



9 January 2025

Reference: MSWG-CM-04-01/25
By Email

The Board of Directors
POH KONG HOLDINGS BERHAD
Unit 07-02, Level 7 Persoft Tower
6B Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya
Selangor Darul Ehsan

Attention: **Mr Ng Yim Kong**
Company Secretary

Dear Directors,

**ANNUAL GENERAL MEETING ("AGM") OF POH KONG HOLDINGS BERHAD ("THE
"COMPANY") TO BE HELD ON WEDNESDAY, 15 JANUARY 2025**

We acknowledge that the Group has been performing very well, recording increasing revenue annually for the last five (5) financial years and increasing trend in profit after tax. Revenue increased by 11.6% to RM1,641.9 million in FYE2024 from RM1,470.6 million in FYE2023 while profit after tax rose sharply by 49.1% to RM116.9 million from RM78.4 million.

Nonetheless, in consideration of the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following questions: -

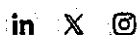
A. OPERATIONAL AND FINANCIAL MATTERS

1. Poh Kong is renowned for its wide range of jewellery products across various price points. Some are manufactured at its Shah Alam plant while the rest are sourced from approved external suppliers. (Source: Page 51 of the Annual Report (AR) 2024)

Approximately what percentage of the Group's jewellery products is manufactured at its Shah Alam plant? Do these jewellery products command much higher margins than those sourced from approved external suppliers? Does the Group have any plans to significantly increase the capacity of its own manufactured jewellery products and the percentage of its total jewellery products?

Minority Shareholders Watch Group
Badan Pengawas Pemegang Saham Minoriti Berhad (20-0001022382)

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2. As at 31 July 2024, Poh Kong has outlets in most of the states in West Malaysia except Perlis and Terengganu as well as in East Malaysia. (Source: Page 53 of the AR2024)

(a) Why are there no outlets in Perlis, Terengganu and East Malaysia? Are there any plans to open outlets there?

(b) How many new outlets does the Group plan to open in FYE2025 and FYE2026? How much additional annual revenue is expected from those newly targeted outlets?

3. Poh Kong's online shop experienced remarkable growth, with a sales increase of 191%. By offering convenient access to a diverse range of exquisite jewellery and exceptional shopping experiences, Poh Kong has effectively met the demands of today's digital-savvy consumers, reinforcing its prominence in the online marketplace. (Source: Page 55 of the AR2024)

An increase in online sales by 191% is remarkable, especially for jewellery products. Is the Group expected to repeat such an increase or even surpass it in FYE2025? What is the percentage of online sales out of total Group sales for FYE2024 and is the percentage expected to increase in FYE2025?

4. In FYE2024, Poh Kong's cumulative revenue rose 11.6% to RM1.64 billion from RM1.47 billion in the previous year. The Group closed the financial year with record annual earnings of RM116.9 million, up over 49% from RM78.4 million in the previous year. (Source: Page 56 of the AR2024)

Is the revenue growth due to both higher consumption and increased gold prices? If so, what percentage of the increase is attributed to each factor? Does the Group expect the excellent performance in FYE2024 to be sustainable in FYE2025, or is the Group anticipating even better results?

5. The Ringgit depreciation against USD in the past year had a significant impact on the gold price in Ringgit terms. This is because purchases of raw materials such as gold bars, diamonds and loose stones are transacted in USD. The Group has mitigated this with financial instruments in place to reduce the impact of foreign exchange fluctuations on its margins. (Source: Page 62 of the AR2024)

(a) What are the primary currencies used for the Group's cost of sales and revenue, along with a percentage breakdown for each currency?

(b) Please explain the types of financial instruments used to mitigate the impact of foreign exchange fluctuations on the margins. Also, please describe how these instruments are used and to what extent they mitigate the impact of foreign exchange on margins.

6. In the year ahead, the Group anticipates gold's bull trend will persist into 2025. Despite factors such as inflation and currency fluctuations, the Group believes that strong central bank buying, consumer spending and safe haven inflows amid global geopolitical uncertainties will continue to fuel demand for both jewellery and gold investment products. (Source: Page 65 of the AR2024)

Considering that the bullish trend is expected to persist into 2025, how prepared and what measures is the Group strategising to benefit from another sterling performance?

