



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

7 January 2021

BY FAX/EMAIL/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 Darul Ehsan

Attention: Ng Yim Kong
Company Secretary

Dear Directors,

Re: 18th Annual General Meeting ("AGM") of Poh Kong Holdings Berhad ("PKHB" or the "Company") to be held on Wednesday, 13 January 2021

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

Operational & Financial Matters

1. The decrease in group revenue of RM251.71 million or 25.16 % was mainly attributed to the severe impact of the COVID-19 pandemic and the resulting weaker consumer demand for gold jewellery (Page 38 of the Annual Report 2020).

With the on-going Covid-19 pandemic, what is the Company's plan to address the weaker demand for gold jewellery in the coming year?

2. The Company aims to sustain its leadership position in gold jewellery which has been the major contributor to its revenue, and to increase market share in the gemstones segment, particularly the diamond category (Page 34 of the Annual Report 2020). Last year, the Company stated that approximately 85% of its revenue is from gold jewellery and gold investment products. With the efforts to reduce over-dependency on gold jewellery as stated in the Company's reply to our letter dated 24 December 2019, what is the percentage of revenue from the gold

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia . Company No:524989-M)

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products for financial year ended 31 July 2020 ("FYE 2020") compared to 85% in financial year 2019?

3. For FYE 2020, the Group has recognised in its financial statement a write down of inventories amounting to RM4,648,999 (Page 106 & 185 of the Annual Report 2020).

(a) What type of inventories that have been written down in FYE 2020?

(b) What factors had triggered the need to write down the value of the inventories?

(c) With the economic uncertainties resulting from the COVID-19 pandemic which may impact the saleability of inventories, are further write down of inventories expected in the FYE 2021?

Corporate Governance Matters

4. On page 5 of the Corporate Governance Report 2020, the Company states that it has departed from Practice 1.3 of the Malaysia Code on Corporate Governance ("MCCG") as Dato' Choon Yee Seiong ("Dato' Choon") is currently holding both Executive Chairman and Group Managing Director positions. Based on the Company's reply letter dated 30 December 2019 to MSWG's letter dated 24 December 2019, the Company responded that the Board shall look into this matter as part of succession planning for Dato' Choon within the next few years taking into account that it is very difficult to find a suitable replacement for Dato' Choon who is an entrepreneur cum corporate leader in a very specialized business.

What are the challenges that the Company is facing in identifying a suitable candidate for replacement? What is the company's action plan and targeted timeline to implement the succession plan for Dato' Choon?

5. Encik Fazrin Azwar Bin Md Nor has served the Board for 16 years as an Independent Non-Executive Director. The Board will seek shareholders' approval for the reappointment of Encik Fazrin Azwar Bin Md Nor as the Independent Director through a single tier voting process in the upcoming AGM. (Page 16 of the CG Report 2020)

What is the Board's concern in adopting two-tier voting for resolution to retain Encik Fazrin Azwar Bin Md Nor as the independent director?

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/LH/RF/PKHB/AGM 2020

Our Ref: PK/C/PKHB/002/21

13 January 2021

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: 18th Annual General Meeting (“AGM”) of Poh Kong Holdings Berhad (“PKHB” or “the Company” or “the Group”) to be held on 13 January 2021

With reference to your letter dated 7 January 2021, we are pleased to answer the points you have raised in the interest of minority shareholders and all other stakeholders of the Group.

Operational & Financial Matters

1. The decrease in group revenue of RM251.71 million or 25.16% was mainly attributed to the severe impact of the COVID-19 pandemic and the resulting weaker consumer demand for gold jewellery (Page 38 of the Annual Report 2020).

With the on-going COVID-19 pandemic, what is the Company’s plan to address the weaker demand for gold jewellery in the coming year?

PKHB’s reply:

With the on-going COVID-19 pandemic, the Group has put in place several measures to streamline business operations by consolidating non-performing stores, focusing and allocating more resources in high growth potential outlets, reduce fixed overheads by changing them to variable cost, prudent and stringent inventory management, cost control measures and last but not least, control daily expenditure and reduce reliance on bank borrowings.

