therein is accompanied by this Prospectus. Applications which **DO NOT STRICTLY** conform to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible will not be accepted.
- (f) EACH COMPLETED APPLICATION FORM MUST BE ACCOMPANIED BY REMITTANCE IN RINGGIT MALAYSIA FOR THE FULL AMOUNT PAYABLE BY EITHER:-
- BANKER'S DRAFT OR CASHIER'S ORDER PURCHASED WITHIN MALAYSIA ONLY AND DRAWN ON A BANK IN KUALA LUMPUR; OR
 - MONEY ORDER OR POSTAL ORDER (FOR APPLICANTS FROM SABAH AND SARAWAK ONLY); OR
 - GUARANTEED GIRO ORDER ("**GGO**") FROM BANK SIMPANAN NASIONAL MALAYSIA BERHAD;

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

AND MUST BE MADE OUT IN FAVOUR OF "MIH SHARE ISSUE ACCOUNT NO. 575" AND CROSSED "A/C PAYEE ONLY" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND ADDRESS OF THE APPLICANT.

APPLICATIONS ACCOMPANIED BY MODE OF PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES OR INAPPROPRIATE BANKER'S DRAFTS/ CASHIER'S ORDERS/ MONEY ORDERS OR POSTAL ORDER/ GGO WILL NOT BE ACCEPTED. DETAILS OF REMITTANCES MUST BE COMPLETED IN THE APPROPRIATE BOXES PROVIDED ON THE APPLICATION FORMS.

- (g) AN APPLICANT MUST STATE HIS CDS ACCOUNT NUMBER IN THE SPACE PROVIDED IN THE APPLICATION FORM AND HE SHALL BE DEEMED TO HAVE AUTHORISED BURSA DEPOSITORY TO DISCLOSE INFORMATION PERTAINING TO THE CDS ACCOUNT TO MIH/ COMPANY.
- (h) THE NAME AND ADDRESS OF THE APPLICANT MUST BE WRITTEN ON THE REVERSE SIDE OF THE BANKER'S DRAFT, CASHIER'S ORDER, MONEY ORDER OR POSTAL ORDER OR GGO FROM BANK SIMPANAN NASIONAL MALAYSIA BERHAD.
- (i) The Board reserves the right to require any successful applicant to appear in person at the registered office of MIH within fourteen (14) days of the date of the notice issued to him to ascertain the regularity or propriety of the Application. The Board shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by the successful applicant for the purpose of complying with this provision.
- (j) MIH, on the authority of the Board reserves the right to reject Applications which do not conform to these instructions or which are illegible or which are accompanied by remittances improperly drawn.
- (k) MIH, on the authority of the Board reserves the right not to accept any Application or accept any Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the shares to a reasonable number of applicants with a view to establishing an adequate market for the shares.
- (l) The applicant shall ensure that his/her personal particulars stated in the Application Form are identical with the records maintained by Bursa Depository. The applicant must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to his/her registered or correspondence address last maintained with Bursa Depository.
- (m) Each completed Application Form accompanied by the appropriate remittance and legible photocopy of the relevant documents must be despatched by **ORDINARY POST** in the official envelopes provided, to the following address:-

Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan

OR

P.O. Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, so as to arrive not later than 5.00 pm on 5 April 2016 or for such further period or periods as the Directors and Promoters of our Company together with the Joint Underwriters in their absolute discretion may mutually decide.

- (n) Directors and employees of MIH and their immediate families are strictly prohibited from applying for Pecca Shares.
- (o) **PLEASE DIRECT ALL ENQUIRIES IN RESPECT OF THE WHITE APPLICATION FORM TO MIH.**

14.5 APPLICATIONS USING ELECTRONIC SHARE APPLICATION**14.5.1 Steps for Electronic Share Application through a Participating Financial Institution's ATM**

- (a) Applicant must have an account with a Participating Financial Institution (as detailed in Section 14.5.2(o) below) and an ATM card issued by that Participating Financial Institution to access the account.
- (b) Applicant must have a CDS account.
- (c) Applicant is to apply for Pecca Shares, via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set out in Section 14.5.2 below under the Terms and Conditions for Electronic Share Application. Applicant is to enter at least the following information through the ATM where the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so:-
 - Personal Identification Number (PIN);
 - MIH Share Issue Account No.575;
 - CDS Account Number;
 - Number of Pecca Shares, applied for and/or the Ringgit Malaysia amount to be debited from the account; and
 - Confirmation of several mandatory statements.

14.5.2 Terms and Conditions for Electronic Share Application

The procedures for Electronic Share Application at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions (the "**Steps**"). For illustration purposes, the procedures for Electronic Share Application at ATMs are set out in "Steps for Electronic Share Application through a Participating Financial Institution's ATM" in Section 14.5.1 above. The Steps set out the actions that the applicant must take at the ATM to complete an Electronic Share Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Application set out below before making an Electronic Share Application.

Only an applicant who is an individual with a CDS Account is eligible to utilise the facility.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

The applicant must have an existing bank account with, and be an ATM cardholder of, one (1) of the Participating Financial Institutions before he can make an Electronic Share Application at an ATM of that Participating Financial Institutions. An ATM card issued by one (1) of the Participating Financial Institutions cannot be used to apply for shares at an ATM belonging to other Participating Financial Institutions. Upon completion of his Electronic Share Application transaction, the applicant will receive a computer-generated transaction slip (**Transaction Record**), confirming the details of his Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or MIH. The Transaction Record is for retention by the applicant and should not be submitted with any Application Form.

Upon the closing of the offer for the Application for Pecca Shares, on 5 April 2016, at 5.00 pm ("**Closing Date and Time**"), the Participating Financial Institution shall submit a magnetic tape containing its respective customers' applications for Pecca Shares to MIH as soon as practicable but not later than 12.00 pm of the second (2nd) business day after the Closing Date and Time.

An applicant will be allowed to make an Electronic Share Application for shares via an ATM that accepts the ATM cards of the Participating Financial Institution with which he has an account and its branches, subject to the applicant making only one (1) Application. An applicant who has a bank account with a Participating Financial Institution and has been issued an ATM card will be allowed to apply for shares via an ATM of that Participating Financial Institution which is situated in another country or place outside of Malaysia, subject to the applicant making only one (1) Application.

AN APPLICANT MUST ENSURE THAT HE USES HIS OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. AN APPLICANT OPERATING A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION MUST ENSURE THAT HE ENTERS HIS OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO HIM IN HIS OWN NAME. HIS APPLICATION WILL BE REJECTED IF HE FAILS TO COMPLY WITH THE FOREGOING.

The Electronic Share Application shall be made on, and subject to, the terms and conditions contained herein as well as the terms and conditions set out below:-

- (a) The Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and the Memorandum and Articles of Association of our Company.
- (b) The applicant is required to confirm the following statement (by depressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:-
 - The applicant has attained 18 years of age as at the Closing Date of the application for Pecca Shares;
 - The applicant is a Malaysian citizen residing in Malaysia;
 - The applicant has read the relevant Prospectus and understood and agreed with the terms and conditions of this Application;
 - This is the only Application that the applicant is submitting; and
 - The applicant hereby give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to him/her and his/her account with the Participating Financial Institution and Bursa Depository to MIH and other relevant authorities.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

The Application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless the applicant completes all the steps required by the Participating Financial Institution. By doing so, the applicant shall be treated as signifying his confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 133 of the Financial Services Act, 2013 and Section 45 of the Securities Industry (Central Depositories) Act, 1991 to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of the applicant's particulars to MIH, or any relevant regulatory bodies.