7. Poh Kong ventured into new creative territory by acquiring the intellectual property (IP) of Yuurei Neko Sama, an imaginative creation by local artist Michael Chuah. (Source: Page 17 of the AR2024)

The collaboration with Michael Chuah to bring Yuurei Neko Sama to life in gold designs was recently launched around 11 November 2024. How has the market responded so far? How is this IP acquisition expected to impact the Group's profitability? Are there specific financial or market growth targets associated with this collaboration?

B. SUSTAINABILITY MATTERS

1. The Group ensures that its gold, precious stones and other precious materials are ethically sourced, and it prioritizes the use of recycled metals and works with suppliers who implement ethical production practices. It offers trade-in services to its customers for their gold. The traded in items will then undergo a refining process in its production hub, and subsequently converted into raw material for production. (Source: Page 87 of the AR2024)

(a) What measures are taken to ensure its gold, precious stones and other precious materials are ethically sourced from responsible suppliers?

(b) To what extent are traded-in items used for the refining process in the production hub?

2. Poh Kong continuously invests in energy-efficient processes & activities across its operations, including in its manufacturing facilities, with a goal to reduce greenhouse gas emissions. The Group adopts energy-efficient processes in its manufacturing facilities to reduce energy consumption. It is exploring the utilisation of renewable energy sources, like solar power for its manufacturing plants, which will further reduce their carbon footprint. (Source: Page 88 of the AR2024)

What are the major energy-efficient and renewable energy sources used by the Group? Has the Group installed any solar panel for the manufacturing plants yet? If not, what are the challenges to implement the solar power for the manufacturing plants?

C. CORPORATE GOVERNANCE MATTERS

1. **Practice 4.3** of Malaysian Code on Corporate Governance 2024

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Company's response:

Applied. The Company includes a review of the performance of the Board, Senior Management and the Management Team, in addressing the Company's sustainability risks and opportunities, during its annual performance evaluation exercise. (Source: Page 21 of the Corporate Governance Report (CGR) 2024)

MSWG comments:

What KPIs and targets were adopted and the achievements made in addressing the company's material sustainability risks and opportunities?

2. **Practice 5.2** of Malaysian Code on Corporate Governance 2024

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Company's response:

Departure. The current shareholding structure of the Company is that 58.29% of its equity is held directly by Poh Kong Sdn. Bhd. The Board is, therefore, of the view that to fully leverage on the expertise and experience of the owner-directors, it is in the best interest of the Board that the board composition is a fair and reasonable representation of the major shareholder's interest. (Source: Page 24 of the CGR2024)

MSWG comments:

There is no strong and compelling reason that the Board composition must reflect and truly represent the major shareholder's interest. The Board must have a strong representation of independent directors who safeguard the interests of all stakeholders. When will the Board prioritise increasing the representation of independent directors?

We look forward to your reply. Additionally, please present the questions raised and the related answers to the shareholders present at the forthcoming AGM.

Thank you.

Yours sincerely



MINORITY SHAREHOLDERS WATCH GROUP

Our Ref: PK/C/PKHB/002/25

15 January 2025

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

23-2, Menara AIA Sentral,

No. 30, Jalan Sultan Ismail,

50250 Kuala Lumpur.

Dear Sirs,

Re: 22nd Annual General Meeting (“AGM”) of Poh Kong Holdings Berhad (“POHKONG” or “the Company”) to be held on Wednesday, 15 January 2025

With reference to your letter dated 9 January 2025, we are pleased to answer the points that you had raised in the interest of minority shareholders and all other stakeholders of the Group.

Operational & Financial Matters

1. Poh Kong is renowned for its wide range of jewellery products across various price points. Some are manufactured at its Shah Alam plant while the rest are sourced from approved external suppliers. (Source: Page 51 of the Annual Report (AR) 2024)

Approximately what percentage of the Group’s jewellery products is manufactured at its Shah Alam plant? Do these jewellery products command much higher margins than those sourced from approved external suppliers? Does the Group have any plans to significantly increase the capacity of its own manufactured jewellery products and the percentage of its total jewellery products?

