



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

24 December 2019

BY FAX/HAND

(Fax No: 603 7805 2559)

The Board of Directors
Poh Kong Holdings Berhad
Strategy Corporate Secretariat Sdn Bhd
Unit 07-02, Level 7, Persoft Tower,
6B Persiaran Tropicana
Tropicana Golf & Country Resort

47410 Petaling Jaya, Selangor

Attention: **Ng Yim Kong**
Company Secretary

Dear Directors,

**Re: 17th Annual General Meeting (AGM) of Poh Kong Holdings Berhad (Poh Kong)
to be held on Monday, 30 December 2019**

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

Strategy & Financial Matters

- 1) The higher gold price in FY2019 has been a boost for Poh Kong's profit as the increase in prices enables the Company to enjoy higher margins (page 55 and 61 of AR2019).

To what extent can the Company pass on the cost due to higher gold price to consumers without affecting their purchasing decision?

- 2) The gold jewellery and gold investment products are the key revenue drivers for the Group (page 50 of AR2019).
- a) What is the percentage these products contribute to Poh Kong in terms of revenue?
- b) What are the efforts to promote the sale of jewellery such as diamonds, jade, gemstones to avoid over-dependency on the gold products?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia) • Company Registration No.: 20-0001022362 (524969-M)
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- 3) The Company has invested RM7.5 million for a 14.29% stake in Lian Sin Tang Sdn Bhd (LST) which is involved in pawning and supplying of goldsmiths and jewellers business.

The cost of investment translates into a price-to-earning ratio of 9.21 times based on Poh Kong's share of profit of RM817,089 in LST (page 177 of AR2019).

- a) What is the rationale for Poh Kong Investing in LST? What are the justifications for an investment-PE ratio of 9 times?
- b) Poh Kong's executive director Mr. Cheong Teck Chong is also a director and shareholder of LST (page 28 of AR2019).

What is the percentage stake of Mr. Cheong in LST?

- 4) Poh Kong has RM1.8 million of outstanding amount payable to directors (page 119 of AR2019).

What is the nature of the overdue amount? Who are the directors to whom Poh Kong is indebted to?

Corporate Governance Matters

- 1) Based on the Corporate Governance (CG) report of the Company on the application of the Practices under the Malaysian Code on Corporate Governance (MCCG), please provide clarification on the following:
(a) Practice 1.3 - The positions of Chairman and CEO are held by different individuals.

Poh Kong's response: Departure

Measure: Although the Executive Chairman (EC) is also the GMD, 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. Therefore, no individual Director dominates the decision-making process unless duly authorised by the Board

MSWG's comment: It is an expected norm in CG that no individual director should dominates the decision-making process and all decisions of the Board are based on the decision of the majority of the Board Members with active participation from INEDs.

Given the current composition of the Board (which comprises of an EC and GMD, Dato' Choon Yee Seiong, another four executive directors who are related to him and three INEDs), there is concern that the voice of INEDs may be overshadowed by the other board members.

Besides, the Company has also departed from complying with Practice 4.1 of MCCG which states that at least half of the board comprises independent directors to promote more effective oversight of management.

- 2) Mr. Fazrin Azwar Md Nor has served the Board for about 14 years. Under Practice 4.2 of Malaysian Code on Corporate Governance, the Board should seek annual shareholders' approval through a two-tier voting process.

Does the Company have plans to adopt two-tier voting? If so, by when?

- 3) Chapter 9, Paragraph 9.21(2)(b) of the Main Market Listing Requirements (AMLR) requires companies to publish the summary of Key Matters Discussed at the previous AGM onto the Company's website.

As at 23 December 2019, the summary of Key Matters Discussed at Poh Kong's AGM held in 2018 was not found on the Company's website (<http://ir.chartnexus.com/pohkong/>).

Please present the questions raised herein, and the related answers, to the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records.

Thank you.

Yours sincerely



Devanesan Evanson
Chief Executive Officer
DE/LCY/POHKONG/AGM 2019

Our Ref: PK/C/PKHB/046/19

30 December 2019

BADAN PENGAWAS PEMEGANG SAHAM MONORITI BERHAD
Tingkat 11, Bangunan KWSP,
No. 3, Changkat Raja Chulan,
Off Jalan Raja Chulan,
50200 Kuala Lumpur.