- (c) THE APPLICANT CONFIRMS THAT HE IS NOT APPLYING FOR PECCA SHARES AS NOMINEE OF ANY OTHER PERSONS AND THAT ANY ELECTRONIC SHARE APPLICATION THAT HE MAKES IS MADE BY HIM AS BENEFICIAL OWNER. THE APPLICANT SHALL ONLY MAKE ONE (1) ELECTRONIC SHARE APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR PECCA SHARES WHETHER AT THE ATMS OF ANY PARTICIPATING FINANCIAL INSTITUTION OR ON THE PRESCRIBED APPLICATION FORMS OR VIA INTERNET SHARE APPLICATION.
- (d) The applicant must have sufficient funds in his account with the relevant Participating Financial Institution at the time he makes his Electronic Share Application, failing which his Electronic Share Application will not be completed. Any Electronic Share Application which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made will be rejected.
- (e) The applicant agrees and undertakes to subscribe for or purchase and to accept the number of Pecca Shares applied for as stated on the Transaction Record or any lesser number of Pecca Shares that may be allotted or allocated to him in respect of his Electronic Share Application. In the event that our Company decides to allot or allocate any lesser number of Pecca Shares or not to allot or allocate any Pecca Shares to the applicant, the applicant agrees to accept any such decision as final. If the applicant's Electronic Share Application is successful, his confirmation (by his action of pressing the designated key or button on the ATM) of the number of Pecca Shares applied for shall signify, and shall be treated as, his acceptance of the number of Pecca Shares that may be allotted or allocated to him and to be bound by the Memorandum and Articles of Association of our Company.
- (f) MIH, on the authority of our Directors reserves the right to reject any Electronic Share Application or accept any Electronic Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the shares to a reasonable number of applicants with a view to establishing an adequate market for the shares.
- (g) The applicant requests and authorises our Company:-
 - (i) to credit the Pecca Shares allotted or allocated to the applicant into the CDS account of the applicant; and
 - (ii) to issue share certificate(s) representing such Pecca Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (h) The applicant, acknowledging that his Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond the control of our Company, MIH or the Participating Financial Institution, irrevocably agrees that if:-

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (i) our Company or MIH does not receive the applicant's Electronic Share Application; or
- (ii) data relating to the applicant's Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to our Company or MIH,

the applicant shall be deemed not to have made an Electronic Share Application and the applicant shall not claim whatsoever against our Company, MIH or the Participating Financial Institutions for the shares applied for or for any compensation, loss or damage.

- (i) All particulars of the applicant in the records of the relevant Participating Financial Institution at the time he makes his Electronic Share Application shall be deemed to be true and correct and our Company, MIH and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (j) The applicant shall ensure that his personal particulars as recorded by both Bursa Depository and relevant Participating Financial Institution are correct and identical. Otherwise, his Electronic Share Application is liable to be rejected. The applicant must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allotment or allocation will be sent to his registered or correspondence address last maintained with Bursa Depository.
- (k) By making and completing an Electronic Share Application, the applicant agrees that:-
 - (i) in consideration of our Company agreeing to allow and accept the making of any Application for shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, his Electronic Share Application is irrevocable;
 - (ii) our Company, the Participating Financial Institutions, Bursa Depository and MIH shall not be liable for any delays, failures or inaccuracies in the processing of data relating to his Electronic Share Application to our Company due to a breakdown or failure of transmission or communication facilities or to any cause beyond their control;
 - (iii) notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of the offer made by the applicant to subscribe for and purchase Pecca Shares for which the applicant's Electronic Share Application has been successfully completed shall be constituted by the issue of notices of successful allotment for prescribed securities, in respect of the said shares;
 - (iv) the applicant irrevocably authorises Bursa Depository to complete and sign on his behalf as transferee or renounee any instrument of transfer and/or other documents required for the issuance or transfer of the Pecca Shares allotted or allocated to the applicant; and
 - (v) our Company agrees that, in relation to any legal action or proceedings arising out of or in connection with the contract between the parties and/or the Electronic Share Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that our Company irrevocably submits to the jurisdiction of the Courts of Malaysia.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (l) The Board reserves the right to require any successful applicant to appear in person at the registered office of MIH at any time within fourteen (14) days of the date of the notice issued to him to ascertain the regularity or propriety of the Application. The Board shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by the successful applicant for the purpose of complying with this provision.
- (m) MIH, on the authority of the Board reserves the right to reject applications which do not conform to these instructions.
- (n) Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:-
 - (i) AFFIN BANK BERHAD; OR
 - (ii) AMBANK (M) BERHAD; OR
 - (iii) CIMB BANK BERHAD; OR
 - (iv) HSBC BANK MALAYSIA BERHAD; OR
 - (v) MALAYAN BANKING BERHAD; OR
 - (vi) PUBLIC BANK BERHAD; OR
 - (vii) RHB BANK BERHAD; OR
 - (viii) STANDARD CHARTERED BANK MALAYSIA BERHAD (at selected branches only)
- (o) The following surcharge for Electronic Share Application will be charged by the respective Participating Financial Institutions:-
 - (i) Affin Bank Berhad – No fee will be charged for application by their account holders;
 - (ii) AmBank (M) Berhad – RM1.00;
 - (iii) CIMB Bank Berhad – RM2.50;
 - (iv) HSBC Bank Malaysia Berhad – RM2.50;
 - (v) Malayan Banking Berhad – RM1.00;
 - (vi) Public Bank Berhad – RM2.00;
 - (vii) RHB Bank Berhad – RM2.50;
 - (viii) Standard Chartered Bank Malaysia Berhad (at selected branches only) – RM2.50,

14.6 APPLICATIONS USING INTERNET SHARE APPLICATION**14.6.1 Steps for Internet Share Application**

The exact steps for Internet Share Application in respect of Pecca Shares are as set out on the Internet financial services website of the Internet Participating Financial Institutions.

For illustration purposes only, the steps for an application for Pecca Shares via Internet Share Application may be as set out below. The steps set out the actions that the applicant must take at the Internet financial services website of the Internet Participating Financial Institution to complete an Internet Share Application.

PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.