PKHB’s reply:

Significantly contributing to our overall product strategy, our exclusive gold jewellery housebrands namely Tranz, Happy Love, Auspicious, Anggun and other selected collections are manufactured in our Shah Alam Manufacturing plants, with stringent quality control and fine craftsmanship. We continue to grow our house brands year on year and launch new collections every year based on market demand.

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There are several advantages for products manufactured by our plant in Shah Alam, ie. better control over product quality and production timeline to meet market demand, stringent quality control and exquisite jewellery designs with high quality craftsmanship exclusively distributed to Poh Kong Group of retail outlets only.

Plans to increase production capacity to meet market demand has always been our top priority and we are continuously looking at ways to improve production techniques and ultimately enhance production efficiency.

2. As at 31 July 2024, Poh Kong has outlets in most of the states in West Malaysia except Perlis and Terengganu as well as in East Malaysia. (Source: Page 53 of the AR2024)

(a) Why are there no outlets in Perlis, Terengganu and East Malaysia? Are there any plans to open outlets there?

PKHB's reply:

Review of expansion plans has always been an on-going process, from urban to sub-urban locations aiming at generating growth and revenue to the Group as well as providing accessibility and convenience to our customers. The Board assess and evaluate all business opportunities to maximise shareholders' value. Currently, we do not have any presence in states such as Perlis, Terengganu and East Malaysia. However we continuously study market potential of these areas for future growth.

(b) How many new outlets does the Group plan to open in FYE2025 and FYE2026? How much additional annual revenue is expected from those newly targeted outlets?

PKHB's reply:

In FYE2025, we had just opened a new outlet and relocated an existing outlet in December 2024. We have been prudent in our expansion plans. Our plan is to open 1 to 2 outlets annually. The revenue contribution from the newly opened outlets is highly dependent on location and the initial contribution is usually insignificant.

3. Poh Kong's online shop experienced remarkable growth, with a sales increase of 191%. By offering convenient access to a diverse range of exquisite jewellery and exceptional shopping experiences, Poh Kong has effectively met the demands of today's digital-savvy consumers, reinforcing its prominence in the online marketplace. (Source: Page 55 of the AR2024)

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An increase in online sales by 191% is remarkable, especially for jewellery products. Is the Group expected to repeat such an increase or even surpass it in FYE2025? What is the percentage of online sales out of total Group sales for FYE2024 and is the percentage expected to increase in FYE2025?

PKHB's reply:

The E-commerce channel has a significant sales and profit contribution to our group.

We had expanded our e-commerce operation last year, and are currently stabilising and improving the efficiencies of processes and systems. It is expected to maintain the current sales performance for 2025, while continuing to study growth opportunities for this channel for the years to come.

4. In FYE2024, Poh Kong's cumulative revenue rose 11.6% to RM1.64 billion from RM1.47 billion in the previous year. The Group closed the financial year with record annual earnings of RM116.9 million, up over 49% from RM78.4 million in the previous year. (Source: Page 56 of the AR2024)

Is the revenue growth due to both higher consumption and increased gold prices? If so, what percentage of the increase is attributed to each factor? Does the Group expect the excellent performance in FYE2024 to be sustainable in FYE2025, or is the Group anticipating even better results?

PKHB's reply:

The revenue growth was mainly due to the increased gold price in FYE2024 as well as stronger and more dynamic trade activities translating into a greater demand for gold and gold products.

In the year ahead, we anticipate gold's bull trend will persist into 2025. Despite factors such as inflation and currency fluctuations, we believe that strong central bank buying, consumer spending and safe haven inflows amid global geopolitical uncertainties will continue to fuel demand for both jewellery and gold investment products.

Poh Kong is targeting continued growth and profitability by leveraging our strengths and capabilities, exercising cost discipline and mitigating business risks. Hence, we anticipate sustainable performance in year 2025.