Attention: Devanesan Evanson
Chief Executive Officer

Dear Sirs,

Re: 17th Annual General Meeting (“AGM”) of Poh Kong Holdings Berhad (“PKHB” or “the Company” or “the Group”) to be held on 30 December 2019

With reference to your letter dated 24 December 2019, we are pleased to answer the points you have raised in the interest of minority shareholders and all other stakeholders of the Group.

Strategy/ Financial Matters

1. The higher gold price in FY2019 has been a boost for Poh Kong’s profit as the increase in prices enables the Company to enjoy higher margins (page 55 and 61 of AR2019).

To what extent can the Company pass on the cost due to higher gold price to consumers without affecting their purchase decisions?

PKHB’s reply:

Consumers generally buy gold for its intrinsic value and as gifts for weddings /festive occasions or in diversifying portfolio risk for investment purposes.

Gold is seen as a safe haven and is historically a hedge against inflation during geopolitical and financial uncertainty.

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Due to the volatility of gold, higher gold prices are passed on to consumers as an industry practice. The Company is optimistic gold jewellery and gold investment products will remain resilient as a long-term investment.

2. The gold jewellery and gold investment products are the key revenue drivers for the Group (page 50 of AR2019).

- a. What is the percentage these products contribute to Poh Kong in terms of revenue?

PKHB's reply:

These products contribute approximately 85% of the Group's total revenue.

- b. What are the efforts to promote the sale of jewellery such as diamonds, jade, gemstones to avoid over-dependency on the gold products?

PKHB's reply:

- (i) Staff product training and incentive campaign were implemented to motivate and reward our sales team to promote diamonds, jade and gemstones and thereby, improve their retail sales performance.
- (ii) A series of marketing campaigns including advertising and promotional activities through road shows and exclusive events to promote and showcase our diamond and gems jewellery.
- (iii) We launched new diamond brand, namely D'first to fulfil the mass market need for entry level quality diamonds with resale value to expand our market share in this category, while continuously promote our in-house brand - Hemera diamond brand for the best proposal diamond ring.

3. The Company has invested RM7.5 million for a 14.29% stake in Lian Sin Tang Sdn Bhd (LST) which is involved in pawning and supplying of goldsmiths and jewellers business.

The cost of investment translates into a price-to-earnings ratio of 9.21 times based on Poh Kong's share of profit of RM817,089 in LST (page 177 of AR2019).

- a. What is the rationale for Poh Kong investing in LST? What are the justifications for an investment-PE ratio of 9 times?

PKHB's reply:

The Company invested in LST prior to listing on Bursa Malaysia. The original cost of investment was RM299,999. In the previous financial year, the Group's investment in unquoted equity instrument was classified as

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available-for-sale financial assets and it measured at cost. Upon adoption of MFRS9 Financial Instruments, the Group measured the investment designated at fair value through other comprehensive income of RM7.5 million as at 1 August 2018.

The nature of business is similar as our industry. A proven track record showed that it has good return on investment. Apart from the increase in equity of LST, we also received dividends every year. 5 years dividend income are as follows:

Financial year	Dividend income
FY15	RM149,999
FY16	RM599,996
FY17	RM1,049,993
FY18	RM899,994
FY19	RM599,996

We are always looking at ways and means to strengthen our fundamentals to enhance shareholders' value.

- b. Poh Kong's executive director Mr Cheong Teck Chong is also a director and shareholder of LST (page 28 of AR2019).

PKHB's reply:

Mr. Cheong Teck Chong holds 100,002 shares, representing 4.76% stake in LST.

4. Poh Kong has RM1.8 million of outstanding amount payable to directors (page 119 of AR2019).

What is the nature of the overdue amount? Who are the directors to whom Poh Kong is indebted to?

PKHB's reply:

The outstanding amount to directors was payable to Executive Directors ("EDs") and Independent Non-Executive Directors ("INEDs"). It consists of accrual for directors' fees, directors' remuneration and other emoluments as at 31 July 2019.

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Corporate Governance Matters

1. Based on the Corporate Governance (CG) report of the Company on the application of the Practices under the Malaysian Code on Corporate Governance (MCCG), please provide clarification on the following:

- a. Practice 1.3 - the positions of Chairman and CEO are held by different individuals.

Poh Kong's response: Departure

Measure: Although the Executive Chairman (EC) is also the GMD, 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. Therefore, no individual Director dominates the decision-making process unless duly authorised by the Board.