- (a) Connect to the Internet financial services website of the Internet Participating Financial Institution with which the applicant has an account.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (b) Login to the Internet financial services facility by entering the applicant's user identification and PIN/ password.
- (c) Navigate to the section of the website on applications in respect of initial public offerings.
- (d) Select the counter in respect of Pecca Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.
- (e) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.
- (f) At the next screen, complete the online application form.
- (g) Check that the information contained in the online application form such as the share counter, NRIC number, CDS account number, number of Pecca Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.
- (h) By confirming such information, the applicant also undertakes that the following information given are true and correct:-
 - (i) The applicant has attained eighteen (18) years of age as at the Closing Date of the application for the IPO Shares;
 - (ii) The applicant is a Malaysian citizen residing in Malaysia;
 - (iii) The applicant has, prior to making the Internet Share Application, received and/or has had access to a printed/ electronic copy of this Prospectus, the contents of which the applicant has read and understood;
 - (iv) The applicant agrees to all the terms and conditions of the Internet Share Application as set out in this Prospectus and has carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO;
 - (v) The Internet Share Application is the only application that the applicant is submitting for Pecca Shares;
 - (vi) The applicant authorises the Authorised Financial Institution to deduct the full amount payable for Pecca Shares from the applicant's account with the Authorised Financial Institution;
 - (vii) The applicant gives express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 133 of the Financial Services Act, 2013 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to the applicant, the Internet Share Application made by the applicant or the applicant's account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;
 - (viii) The applicant is not applying for Pecca Shares as a nominee of any other person and the application is made in the applicant's own name, as beneficial owner and subject to the risks referred to in this Prospectus; and

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ix) The applicant authorises the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company or other relevant parties in connection with the IPO, all information relating to the applicant if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to the applicant furnished by the applicant to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services;
- (i) Upon submission of the online application form, the applicant will be linked to the website of the Authorised Financial Institution to effect the online payment of the application money for the IPO.
- (j) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment of the application money is being made.
- (k) Subsequent to the above, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.
- (l) The applicant is advised to print out the Confirmation Screen for reference and retention.

14.6.2 Terms And Conditions For Internet Share Application

APPLICANTS ARE ADVISED NOT TO APPLY FOR PECCA SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

Internet Share Applications may be made through the Internet financial services websites of the following Internet Participating Financial Institutions:-

- Affin Bank Berhad at www.affinOnline.com (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- Affin Hwang Investment Bank Berhad at trade.affinhwang.com (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- CIMB Investment Bank Berhad at www.eipocimb.com (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- CIMB Bank Berhad at www.cimbclicks.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- Malayan Banking Berhad at www.maybank2u.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- RHB Bank Berhad at www.rhbgroup.com (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- Public Bank Berhad at www.pbepbank.com (via hyperlink to Bursa Securities' website at www.bursamalaysia.com).

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

PLEASE READ THE TERMS OF THIS PROSPECTUS, THE TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN AND THE STEPS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

THE EXACT TERMS AND CONDITIONS AND ITS SEQUENCE FOR INTERNET SHARE APPLICATIONS IN RESPECT OF PECCA SHARES ARE AS SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING INSTITUTIONS.

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and shall be subject to the terms and conditions set out herein:-

(a) An applicant making an Internet Share Application shall:-

- (i) be an individual with a CDS Account registered in his/her name (and not in a nominee's name) and in the case of a joint account an individual CDS account registered in his/her name which is to be used for the purpose of the application if he/she is making the application instead of a CDS account registered in the joint account holder's name;
- (ii) have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. Applicant must have ready their user identification (User ID) and Personal Identification Numbers (PIN)/ password for the relevant Internet financial services facilities; and
- (iii) be a Malaysian citizen and have a mailing address in Malaysia.

Applicants are advised to note that a User ID and PIN/ password issued by one of the Internet Participating Financial Institutions cannot be used to apply for Pecca Shares at Internet financial service websites of other Internet Participating Financial Institutions.

(b) An Internet Share Application shall be made on and shall be subject to the terms of this prospectus and our Company's Memorandum and Articles of Association.

(c) The applicant is required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given are true and correct:-

- (i) The applicant has attained eighteen (18) years of age as at the date of the application for Pecca Shares;
- (ii) The applicant is a Malaysian citizen residing in Malaysia;
- (iii) The applicant has, prior to making the Internet Share Application, received and/or has had access to a printed/ electronic copy of this Prospectus, the contents of which the applicant has read and understood;
- (iv) The applicant agrees to all the terms and conditions of the Internet Share Application as set out in this Prospectus and has carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO;

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (v) The Internet Share Application is the only application that the applicant is submitting for Pecca Shares;
 - (vi) The applicant authorises the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for Pecca Shares from the applicant's account with the Internet Participating Financial Institution or the Authorised Financial Institution;
 - (vii) The applicant gives express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 134 of the Financial Services Act, 2013 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to the applicant, the Internet Share applicant made by the applicant or the applicant's account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;
 - (viii) The applicant is not applying for Pecca Shares as a nominee of any other person and the application is made in the applicant's own name, as beneficial owner and subject to the risks referred to in this Prospectus; and
 - (ix) The applicant authorises the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company or other relevant parties in connection with the IPO, all information relating to the applicant if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to the applicant furnished by the applicant to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.
- (d) The application will not be successfully completed and cannot be recorded as a completed application unless the applicant has completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of this Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that the Internet Share Application has been completed and states the details of the applicant's Internet Share Application, including the number of Pecca Shares applied for which can be printed out by the applicant for his records.

Upon the display of the Confirmation Screen, the applicant shall be deemed to have confirmed the truth of the statements set out in Section 14.6.2(c) herein.

- (e) The applicant must have sufficient funds in the applicant's account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the Internet Share Application, to cover and pay for Pecca Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in this Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made shall be rejected.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (f) The applicant irrevocably agrees and undertakes to subscribe for and to accept the number of Pecca Shares applied for as stated on the Confirmation Screen or any lesser number of Pecca Shares that may be allotted to the applicant in respect of the Internet Share Application. In the event that our Company decides to allot any lesser number of such Pecca Shares or not to allot any Pecca Shares to the applicant, the applicant agrees to accept any such decision of our Company as final.

In the course of completing the Internet Share Application on the website of the Internet Participating Financial Institution, the confirmation by the applicant of the number of Pecca Shares applied for (by way of the applicant's action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:-

- (i) acceptance by the applicant of the number of Pecca Shares that may be allotted or allocated to the applicant in the event that the applicant's Internet Share Application is successful or successful in part, as the case may be; and
- (ii) the applicant's agreement to be bound by the Memorandum and Articles of Association of our Company.
- (g) The applicant is fully aware that multiple or suspected multiple Internet Share Applications for Pecca Shares of our Company will be rejected. Our Company reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating Pecca Shares to a reasonable number of applicants with a view to establishing an adequate market for the shares.
- (h) Internet Share Applications will be closed at 5.00 pm on 5 April 2016 or for such further period or periods as the Directors, Promoters of our Company together with the Joint Underwriters in their absolute discretion may mutually decide. An Internet Share Application is deemed to be received only upon its completion, that is when the Confirmation Screen is displayed on the Internet financial services website. Applications are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Applications will not be accepted.
- (i) The applicant irrevocably agrees and acknowledges that the Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond the control of the Internet Participating Financial Institution, the Authorised Financial Institution and our Company. If, in any such event, our Company, MIH and/or the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive the applicant's Internet Share Application and/or the payment therefor, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever, the applicant shall be deemed not to have made an Internet Share Application and the applicant shall have no claim whatsoever against our Company, MIH or the Internet Participating Financial Institution and the Authorised Financial Institution in relation to Pecca Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.
- (j) All particulars of the applicant in the records of the relevant Internet Participating Financial Institution at the time of the Internet Share Application shall be deemed to be true and correct, and our Company, the Internet Participating Financial Institutions, MIH and all other persons who, are entitled or allowed under the law to such information or where the applicant expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

The applicant shall ensure that the personal particulars of the applicant as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical, otherwise the applicant's Internet Share Application is liable to be rejected. The notification letter on successful allotment will be sent to the applicant's address last registered with Bursa Depository. It is the responsibility of the applicant to notify the Internet Participating Financial Institution and Bursa Depository of any changes in the applicant's personal particulars that may occur from time to time.