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2. The Company aims to sustain its leadership position in gold jewellery which has been the major contributor to its revenue, and to increase market share in the gemstones segment, particularly the diamond category (Page 34 of the Annual Report 2020). Last year, the Company stated that approximately 85% of its revenue is from gold jewellery and gold investment products. With the efforts to reduce over-dependency on gold jewellery as stated in the Company's reply to our letter dated 24 December 2019, what is the percentage of revenue from the gold products for financial year ended 31 July 2020 ("FYE 2020") compared to 85% in financial year 2019?

PKHB's reply:

Despite our ongoing effort to promote the sales of jewellery such as diamonds, jade and gemstones to avoid dependency on gold products, the adverse economic conditions and low interest rates had caused investor to be even more enamoured by gold products. Thus, gold jewellery and gold investment products contributed 90% of the Group's total revenue in financial year 2020 compared with 85% contribution in FYE 2019.

3. For FYE 2020, The Group has recognised in its financial statement a write down of inventories amounting to RM4,648,999 (Page 106 & 185 of the Annual Report 2020).
 - a. What type of inventories that have been written down in FYE 2020?

PKHB's reply:

The inventory that was written down is all jade rocks.

- b. What factors had triggered the need to write down the value of the inventories?

PKHB's reply:

These jade rocks are not in sellable condition. We need to send these jade rocks to China for crafting and turning them into jade pieces for jewellery setting. The current Pandemic had made it impossible to fly to China or to bring in experts to craft these jade rocks. Thus, PKHB had adopted a conservative approach by writing down these jade rocks from inventory and will only book them in as inventory when they are being crafted.

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- c. With the economic uncertainties resulting from the COVID-19 pandemic, which may impact the saleability of inventories, are further write down of inventories expected in the FYE 2021?

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PKHB's reply:

We do not expect to write down inventories substantially in FYE 2021. PKHB had put in place Business Analytic Tool to provide useful data for business decision making and better understanding of customers buying behavior and demand. As an ongoing process, PKHB has adopted a prudent approach in its inventory management to ensure the right inventory is allocated to the right store, to reduce stockholdings and to further improve the group's efficiency and lift profits.

Corporate Governance Matters

- On page 5 of the Corporate Governance Report 2020, the Company states that it has departed from Practice 1.3 of the Malaysia Code on Corporate Governance ("MCCG") as Dato' Choon Yee Seiong ("Dato' Choon") is currently holding both Executive Chairman and Group Managing Director positions. Based on the Company's reply letter dated 30 December 2019 to MSWG's letter dated 24 December 2019, the Company responded that the Board shall look into this matter as part of succession planning for Dato' Choon within the next few years taking into account that it is very difficult to find a suitable replacement for Dato' Choon who is an entrepreneur cum corporate leader in a very specialized business.

What are the challenges that the Company is facing in identifying a suitable candidate for replacement? What is the company's action plan and targeted timeline to implement the succession plan for Dato' Choon?

PKHB's reply:

Couple of years back, the Board had identified a few candidates to succeed Dato' Choon Yee Seiong's (hereinafter referred to as "Dato' Choon") positions. They are currently being trained on the full spectrum of operation of the Group. This training is an on-going process, may take a longer period of time than anticipated before the Board makes its decision on selecting the competent candidate with the right caliber.

- Encik Fazrin Azwar Bin Md Nor has served the Board for 16 years as an Independent Non-Executive Director. The Board will seek shareholders' approval for the reappointment of Encik Fazrin Azwar Bin Md Nor as the Independent Director through a single tier voting process in the upcoming AGM. (Page 16 of the CG Report 2020).

What is the Board's concern in adopting two-tier voting for resolution to reappoint Encik Fazrin Azwar Bin Md Nor as the independent director?

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POH KONG HOLDINGS BERHAD (PUBLIC)

PKHB's reply:

The respective Committee and the Board had deliberated on the two-tier voting option for the Resolution to retain Encik Fazrin Azwar Bin Md Nor ("Encik Fazrin") as an Independent Director. The respective Committee and the Board noted that currently the said Corporate Governance advisory is neither a requirement of the Companies Act, 2016 nor a requirement of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The respective Committee and Board had deliberated on Encik Fazrin's independence including his self-declaration of the same. Considering all the facts and circumstances, with the needed checks and consideration in place, the Board decided that, for the time being, the single-tier option was appropriate.

Nevertheless, the Board is cognisant of the various Corporate Governance advisory and best practices and will continuously consider them based on circumstances and its requirements. Thereon any implementation will be discussed, weigh and implemented accordingly especially if it is to conform to the required laws and regulations.

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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