MSWG's comment:

It is an expected norm in CG that no individual director should dominate the decision-making process and all decisions of the Board are based on the decision of the majority of the Board Members with active participation from INEDs.

Given the current composition of the Board (which comprises of an EC and GMD, Dato' Choon Yee Seiong, another four executive directors who are related to him and three INEDs), there is concern that the voice of INEDs may be overshadowed by the other board members.

Besides, the Company has also departed from complying with Practice 4.1 of MCCG which states that at least half of the board comprises Independent directors to promote more effective oversight of management.

PKHB's reply:

The positions of Executive Chairman ("EC") and Group Managing Director ("GMD") held by Dato' Choon Yee Seiong, a founder member of the PKHB Group will be formally discussed at the Company's forthcoming Nomination Committee ("NC") and Risk Management Committee ("RMC") meetings. The Board recognises that Practice 1.3 recommends the positions of Chairman and CEO to be held by different individuals. This matter will be looked at as part of succession planning for Dato' Choon Yee Seiong within the next few years taking into account that it is very difficult to find a suitable replacement for Dato' Choon Yee Seiong who is an entrepreneur cum corporate leader in a very specialized business with a proven track record of performance, prudence, integrity, and practical business acumen, and highly respected by both the Company's EDs and INEDs, and peers in the gold and jewellery industry.

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Nevertheless, the decoupling of the positions of EC and GMD will be an on-going agenda of the NC, RMC and the Board as a whole. In addition, the GMD also delegates his duties on the day-to-day operations to senior management to ensure accountability and responsibility are clearly separated. Furthermore, matters reserved for Board's decision will be made after the Board Committee deliberation. All the Board Committee members are mainly INEDs who act as check and balance. Thus, the EC and EDs may not overshadow INEDs.

The Board noted the recommendation of Practice 4.1 of MCCG which states that at least half of the board comprises INEDs to promote more effective oversight of management. The estimate timeframe to implement it will be 1-2 years.

With the recommendation of the NC, the Board is taking effective steps to restructure the board composition since the retirement of Mohd Annuar Choon, Dato' Dr Choong Tuck Yew, Dato' Choon Yoke Ying and Madam Choon Wan Joo from the Board of Directors. Since then the board size has been reduced from 11 Directors comprising 7 EDs and 4 INEDs to the present 5 EDs and 3 INEDs. The NC will continue to review the board size and structure and make the appropriate recommendation to the Board.

2. En. Fazrin Azwar Md Nor has served the Board for about 14 years. Under Practice 4.2 of Malaysian Code on Corporate Governance, the Board should seek annual shareholders' approval through a two-tier voting process.

Does the Company have plans to adopt two-tier voting? If so, by when?

PKHB's reply:

We noted MSWG's concern regarding the compliance with Practice 4.2 of MCCG. The NC of the Company will review Practice 4.2 of MCCG at its next meeting and will make the necessary recommendation to the Board of Directors for its decision.

3. Chapter 9. Paragraph 9.21(2)(b) of the Main Market Listing Requirements (AMLR) requires Companies to publish the summary of Key Matters Discussed at the previous AGM onto the Company's website.

As at 23 December 2019, the Summary of the Key Matters Discussed at Poh Kong's AGM held in 2018 was not found on the Company's website (<http://ir.chartnexus.com/pohkong>).

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PKHB's reply:

We take note of MSWG's comment on our inadvertent omission to publish the Summary of Key Matters Discussed at the 2018 AGM held in January 2019 ("the said Summary"). The said Summary will be posted onto our Company's website. Going forward, we would assure that the Summary of Key Matters Discussed at any AGM of the Company will be uploaded onto our Company's website.

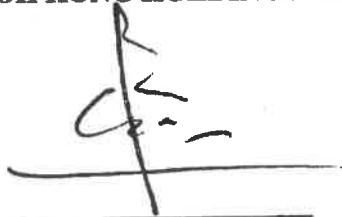
We thank Minority Shareholder Watch Group ("MSWG") for its continuing interests in our Company and we take this opportunity to highlight that the Board of Directors of PKHB fully supports the work of MSWG in promoting good corporate governance best practices in PLCs.

Thank you.

Yours sincerely,

For and on behalf of

POH KONG HOLDINGS BERHAD



Dato' Choon Yee Seiong
Group Managing Director

c.c. Company Secretary

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