- (k) By making and completing an Internet Share Application, the applicant is deemed to have agreed that:-
- (i) In consideration of our Company making available the Internet Share Application facility to the applicant, through the Internet Participating Financial Institution acting as agents of our Company, the Internet Share Application is irrevocable;
 - (ii) The applicant has irrevocably requested and authorised our Company to register Pecca Shares allotted to the applicant for deposit into the applicant's CDS Account;
 - (iii) Neither our Company nor the Internet Participating Financial Institution shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to the Internet Share Application to MIH or Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or to any cause beyond their control;
 - (iv) The applicant shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of the applicant's Internet Share Application by MIH, our Company and/or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by the applicant, or any other cause beyond the control of the Internet Participating Financial Institution;
 - (v) The acceptance of the offer made by the applicant to subscribe for Pecca Shares for which the applicant's Internet Share Application has been successfully completed shall be constituted by written notification in the form of the issue of a notice of allotment by or on behalf of our Company and not otherwise, notwithstanding the receipt of any payment by or on behalf of our Company;
 - (vi) The applicant is not entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of the applicant's Internet Share Application by our Company;
 - (vii) In making the Internet Share Application, the applicant has relied solely on the information contained in this Prospectus. Our Company, the Joint Underwriters, the Adviser and any other person involved in the IPO shall not be liable for any information not contained in this Prospectus which may have been relied on by the applicant in making the Internet Share Application; and
 - (viii) The acceptance of an applicant's Internet Share Application by our Company and the contract resulting therefrom under the IPO shall be governed by and construed in accordance with the laws of Malaysia, and the applicant irrevocably submits to the jurisdiction of the courts of Malaysia.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (l) The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:-
- (i) Affin Bank Berhad (www.affinOnline.com) – No fee will be charged for application by their account holders;
 - (ii) Affin Hwang Investment Bank Berhad (trade.affinhwang.com) - No fee will be charged for application by their account holders;
 - (iii) CIMB Investment Bank Berhad (www.eipocimb.com) - RM2.00 for payment via CIMB Bank Berhad or Malayan Banking Berhad;
 - (iv) CIMB Bank Berhad (www.cimbclicks.com.my) - RM2.00 for applicants with CDS accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS accounts with other ADAs;
 - (v) Malayan Banking Berhad (www.maybank2u.com.my) - RM1.00;
 - (vi) Public Bank Berhad (www.pbebank.com) – RM2.00; and
 - (vii) RHB Bank Berhad (www.rhbgroup.com) – RM2.50.

14.7 UNSUCCESSFUL/ PARTIALLY SUCCESSFUL APPLICATIONS

If an applicant is unsuccessful/ partially successful in his application, MIH will refund his application monies without interest in the following manner:-

(a) For applications by way of WHITE Application Form

- (i) The application monies or the balance of it, as the case may be, will be refunded to the applicant via the self-addressed and stamped Official "A" envelope they provided by ordinary post (for fully unsuccessful applications) or by crediting into his bank account for purposes of cash dividend/ distribution if he has provided such bank account information to Bursa Depository or by ordinary post/ registered post (for partially successful applications) within ten (10) Market Days from the date of the final ballot if he has not provided such bank account information to Bursa Depository.
- (ii) If an applicant's application was rejected because he did not provide a CDS account number, his application monies will be sent to the address stated in the NRIC or any valid temporary identity document issued by the National Registration Department or "Resit Pengenalan Sementara (KPPK 09)" from time to time at his own risk.
- (iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected or unsuccessful or only partly successful will be refunded without interest by MIH as per item (i) or (ii) above (as the case maybe).
- (iv) MIH reserves the right to bank in all application monies from unsuccessful applicants. These monies will be refunded by crediting into his bank account for purposes of cash dividend/ distribution if he has provided such bank account information to Bursa Depository or by ordinary post/ registered post to his last address maintained with Bursa Depository if he has not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be) within ten (10) Market Days from the date of the final ballot.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**(b) For applications by way of Electronic Share Application**

- (i) MIH shall inform the Participating Financial Institutions of the non-successful or partially successful application within two (2) Market Days after the balloting date. The application monies or the balance of it will be credited without interest into his account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from the MIH.
- (ii) An applicant may check his account on the fifth (5th) Market Day from the balloting date.
- (iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by MIH by crediting into his account with the Participating Financial Institution not later than ten (10) Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Participating Financial Institution will credit the application monies (or any part thereof) without interest within two (2) Market Days after the receipt of confirmation from MIH.

(c) For applications by way of Internet Share Application

- (i) MIH shall inform the Internet Participating Financial Institutions of the non-successful or partially successful application within two (2) Market Days after the balloting date. The Internet Participating Financial Institution will arrange with the Authorised Financial Institution to refund the application monies or the balance of it into his account without interest or other benefit arising therefrom with the Authorised Financial Institution within two (2) Market Days after receipt of confirmation from MIH.
- (ii) An applicant may check his account on the fifth (5th) Market Day from the balloting date.
- (iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by MIH by crediting into his account with the participating Financial Institution not later than ten (10) Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Internet Participating Financial Institution will credit the application monies (or any part thereof) without interest within two (2) Market Days after the receipt of confirmation from MIH.

14.8 APPLICATION AND ACCEPTANCE

MIH, on the authority of the Board reserves the right not to accept any Application which does not strictly comply with the instructions or to accept any Application in part only without assigning any reason therefor.

The submission of an Application does not necessarily mean that the Application will be successful.

ALL APPLICATIONS MUST BE FOR 100 PECCA SHARES OR MULTIPLES THEREOF.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

In the event of an over-subscription, acceptance of Applications shall be subject to ballot to be conducted in the manner approved by the Directors of our Company and on a fair and equitable basis. Due consideration will be given to the desirability of distributing Pecca Shares, to a reasonable number of applicants with a view to broadening the shareholding base and establishing an adequate market in the shares of our Company. Pursuant to the listing requirements of Bursa Securities, at least 25% of the enlarged issued and paid-up share capital of our Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each upon completion of the IPO and at the point of Listing. In the event that the above requirement is not met pursuant to the IPO, our Company may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all Applications will be returned without interest if the said permission for listing and quotation is not granted. Applicants will be selected in a manner to be determined by the Directors of our Company.

In the event of an under-subscription by the Directors, employees and business associates of our Group, such shares will be made available for Application by the Malaysian Public.

Directors and employees of MIH and their immediate families are strictly prohibited from applying for Pecca Shares.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCES HAVING BEEN PRESENTED FOR PAYMENT.

14.9 CDS ACCOUNTS

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the securities of our Company as Prescribed Securities. In consequence thereof, Pecca Share issued through this Prospectus will be deposited directly with Bursa Depository and any dealings in these shares will be carried out in accordance with Securities Industry (Central Depositories) Act, 1991 and Rules of Bursa Depository.

Following the above, in accordance with Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in Pecca Shares will be by book entries through CDS accounts. No share certificates will be issued to successful applicants.

Only an applicant who has a CDS account can make an Application by way of an Application Form. An applicant should state his CDS account number in the space provided on the Application Form and he/she shall be deemed to have authorised Bursa Depository to disclose information pertaining to the CDS account to MIH/ our Company. Where an applicant does not presently have a CDS account, he/she should open a CDS account at an ADA prior to making an Application for Pecca Shares.

