

20 November 2024

**Minority Shareholders Watch Group (“MSWG”)
(Badan Pengawas Pemegang Saham Minoriti Berhad)**
Level 23, Unit 23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

Attention: Mr. Jackson Tan (Manager, Corporate Monitoring)

Dear Sir,

Re: 14th Annual General Meeting (“AGM”) of Pecca Group Berhad (“PECCA”, the “Group” or the “Company”) to be held on Thursday, 21 November 2024

With reference to your letter dated 15 November 2024, which was received by the Group on the same date, please find below our responses to your questions:

OPERATIONAL & FINANCIAL MATTERS

1. The Group is making significant investments to expand its production capacity. It continues to make progress on its second plant at the UMW High Value Manufacturing Park in Serendah, Selangor. (page 57 of AR2024)
 - (a) Please provide the latest update on the second plant.
 - The Group has obtained planning permission (Kebenaran Merancang) from Majlis Perbandaran Hulu Selangor in October 2024. However, we are reviewing the timeline and overall plan for the plant to ensure optimal alignment with our operational and technological requirements, as part of our 4 Key Pillars growth strategy.
 - (b) As mentioned during last year’s AGM, the Group had expected the second plant to be completed by Q2 2025 and to start operations in the middle of 2025. Are there any changes to these timelines?
 - The timeline for the Group’s second plant is under review to ensure optimal alignment with our operational and technological requirements, as part of our 4 Key Pillars growth strategy.
 - The Group is progressing with the plant’s planning and will provide updates in due course. This reflects our reassessment of capacity needs, considering our expanded strategy and opportunities.
 - The Group’s manufacturing plants in Malaysia and Indonesia have been optimized over the years, providing ample capacity to meet current demand while we plan our future expansion.

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- (c) How much has the Group invested in the second plant so far? What is the remaining capital investment for this plant?
- To date, the Group has invested approximately RM500,000 in our second plant in Serendah for initial planning stage.
 - The remaining capital investment is estimated to be in the range of RM45 million, subject to change based on the ongoing reassessment of our plans and final quotations for construction, machinery, and other related expenses.
2. The healthcare segment recorded impairment losses and inventories write-off totaling RM1.64 million in FY2024. This came after it registered an impairment loss and inventory write-down totaling RM2.75 million a year ago.
- (a) How did the healthcare segment perform in FY2024, in terms of revenue and profit/loss?
- The healthcare segment recorded revenue of RM2.45 million in FY2024. Despite market shifts as the pandemic transitioned into an endemic phase, the segment maintained a gross profit margin of approximately 14% before impairment and inventory write-offs. Taking all factors into account, this resulted in a net loss of RM1.30 million. We are actively adapting to the evolving market dynamics in this segment.
- (b) What are the Group's plans for this segment going forward?
- The Group's healthcare segment was essential during the pandemic, serving many Malaysians. We will continue to operate our healthcare business and closely monitor market demand. The segment is prepared to respond to future disease outbreaks or other healthcare needs.
- (c) Are there any plans to divest or discontinue the non-core healthcare business? If not, does the Group have a clear roadmap to return to profitability?
- There are no plans to divest or discontinue the non-core healthcare business. The Group is working towards improving operational efficiency, adapting to market conditions, and enhancing product quality to meet customer needs.



CORPORATE GOVERNANCE MATTERS

3. Practice 1.4 of the Malaysian Code of Corporate Governance (MCCG) stipulates that the Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee.

PECCA's response: Departure. The Chairman of the Board, Dato' Mohamed Suffian Bin Awang is also the Chairman of the Nomination Committee and Member of Audit and Risk Management Committee and Remuneration Committee of the Company.

MSWG's comments: Guidance G1.4 states that having the same person assume the positions of Chairman of the board, and Chairman of the AC, NC or RC gives rise to the risk of self-review and may impair the objectivity of the Chairman and the board when deliberating on the observations and recommendations put forth by the board committees. Thus, the Chairman of the board should not be involved in these committees to ensure there is check and balance as well as objective review by the board.

Does the Company intend to apply Practice 1.4 to further enhance the independence and objectivity of the board committee, and if yes, by when?

- The Board acknowledges Practice 1.4 of the MCCG and is committed to further enhancing the independence and objectivity of its board committees, and will aim to comply in future.
 - While the Chairman currently serves on certain committees, he exercises independent judgment and is not involved in managerial or operational matters.
4. Practice Practice 5.3 of the MCCG stipulates that an independent director's tenure should not exceed a cumulative term limit of nine years. If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval through a two-tier voting process.

Dato' Mohamed Suffian Bin Awang and Datuk Leong Kam Weng had served on the Board as Independent Director for a cumulative term of more than nine (9) years.

As their tenure has now exceeded nine years, what is the Company's plan for identifying replacements?

- Dato' Mohamed Suffian Bin Awang and Datuk Leong Kam Weng's independence have been rigorously assessed and remain unaffected. The Board supports seeking shareholders' approval through a two-tier voting process at the forthcoming AGM.
- Simultaneously, the Group will continue to identify and develop potential candidates to ensure a smooth transition when needed.



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5. Practice Practice 5.9 of the MCCG stipulates that the Board should comprise at least 30% women directors.

PECCA's response: Departure. Currently, the Board comprises two female Non-Independent Executive Directors which accounts for 29% representation of women on the Board. The Board supports the country's aspirational target of 30% representation of women directors in line with Practice 5.9 of MCCG and will consider a diverse range of candidates including female representation in future recruitment and selection processes. (page 28 of CG Report 2024)

MSWG comments: What specific actions has the Board taken or intends to take to increase the representation of women on the Board to adopt Practice 5.9 within a reasonable timeframe?

- The Board supports Malaysia's aspirational target of achieving 30% representation of women directors, in alignment with Practice 5.9 of the MCCG. The Board is committed to considering a diverse pool of candidates, including women, in its recruitment and selection processes.

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SUSTAINABILITY MATTERS

6. The Group has completed the installation of a solar PV system on the rooftop of its manufacturing facility in FY2022. The solar PV system commenced electricity generation in January 2022, which helped meet part of the electricity requirement of its manufacturing facility and generate cost savings for the Group in the form of electricity bill reduction. (page 101 of AR 2024)
- (a) How much has the Group invested in the solar PV system?
- The Group has invested approximately RM1 million for the solar PV system.
- (b) How much annual cost savings has PECCA generated on electricity bill?
- The annual cost savings from utilizing the solar PV system is approximately 35%.
- (c) What percentage of the Group's manufacturing facility's total electricity consumption is being met by the solar PV system?
- Approximately 10% of the Group's total electricity consumption for its manufacturing facility is met by the solar PV system.
- (d) Are there plans to expand the solar PV system or invest in additional renewable energy solutions in the coming years?
- The Group is exploring the possibility of expanding its solar PV system and implementing other renewable energy solutions in support of national and global initiatives, including Malaysia's New Industrial Master Plan 2030 - Mission 3: Push for Net Zero, as well as The Paris Agreement.

Yours sincerely,

Foo Ken Nee
Chief Executive Officer

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