5. The Ringgit depreciation against USD in the past year had a significant impact on the gold price in Ringgit terms. This is because purchases of raw materials such as gold bars, diamonds and loose stones are transacted in USD. The Group has mitigated this with financial instruments in place to reduce the impact of foreign exchange fluctuations on its margins. (Source: Page 62 of the AR2024)

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(a) What are the primary currencies used for the Group's cost of sales and revenue, along with a percentage breakdown for each currency?

PKHB's reply:

The Group's revenue is transacted in Ringgit Malaysia. Purchases of raw materials such as gold bars is transacted primarily in Ringgit Malaysia, while the purchase of raw materials such as diamonds and loose gems stones are transacted in major foreign currencies.

(b) Please explain the types of financial instruments used to mitigate the impact of foreign exchange fluctuations on the margins. Also, please describe how these instruments are used and to what extent they mitigate the impact of foreign exchange on margins.

PKHB's reply:

The Group does not utilize financial instrument to hedge against gold prices fluctuation while foreign currency fluctuation is mitigated by financial instrument such as forward contract.

Instead of solely relying on financial instruments, the Group practises natural hedge to mitigate against gold prices fluctuation by replenishing inventory as soon as they are sold.

6. In the year ahead, the Group anticipates gold's bull trend will persist into 2025. Despite factors such as inflation and currency fluctuations, the Group believes that strong central bank buying, consumer spending and safe haven inflows amid global geopolitical uncertainties will continue to fuel demand for both jewellery and gold investment products. (Source: Page 65 of the AR2024)

Considering that the bullish trend is expected to persist into 2025, how prepared and what measures is the Group strategising to benefit from another sterling performance?

PKHB's reply:

Considering that the bullish trend is expected to persist into 2025, Poh Kong is targeting continued growth and profitability by leveraging our strengths, capabilities and mitigating business risks.

Poh Kong will continue to upscale consumer awareness, elevating both the in-store and online customer experience and expanding our loyal customer base.

Sustainable growth remains at the forefront of Poh Kong's strategy, supported by financial discipline, a clear vision, and robust brand awareness.

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7. Poh Kong ventured into new creative territory by acquiring the intellectual property (IP) of Yuurei Neko Sama, an imaginative creation by local artist Michael Chuah. (Source: Page 17 of the AR2024)

The collaboration with Michael Chuah to bring Yuurei Neko Sama to life in gold designs was recently launched around 11 November 2024. How has the market responded so far? How is this IP acquisition expected to impact the Group's profitability? Are there specific financial or market growth targets associated with this collaboration?

PKHB's reply:

This very first collaboration aims to meet both Commercial and CSR objectives of the company.

Poh Kong supports our talented local artist and at the same time it complements our product strategy in bringing innovative collectibles and jewellery into the young gifting and collectors segment. The market responds positively and we continue to observe customer preference and prepare for more new products in the coming months. As always, we efficiently invest our marketing funds and leverage on our social digital and offline touchpoints for awareness campaigns, to ensure profitability to the company.

Sustainability Matters

1. The Group ensures that its gold, precious stones and other precious materials are ethically sourced, and it prioritizes the use of recycled metals and works with suppliers who implement ethical production practices. It offers trade-in services to its customers for their gold. The traded in items will then undergo a refining process in its production hub, and subsequently converted into raw material for production. (Source: Page 87 of the AR2024)

(a) What measures are taken to ensure its gold, precious stones and other precious materials are ethically sourced from responsible suppliers?

PKHB's reply:

To ensure raw materials such as gold and precious stones are ethically sourced, the Group has established stringent Standard Operating Procedures ("SOP") for recruiting suppliers who are in full compliance with statutory requirements. In addition, the Group has established a binding Supply Agreement with all suppliers. These suppliers will undertake that their source of supply is obtained from a legitimate and ethical source. Our gold bullion supplies are primarily purchased from the authorised Bullion House and banks, which is in compliance with Bank Negara's Rules and Regulations and with LBMA Responsible Gold Guidance. These measures, coupled with our Governance structure, ensuring compliance with policies and guidelines and uphold ethical practices throughout our supply chain.

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Another source of supply is trade-in gold purchase from customers. To ensure the source of trade-in is legitimate, all customers who trade in their jewellery will need to sign a declaration form to declare the ownership of the used jewellery. If the trade-in jewellery exceeds the threshold of RM50,000, AMLA compliance and sanction screening are required.