In the case of an Application by way of Electronic Share Application, only an applicant who has a CDS Account can make an Electronic Share Application. The applicant shall furnish his CDS account number to the Participating Financial Institution by way of keying in his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application require him to do so.

In the case of an application by way of Internet Share Application, only an applicant who has a CDS Account can make an Internet Share Application. In certain cases, only an applicant who has a CDS account opened with the Internet Participating Financial Institution can make an Internet Share Application. Arising therewith, the applicant's CDS account number would automatically appear in the e-IPO online application form.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Failure to comply with these specific instructions or inaccuracy in the CDS account number, arising from use of invalid, third party or nominee accounts, may result in the Application being rejected. If a successful applicant fails to state his/her CDS account number, MIH on the authority of our Company will reject the Application. MIH on the authority of the Directors of our Company also reserves the right to reject any incomplete and inaccurate Application. Applications may also be rejected if the applicants' particulars provided in the Application Forms, or in the case of Electronic Share Application or Internet Share Application, if the records of the Participating Financial Institutions at the time of making the Electronic Share Application or Internet Share Application differ from those in Bursa Depository's records, such as the identity card number, name and nationality.

14.10 NOTICE OF ALLOTMENT

Pecca Shares allotted to all successful or partially successful applicants will be credited to their respective CDS accounts. A notice of allotment will be despatched to the successful or partially successful applicant at his address last maintained with Bursa Depository at the applicant's own risk prior to the Listing of our Company. For Electronic Share Application or Internet Share Application, the notice of allotment will be despatched to the successful or partially successful applicant at his address last maintained with Bursa Depository at the applicant's own risk prior to the Listing of our Company. This is the only acknowledgement of acceptance of the Application.

All applicants must inform Bursa Depository of his/her updated address promptly by adhering to certain rules and regulation of Bursa Depository, failing which, the notification letter on successful allotment shall be sent to the applicant's address last maintained with Bursa Depository.

Applicants may also check the status of their application by calling their respective ADAs at the telephone number as stated in Section 14.11 or by calling MIH at +603 7841 8289, between five (5) to ten (10) Market Days (during office hours only) after the balloting date.

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14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**14.11 LIST OF AUTHORISED DEPOSITORY AGENTS**

The list of the ADAs and their respective Broker codes are as follows:-

Name	Address and Telephone Number	Broker Code
KUALA LUMPUR		
AFFIN HWANG INVESTMENT BANK BERHAD	2 nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No : 03-7710 6688	068-009
AFFIN HWANG INVESTMENT BANK BERHAD	Ground, Mezzanine & 3 rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-2143 8668	068-018
AFFIN HWANG INVESTMENT BANK BERHAD	38A & 40A Jalan Midah 1 Taman Midah 56000 Cheras Kuala Lumpur Tel No : 03-9130 8803	068-021
ALLIANCE INVESTMENT BANK BERHAD	Level 17, Menara Multi Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03-2604 3333	076-001
AMINVESTMENT BANK BERHAD	15 th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2078 2788	086-001
BIMB SECURITIES SDN BHD	Level 32, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03-2691 8887	024-001
CIMB INVESTMENT BANK BERHAD	Level 17, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Tel No : 03-2261 8888	065-001
FA SECURITIES SDN BHD	A-10-17 & A-10-1 Level 10, Menara UOA Bangsar No.5, Jalan Bangsar Utama 1 59000 Kuala Lumpur Tel No: 03-2288 1676	021-002
HONG LEONG INVESTMENT BANK BERHAD	Level 7, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No : 03-2168 1168	066-001
HONG LEONG INVESTMENT BANK BERHAD (formerly known as MIMB Investment Bank Berhad)	Level 18, Menara Raja Laut 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No : 03-2691 0200	066-006
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No : 03-2117 1888	054-001

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
KUALA LUMPUR (Cont'd)		
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No : 03-7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD	No. 33-1 (First Floor) Jalan Radin Bagus Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03-9056 2921	054-007
JUPITER SECURITIES SDN BHD	Level 8 & 9, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2034 1888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11 th -14 th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-21710228	053-001
KENANGA INVESTMENT BANK BERHAD	Level 8, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-2164 9080	073-001
KENANGA INVESTMENT BANK BERHAD	M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No : 03-4297 8806	073-020
KENANGA INVESTMENT BANK BERHAD	1 st Floor West Wing ECM Libra Building 8 Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No : 03-2089 2888	073-021
KENANGA INVESTMENT BANK BERHAD	1 st Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-2178 1133	073-029
M & A SECURITIES SDN BHD	Level 1-3, No. 45 & 47 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel No : 03-2282 1820	057-002
M & A SECURITIES SDN BHD	22A-1 Jalan Kuchai Maju 1 Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur Tel No : 03-7983 9890	057-004
MALACCA SECURITIES SDN BHD	55-1, Jalan Metro Perdana Barat 1 Taman Usahawan Kepong 52100 Kuala Lumpur Tel No: 03-6241 8595	012-009
MALACCA SECURITIES SDN BHD	No 76-1, Jalan Wangsa Delima 6, Pusat Bandar Wangsa Maju (KLSC) Setapak, 53300, Kuala Lumpur Tel No : 03-4144 2565	012-012

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
KUALA LUMPUR (Cont'd)		
MAYBANK INVESTMENT BANK BERHAD	Level 5-13, Mayban Life Tower Dataran Maybank No.1 Jalan Maarof 59000 Kuala Lumpur Tel No : 03-2297 8888	098-001
MERCURY SECURITIES SDN BHD	L-7-2, No.2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Tel No : 03-6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	Level 9,10,11,12, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2173 8888	026-001
PM SECURITIES SDN BHD	Mezzanine & 1 st Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No : 03-2146 3000	064-001
PUBLIC INVESTMENT BANK BERHAD	27 th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-2268 3000	051-001
RHB INVESTMENT BANK BERHAD	Level 1, Tower 3 RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-9287 3888	087-001
RHB INVESTMENT BANK BERHAD	4 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No : 03-2333 8333	087-018
RHB INVESTMENT BANK BERHAD	No. 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No : 03-6257 5869	087-028
RHB INVESTMENT BANK BERHAD	No. 5 & 7 Jalan Pandan Indah 4/33 Pandan Indah 55100 Kuala Lumpur Tel No : 03-4280 4798	087-054
RHB INVESTMENT BANK BERHAD	Ground, 1 st , 2 nd & 3 rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03-9058 7222	087-058
TA SECURITIES HOLDINGS BERHAD	Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No : 03-2072 1277	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	N-1-3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No : 03-6205 6000	078-004

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
KUALA LUMPUR (Cont'd)		
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 19th Floor Menara Keck Seng 203, Jalan Bukit Bintang 55100 Kuala Lumpur Tel No : 03-2147 1888	078-010
SELANGOR DARUL EHSAN		
AFFIN HWANG INVESTMENT BANK BERHAD	16 th , 18 th -20 th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No : 03-5513 3288	068-002
AFFIN HWANG INVESTMENT BANK BERHAD	East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-5635 6688	068-010
AFFIN HWANG INVESTMENT BANK BERHAD	3 rd & 4 th Floor, Wisma Meru No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-3343 9999	068-019
AFFIN HWANG INVESTMENT BANK BERHAD	Lot 229, 2 nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7729 8016	068-020
AFFIN HWANG INVESTMENT BANK BERHAD	No. 79-1 & 79-2 Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No : 03-3322 1999	068-023
AMINVESTMENT BANK BERHAD	4 th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7710 6613	086-003
CIMB INVESTMENT BANK BERHAD	Level G & Level 1 Tropicana City Office Tower No. 3, Jalan SS 20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7717 3388	065-009
HONG LEONG INVESTMENT BANK BERHAD	Level 10, 1 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7724 6888	066-002
JF APEX SECURITIES BERHAD	6 th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No : 03-8736 1118	079-001

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
SELANGOR DARUL EHSAN (Cont'd)		
JF APEX SECURITIES BERHAD	16 th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7620 1118	079-002
JF APEX SECURITIES BERHAD	Block J-6-3A, Setia Walk PSN Wawasan Pusat Bandar Puchong 47160 Puchong Selangor Darul Ehsan Tel No : 03-5879 0163	079-004
JUPITER SECURITIES SDN BHD	No. 42-46, 3 rd Floor Jalan SS19/1D 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-5632 4838	055-004
KENANGA INVESTMENT BANK BERHAD	Ground – Fifth Floor East Wing, Quattro West No. 4, Lorong Persiaran Barat 46200 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7862 6200	073-005
KENANGA INVESTMENT BANK BERHAD	55C, 2 nd Floor Jalan USJ 10/1F 47610 Subang Jaya Selangor Darul Ehsan Tel No : 03-8024 1773	073-006
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2 nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7725 9095	073-016
KENANGA INVESTMENT BANK BERHAD	Level 1 East Wing Wisma Consplant 2 No. 7 Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-5621 2118	073-030
KENANGA INVESTMENT BANK BERHAD	35 (Ground & 1 st Floor) Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-3348 8080	073-035
MALACCA SECURITIES SDN BHD	No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-5636 1533	012-002
MALACCA SECURITIES SDN BHD	No. 58 & 60, 1 st Floor Jalan SS2/67 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7876 1533	012-003
MALACCA SECURITIES SDN BHD	No 39-2, Jalan Temenggung 21/9 Seksyen 9, Bandar Mahkota Cheras 43200 Cheras, Selangor Tel No : 03-9011 5913	012-011

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
SELANGOR DARUL EHSAN (Cont'd)		
MAYBANK INVESTMENT BANK BERHAD	Suite 8.02, Level 8, Menara Trend Intan Millennium Square No. 68, Jalan Batai Laut, Taman Intan 41300 Klang Selangor Darul Ehsan Tel No : 03-3050 8888	098-003
MAYBANK INVESTMENT BANK BERHAD	Wisma Bentley Music Level 1, No. 3, Jalan PJU 7/2 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7718 8888	098-004
PM SECURITIES SDN BHD	No. 157, Jalan Kenari 23A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-3341 5300	064-007
RHB INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7873 6366	087-011
RHB INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No : 03-8736 3378	087-045
RHB INVESTMENT BANK BERHAD	First Floor 10 & 11, Jalan Maxwell 48000 Rawang Selangor Darul Ehsan Tel No : 03-6092 8916	087-047
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-3343 9180	087-048
RHB INVESTMENT BANK BERHAD	11-1 & 11-2, Jalan PJU 5/12 Dataran Sunway Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan Tel No : 03-6148 3361	087-051
RHB INVESTMENT BANK BERHAD	Unit 1B , 2B & 3B Jalan USJ 10/1J 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-8022 1888	087-059

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
SELANGOR DARUL EHSAN (Cont'd)		
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22 40000 Shah Alam Selangor Darul Ehsan Tel No : 03-5192 0202	096-001
SJ SECURITIES SDN BHD	101B, Jalan SS15/5A 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-5631 7888	096-002
SJ SECURITIES SDN BHD	No. 47-2 Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No : 03-3322 1915	096-004
SJ SECURITIES SDN BHD	No. A-3-11 Block Alamanda 10 Boulevard Lebuhraya Sprint PJU 6A 47400 Petaling Jaya Selangor Darul Ehsan Tel No: 03-7732 3862	096-005
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-8025 1880	058-005
TA SECURITIES HOLDINGS BERHAD	2 nd Floor, Wisma TA No. 1A, Jalan SS20/1 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel no : 03-7729 5713	058-007
MELAKA		
CIMB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No : 06-2898 800	065-006
KENANGA INVESTMENT BANK BERHAD	71 (A&B) & 73 (A&B), Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2881 720	073-028
KENANGA INVESTMENT BANK BERHAD	22A & 22A-1 and 26 & 26-1 Jalan MP10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel No : 06-3372 550	073-034
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang 75250 Melaka Tel No : 06-3371 533	012-001

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
MELAKA (Cont'd)		
MERCURY SECURITIES SDN BHD	No.81, 81-A & 81-B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2921 898	093-003
PM SECURITIES SDN BHD	No 6-1, Jalan Lagenda 2 Taman 1 Lagenda 75400 Melaka Tel No : 06-2880 050	064-006
RHB INVESTMENT BANK BERHAD	No. 19, 21 & 23 Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2833 622	087-002
RHB INVESTMENT BANK BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No : 06-2825 211	087-026
TA SECURITIES HOLDINGS BERHAD	59, 59A, 59B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2862 618	058-008
UOB KAY HIAN SECURITIES (M) SDN BHD	7-2 Jalan PPM8 Malim Business Park 75250 Melaka Tel No: 06-3352 511	078-014
PERAK DARUL RIDZUAN		
AFFIN HWANG INVESTMENT BANK BERHAD	21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No : 05-8066 688	068-003
AFFIN HWANG INVESTMENT BANK BERHAD	2 nd & 3 rd Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2559 988	068-015
CIMB INVESTMENT BANK BERHAD	Ground, 1 st , 2 nd & 3 rd Floor No 8, 8A-8C, Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2088 688	065-010
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2530 888	066-003
KENANGA INVESTMENT BANK BERHAD	Ground, 1 st , 2 nd & 4 th Floor No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2422 828	073-022
KENANGA INVESTMENT BANK BERHAD	No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6222 828	073-026

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
PERAK DARUL RIDZUAN (Cont'd)		
KENANGA INVESTMENT BANK BERHAD	Ground Floor No.25 & 25A, Jalan Jaya 2 Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6939 828	073-031
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No : 05-2419 800	057-001
MALACCA SECURITIES SDN BHD	No 3, 1 st Floor Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 2541 533	012-013
MAYBANK INVESTMENT BANK BERHAD	B-G-04 (Ground Floor), Level 1 & 2 No. 42 Persiaran Greentown 1 Pusat Perdagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2453 400	098-002
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 17, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6236 498	087-014
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6921 228	087-016
RHB INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2415 100	087-023
RHB INVESTMENT BANK BERHAD	Ground Floor No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No : 05-8088 229	087-034
RHB INVESTMENT BANK BERHAD	72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No : 05-4651 261	087-044
RHB INVESTMENT BANK BERHAD	No 1 & 3, 1 st Floor Jalan Wawasan Satu Taman Wawasan Jaya 34200 Parit Buntar Perak Darul Ridzuan Tel No : 05-7170 888	087-052