(b) To what extent are traded-in items used for the refining process in the production hub?

PKHB's reply:

All traded-in items are used for the refining process in our production hub, except for gold bars.

2. Poh Kong continuously invests in energy-efficient processes & activities across its operations, including in its manufacturing facilities, with a goal to reduce greenhouse gas emissions. The Group adopts energy-efficient processes in its manufacturing facilities to reduce energy consumption. It is exploring the utilisation of renewable energy sources, like solar power for its manufacturing plants, which will further reduce their carbon footprint. (Source: Page 88 of the AR2024)

What are the major energy-efficient and renewable energy sources used by the Group? Has the Group installed any solar panel for the manufacturing plants yet? If not, what are the challenges to implement the solar power for the manufacturing plants?

PKHB's reply:

Tenaga Nasional Berhad ("TNB") is the energy-efficient and renewable energy sources used by the Group. The Group has not installed solar panels in our manufacturing plant. We will be conducting a feasibility and viability study on the installation of solar panels in our factory as compared to utilizing other energy efficient methods and/or technologies to reduce our carbon footprint.

Corporate Governance Matters

1. **Practice 4.3** of Malaysian Code on Corporate Governance 2024 The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Company's response:

Applied. The Company includes a review of the performance of the Board, Senior Management and the Management Team, in addressing the Company's sustainability risks and opportunities, during its annual performance evaluation exercise. (Source: Page21 of the Corporate Governance Report (CGR) 2024)

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MSWG comments:

What KPIs and targets were adopted and the achievements made in addressing the company's material sustainability risks and opportunities?

PKHB's reply:

We strongly support the targets of United Nation's Sustainable Development Goals ("UNSDG")'s 2030 Global Goals. During FYE2024, we selected the top three relevant UNSDG by taking into consideration our material matters, businesses strategies, principal risks, stakeholder influence and effects on the community.

The Risk Management Committee ("RMC") reviews the development and mapping out of sustainability material matters, issues relevant to the Group and sustainability practices into the business model, which encompass risks and opportunities. The Sustainability Working Group is tasked to execute policies and practices in respect of sustainability and ESG related matters. It also ensures the implementation and execution of sustainability strategies that align to the business operations and provides updates periodically to the Board on all key EES and ESG matters related to the Group. The Group had just developed the ESG matrix. KPI will only be adopted in the following year.

2. Practice 5.2 of Malaysian Code on Corporate Governance 2024

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Company's response:

Departure. The current shareholding structure of the Company is that 58.29% of its equity is held directly by Poh Kong Sdn. Bhd. The Board is, therefore, of the view that to fully leverage on the expertise and experience of the owner-directors, it is in the best interest of the Board that the board composition is a fair and reasonable representation of the major shareholder's interest. (Source: Page 24 of the CGR2024)

MSWG comments:

There is no strong and compelling reason that the Board composition must reflect and truly represent the major shareholder's interest. The Board must have a strong representation of independent directors who safeguard the interests of all stakeholders. When will the Board prioritise increasing the representation of independent directors?

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PKHB's reply:

The Group is pleased with the current board size. The current Board comprises of professionals from various backgrounds, with the relevant experience and expertise that would add value to the Group. All decisions of the Board are based on the decision of the majority of the Board Members and matters are deliberated with active participation of the three (3) Independent Non-Executive Directors who will not hesitate to bring their independent judgement and scrutiny to decisions taken by the Board, and provide objective challenges to Management. Therefore, no individual Director dominates the decision making process.

The Board will consider increasing the number of Independent Directors when the Practice 5.2 of MCCG turns mandatory.

We thank Minority Shareholder Watch Group ("MSWG") for its continuing interests in our Company and we take this opportunity to highlight that the Board of Directors of PKHB fully supports the work of MSWG in promoting good corporate governance best practices in PLCs.

Thank you.

Yours sincerely,

For and on behalf of

POH KONG HOLDINGS BERHAD



Dato' Choon Yee Seiong

Executive Chairman / Group Managing Director

c.c. Company Secretary

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