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
PERAK DARUL RIDZUAN (Cont'd)		
TA SECURITIES HOLDINGS BERHAD	Ground, 1 st & 2 nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No : 05-2531 313	058-001
UOB KAY HIAN SECURITIES (M) SDN BHD	27-1, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6216 010	078-009
UOB KAY HIAN SECURITIES (M) SDN BHD	153A Jalan Raja Musa Aziz 30303 Ipoh Perak Darul Ridzuan Tel No: 05-2411 290	078-013
PULAU PINANG		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 2, 3, 4, 5, 7 & 8 Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No : 04-2636 996	068-001
AFFIN HWANG INVESTMENT BANK BERHAD	No. 2 & 4 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5372 882	068-006
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Bangunan Barkath 21, Lebuhr Pantai 10300 Georgetown Pulau Pinang Tel No : 04-2611 688	076-015
AMINVESTMENT BANK BERHAD	3 rd Floor, Menara Liang Court No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2261 818	086-004
CIMB INVESTMENT BANK BERHAD	Ground Floor Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2385 900	065-001
INTER-PACIFIC SECURITIES SDN BHD	Ground, Mezzanine & 8 th Floor Sentral Tower No. 3, Penang Street 10200 Pulau Pinang Tel No : 04-2690 888	054-002
JF APEX SECURITIES BERHAD	368-2-5 Jalan Burmah Belissa Row 10350 Pulau Tikus Pulau Pinang Tel No : 04-2289 118	079-005
JUPITER SECURITIES SDN BHD	20-1, Persiaran Bayan Indah Bayan Bay Sungai Nibong 11900 Bayan Lepas Penang Tel No : 04-6412 881	055-003

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
PULAU PINANG (Cont'd)		
KENANGA INVESTMENT BANK BERHAD	7 th , 8 th & 16 th Floor Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2283 355	073-023
M & A SECURITIES SDN BHD	332H-1 & 332G-2 Harmony Square Jalan Perak 11600 Georgetown Pulau Pinang Tel No : 04-2817 611	057-005
M & A SECURITIES SDN BHD	216, 216A, 218 and 218A Pengkalan Weld Lebuh Macallum 10300 Pulau Pinang Tel No : 04-2617 611	057-008
MALACCA SECURITIES SDN BHD	No 39-1, Jalan Lenggong Vantage Point 11600 Jelutong, Penang Tel No : 04-8981 525	012-004
MALACCA SECURITIES SDN BHD	48 Jalan Todak 2 13700 Seberang Jaya Pulau Pinang Tel No : 04-3905 669	012-006
MALACCA SECURITIES SDN BHD	No 17, 1 st Floor Persiaran Bayan Indah Taman Bayan Indah 11900 Bayan Lepas Pulau Pinang Tel No : 04-6421 533	012-007
MAYBANK INVESTMENT BANK BERHAD	Lot 1.02, 1 st Floor Bangunan KWSP Jalan Sultan Ahmad Shah 10050 Georgetown Pulau Pinang Tel No : 04-2196 888	098-006
MERCURY SECURITIES SDN BHD	Ground, 1 st , 2 nd & 3 rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai Pulau Pinang Tel No: 04-3322 123	093-001
MERCURY SECURITIES SDN BHD	2 nd Floor Standard Chartered Bank Chambers 2 Lebuh Pantai 10300 Pulau Pinang Tel No : 04-2639 118	093-004
MERCURY SECURITIES SDN BHD	D' Piazza Mall 70-1-22 Jalan Mahsuri 11900 Bandar Bayan Baru Penang Tel No : 04-6400 822	093-006
PM SECURITIES SDN BHD	Level 3, Wisma Wang 251-A, Jalan Burmah 10350 Pulau Pinang Tel No : 04-2273 000	064-004

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
PULAU PINANG (Cont'd)		
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Seberang Prai Pulau Pinang Tel No : 04-3900 022	087-005
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5402 888	087-015
RHB INVESTMENT BANK BERHAD	834, Ground & 1 st Floor 835, 1 st Floor Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Tel No : 04-5831 888	087-032
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No 15-G-5, 15-G-6, 15-1-5, 15-1-6, 15-2-5, 15-2-6 & 15-2-24 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No : 04-6404 888	087-042
RHB INVESTMENT BANK BERHAD	64 & 64-D Ground-3 rd Floor & 5 th -8 th Floor Lebuh Bishop 10200 Pulau Pinang Tel No : 04-2634 222	087-033
SJ SECURITIES SDN BHD	12 th Floor, Office Tower Hotel Royal Penang No 3, Jalan Larut 10050 Georgetown Pulau Pinang Tel No : 04-2289 836	096-003
TA SECURITIES HOLDING BERHAD	3 rd Floor, Bangunan Heng Guan No 171, Jalan Burmah 10050 Pulau Pinang Tel No : 04-2272 339	058-010
UOB KAY HIAN SECURITIES (M) SDN BHD	1 st Floor Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No : 04-2299 318	078-002
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1 st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5541 388	078-003
PERLIS INDRA KAYANGAN		
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangsar Perlis Indra Kayangan Tel No : 04-9793 888	087-060

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
KEDAH DARUL AMAN		
AFFIN HWANG INVESTMENT BANK BERHAD	No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-4256 666	068-011
ALLIANCE INVESTMENT BANK BERHAD	Lot T-30, 2 nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No : 04-7317 088	076-004
RHB INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-4204 888	087-017
RHB INVESTMENT BANK BERHAD	35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No : 04-4964 888	087-019
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor 214-A, 214-B, 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-7209 888	087-021
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 4, 5 & 5A, 1 st Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-7322 111	078-007
NEGERI SEMBILAN DARUL KHUSUS		
AFFIN HWANG INVESTMENT BANK BERHAD	Ground & 1 st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7612 288	068-007
AFFIN HWANG INVESTMENT BANK BERHAD	No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-4553 188	068-013
KENANGA INVESTMENT BANK BERHAD	1C & 1D, Ground & 1 st Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7655 998	073-033
MAYBANK INVESTMENT BANK BERHAD	Wisma HM No. 43, Jalan Dr Krishnan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7669 555	098-005
PM SECURITIES SDN BHD	Ground, 1 st -3 rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus	064-002

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
NEGERI SEMBILAN DARUL KHUSUS (Cont'd)		
	Tel No : 06-7623 131	
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor, No. 32 & 33 Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7641 641	087-024
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No : 06-6461 234	087-046
JOHOR DARUL TAKZIM		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2222 692	068-004
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1 st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No : 07-7717 922	076-006
AMINVESTMENT BANK BERHAD	18 th Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3343 855	086-006
AMINVESTMENT BANK BERHAD	3 rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4342 282	086-002
CIMB INVESTMENT BANK BERHAD	No 73, Ground Floor No 73A & 79A, First Floor Jalan Kuning Dua 80400 Johor Bahru Johor Darul Takzim Tel No: 07-3405 888	065-011
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2231 211	054-004
JUPITER SECURITIES SDN BHD	30-1 Jalan Molek 1/10 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3538 878	055-002
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3333 600	073-004
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07-9333 515	073-009

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
JOHOR DARUL TAKZIM (Cont'd)		
KENANGA INVESTMENT BANK BERHAD	No. 33 & 35 (A & B) Ground & 1 st Floor Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No : 07-7771 161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No : 06-9782 292	073-011
KENANGA INVESTMENT BANK BERHAD	24, 24A & 24B Jalan Penjaja 3 Kim Park Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4326 963	073-017
KENANGA INVESTMENT BANK BERHAD	Suite 16-02, 16-03 & 16-03A Level 16 Menara MSC Cyberport No. 5 Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No : 07-2237 423	073-019
KENANGA INVESTMENT BANK BERHAD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9531 222	073-024
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No : 07-4678 885	073-025
M & A SECURITIES SDN BHD	Suite 5.3A, Level 5 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3381 233	057-003
M & A SECURITIES SDN BHD	No. 27, 27A & 27B Jalan Molek 3/10, Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3551 988	057-007
MALACCA SECURITIES SDN BHD	74, Jalan Serampang Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3351 533	012-005
MALACCA SECURITIES SDN BHD	1735-B Jalan Sri Putri 4 Taman Putri Kulai 81000 Kulajaya Johor Darul Takzim Tel No : 07-6638 877	012-010
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3316 992	093-005

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
JOHOR DARUL TAKZIM (Cont'd)		
PM SECURITIES SDN BHD	Ground & 1 st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4333 608	064-008
RHB INVESTMENT BANK BERHAD	6 th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No : 07-2788 821	087-006
RHB INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4380 288	087-009
RHB INVESTMENT BANK BERHAD	No. 33-1, 1 st & 2 nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9538 262	087-025
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor, No.119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No : 07-5577 628	087-029
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No : 07-9321 543	087-030
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 40 Jalan Haji Manan 86000 Kluang Johor Darul Takzim Tel No : 07-7769 655	087-031
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No : 07-6626 288	087-035
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No : 06-9787 180	087-038
RHB INVESTMENT BANK BERHAD	No. 2, 1 st Floor, Jalan Makmur Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No : 07-9256 881	087-039
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor Nos. 21 & 23 Jalan Molek 1/30 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3522 293	087-043

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
JOHOR DARUL TAKZIM (Cont'd)		
TA SECURITIES HOLDINGS BERHAD	7A, Jalan Genuang Perdana Taman Genuang Perdana 85000 Segamat Johor Darul Takzim Tel No : 07-9435 278	058-009
UOB KAY HIAN SECURITIES (M) SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3332 000	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No : 07-6635 651	078-005
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 70, Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3513 218	078-006
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 171 Ground Floor Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No : 07-5121 633	078-008
PAHANG DARUL MAKMUR		
ALLIANCE INVESTMENT BANK BERHAD	Ground, Mezzanine & 1 st Floor B-400, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No : 09-5660 800	076-002
CIMB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. A-27 Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel No : 09-5057 800	065-007
JUPITER SECURITIES SDN BHD	2 nd Floor, Lot No. 25 Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel No : 09-2234 136	055-005
KENANGA INVESTMENT BANK BERHAD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2 Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel No : 09-5171 698	073-027
MALACCA SECURITIES SDN BHD	P11-3, Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel No : 09-2220 993	012-008
RHB INVESTMENT BANK BERHAD	B32 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No : 09-5173 811	087-007

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
PAHANG DARUL MAKMUR (Cont'd)		
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No : 09-2234 943	087-022
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No : 05-4914 913	087-041
KELANTAN DARUL NAIM		
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No : 09-7430 077	087-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09-7432 288	058-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1 st Floor Lot 712, Sek 9, PT 62 Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09-7473 906	078-015
TERENGGANU DARUL IMAN		
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Wisma Kam Choon 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6317 922	076-009
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1 st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6238 128	021-001
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No : 09-8583 109	087-027
RHB INVESTMENT BANK BERHAD	1st Floor 59, Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6261 816	087-055
UOB KAY HIAN SECURITIES (M) SDN BHD	37-B. 1 st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Tel No : 09-6224 766	078-016

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
SARAWAK		
AFFIN HWANG INVESTMENT BANK BERHAD	Ground Floor & 1 st Floor No. 1, Jalan Pending 93450 Kuching Sarawak Tel No : 082-341 999	068-005
AFFIN HWANG INVESTMENT BANK BERHAD	No. 282, 1 st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-330 008	068-016
AMINVESTMENT BANK BERHAD	No. 164, 166 & 168 1 st Floor, Jalan Abell 93100 Kuching Sarawak Tel No : 082-244 791	086-001
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No : 082-358606	065-001
CIMB INVESTMENT BANK BERHAD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibu Sarawak Tel No : 084-367 700	065-001
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No : 085-435 577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 2-4, Wisma Mahmud Jalan Sungai Sarawak 93400 Kuching Sarawak Tel No : 082-338 000	073-003
KENANGA INVESTMENT BANK BERHAD	No. 11-12, Ground & 1 st Floor Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No : 084-313 855	073-012
KENANGA INVESTMENT BANK BERHAD	Ground Floor of Survey Lot No. 4203 Parkcity Commerce Square Phase 6, Jalan Diwarta 97000 Bintulu Sarawak Tel No : 086-337 588	073-018
KENANGA INVESTMENT BANK BERHAD	Suites 9 & 10, 3 rd Floor, Yung Kong Abell Lot 365, Abell Road 93100 Kuching Sarawak Tel No : 082-248 877	073-036
MERCURY SECURITIES SDN BHD	1 st Floor 16, Jalan Getah 96100 Sarikei Sarawak Tel No : 084-659 019	093-007

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
SARAWAK (Cont'd)		
RHB INVESTMENT BANK BERHAD	Yung Kong Abell Units No. 1-10, 2 nd Floor Lot 365, Section 50 Jalan Abell 93100 Kuching Sarawak Tel : 082- 250 888	087-008
RHB INVESTMENT BANK BERHAD	2 nd Floor, Lot 1268 & Lot 1269 Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No : 085-422 788	087-012
RHB INVESTMENT BANK BERHAD	No. 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel No : 084-329 100	087-013
RHB INVESTMENT BANK BERHAD	Ground Floor & 1 st Floor No. 221, Park City Commerce Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-311 770	087-053
TA SECURITIES HOLDINGS BERHAD	12G, H & I Jalan Kampong Datu 96000 Sibu Sarawak Tel No : 084-319 998	058-002
TA SECURITIES HOLDINGS BERHAD	2 nd Floor, Bangunan Binamas Lot 138, Section 54 Jalan Padungan 93100 Kuching Sarawak Tel No : 082-236 333	058-006
SABAH		
AFFIN HWANG INVESTMENT BANK BERHAD	Suite 1-9-E1 CPS Tower, Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No : 088-311 688	068-008
CIMB INVESTMENT BANK BERHAD	1 st & 2 nd Floor Central Building No. 28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No : 088-328 878	065-001
KENANGA INVESTMENT BANK BERHAD	Level 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088-236 188	073-032
RHB INVESTMENT BANK BERHAD	2 nd Floor 81 & 83 Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088-269 788	087-010

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	Broker Code
SABAH (Cont'd)		
RHB INVESTMENT BANK BERHAD	Lot 14-0, Ground Floor Lorong Lintas Plaza 2 Lintas Plaza, Off Jalan Lintas 88300 Kota Kinabalu Sabah Tel No : 088-258 618	087-036
RHB INVESTMENT BANK BERHAD	Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Tel No : 089-229 286	087-057
UOB KAY HIAN SECURITIES (M) SDN BHD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No : 088-234 090	078-011
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 177 & 178, Ground Floor Block 17, Phase 2, Prima Square Mile 4, North Road 90000 Sandakan Sabah Tel No: 089-218 681	078-012

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