



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

27 December 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, Persoft Tower
6B Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya
Selangor Darul Ehsan

Attention: Ng Yim Kong
Company Secretary

Dear Directors,

Re: 19th Annual General Meeting ("AGM") of Poh Kong Holdings Berhad ("PKHB" or the "Company") to be held on Monday, 3 January 2022

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 lockdowns (MCO 2.0 & MCO 3.0) have adversely impacted the Group's business which saw a sharp decline in revenue during these periods. However, sales were boosted by the Group's swift mitigation measures taken to ramp up its capacity for online and digital interaction, live commerce as well as digital marketing activities and mobile applications. But the dramatic rise in online sales by more than 157% from last financial year is insignificant compared to actual sales through its 89 retail outlets (page 25 & 36 of Annual Report (AR) 2021).
 - (a) What is the recovery in footfall and in sales of retail outlets since the easing of Covid-19 restrictions in August 2021? Does the management expect the retail stores sales to lag in its recovery? If so, how has the Group adapted to the challenges?

- (b) What is the proportion of the online vs traditional sales turnover that the Group is expecting in the consumer's landscape, going forward?
 - (c) Poh Kong introduced its own mobile loyalty programme, Jeweland, aimed at increased engagement and interaction with its customers (page 40 of AR 2021). How successful is this mobile app since its launch? How many users have signed up?
 - (d) Poh Kong's jewellery collections have been made available at leading e-commerce sites such as Lazada, Shopee, Superbuy and it added another online platform Vetttons in FY2021 (page 40 of AR 2021). What are the plans to grow online platforms? Please elaborate further on your digital roadmap/strategy. What are the metrics used by the board to track the Group's progress in e-Commerce?
2. The recognition of deferred tax assets is a key audit matter highlighted by the independent auditor in their report on the audit of the financial statements. As at 31 July 2021, the Group and the Company have recognized deferred tax assets of unused tax losses and deductible temporary differences amounting to RM11.85 million and RM8.31 million respectively (page 213 of AR 2021).

What are the key assumptions (such as revenue growth rates, profit margin) used in management's projection of the deferred tax assets?

3. The valuation of inventories required judgement and estimates and this is a key audit matter highlighted by the independent auditor in their report on the audit of the financial statements. As at 31 July 2021, the Group's inventories amounted to RM594.78 million, representing 74% of the Group's assets (page 136 & 213 of AR 2021).

What are the key assumptions and estimates (such as market prices, design of inventories) used in estimating the net realizable value of inventories?

4. The Group's accumulated impairment losses on trade receivables increased by 157% to RM121,772 in FY2021 (FY2020: RM47,428) (page 107 of AR 2021).
- (a) What actions have been taken to recover the said amount?
 - (b) What is the probability of recovering the impaired amount?

(c) To-date, how much of the impaired trade receivables have been recovered?

Corporate Governance Matters

5. Under Practice 4.2 of the Malaysian Code on Corporate Governance ("MCCG"), it is stated that "If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process".

It was stated in the Company's CG report 2021 (page 16) and Resolution 7, the board intends to retain Encik Fazrin Azwar Bin Md Nor as an independent director. He has served the board for a cumulative term of about 17 years. The board will justify the decision and seek shareholders' approval at the forthcoming AGM on 3 January 2022 via two-tier voting.

However, Datin Shirley Yue Shou How ("Datin Shirley") who has also served the board for 11 years and 11 months (up to the date of AGM on 3 January 2022). Shareholders should be given the opportunity to participate in the re-election of the long serving independent directors. Why did the board not seek shareholders' approval to retain Datin Shirley as an independent director at the upcoming AGM?

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/RF/PKHB/AGM 2021

Our Ref : PKHB/C/052/2021

3 January 2022

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: 19th Annual General Meeting (“AGM”) of Poh Kong Holdings Berhad (“PKHB” or “the Company” or “the Group”) to be held on Monday, 3 January 2022

With reference to your letter dated 27 December 2021, 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. The lockdowns (MCO 2.0 & MCO 3.0) have adversely impacted the Group’s business which saw a sharp decline in revenue during these periods. However, sales were boosted by the Group’s swift mitigation measures taken to ramp up its capacity for online and digital interaction, live commerce as well as digital marketing activities and mobile applications. But the dramatic rise in online sales by more than 157% from last financial year is insignificant compared to actual sales through its 89 retail outlets (page 25 & 36 of Annual Report (AR) 2021).

(a) What is the recovery in footfall and in sales of retail outlets since the easing of Covid-19 restrictions in August 2021? Does the management expect the retail Stores sales to lag in its recovery? If so, how has the Group adapted to the challenges?

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PKHB's reply:

Our management does not expect the retail sales to lag in its recovery as Poh Kong is associated with two strong characteristics; STRENGTH and RESILIENCE, with the right people and the right product. Thus, riding on these characteristics, a better performance is expected on the back of strong demand for gold jewellery and investment.

Prudent management, product excellence and customer-oriented marketing strategies will help Poh Kong build on its achievements.

In September 2021, we manage to maintain our y-o-y sales, and enjoy an increase of approximately 70% since October 2021 until to date.

(b) What is the proportion of the online vs traditional sales turnover that the Group is expecting in the consumer's landscape, going forward?

PKHB's reply:

No doubt the Group experience a dramatic increase in online sales by more than 157%, the proportion of the online sales vs traditional sales is less than 1%. The online sales generally cater for smaller ticket size items, while traditional sales from retail outlets are items of higher value where investors and customers prefer sighting, physically feeling and wearing of the selected pieces.

Moving forward, online shopping continue to gain upward momentum, Poh Kong has increased its effort in digitalization, increase brand awareness and ensure our latest collections are made available in all leading e-commerce sites to increase consumer choice and convenience.

(c) Poh Kong introduced its own mobile loyalty programme, Jeweland, aimed at increased engagement and interaction with its customers (page 40 of AR2021). How successful is this mobile app since its launch? How many users have signed up?

PKHB's reply:

Since launch in February 2020, our Poh Kong Jeweland Mobile apps has successfully attracted our customers to join and participate in the campaigns we run.

Since last year, we have also launched our 45 years anniversary campaign via our members' mobile app with our vouchers and spin and win campaigns to give back rewards to members.

We are continuously developing more features to provide convenience to members such as Myjewelbox, Transfer Ownership, e-Warranty etc. and working in adding more engagement tools and useful features for customers.

The monthly signing up of the Jeweland apps has increased organically, which is in line with our expectation. As per latest report, over 150K of customers have signed up.

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(d) Poh Kong's jewellery collections have been made available at leading e-commerce sites such as Lazada, Shopee, Superbuy and it added another online platform Vetttons in FY2021 (page 40 of AR 2021). What are the plans to grow online platforms? Please elaborate further on your digital roadmap/strategy. What are the metrics used by the board to track the Group's progress in e-Commerce?

PKHB's reply:

We adopt Omni-channel strategy to ensure our digital efforts complement and enhance the shopping experience both online and at physical stores and continue to grow traffic into both.

In our e-Commerce, we are improvising our product strategy by expanding products assortment especially products that are popular or in demand on our social media to make available online for customers. During retail lock down, we quickly switched our launching plan of a new product line, to launch first on e-commerce and then at retail during reopening.

We are also launching our own web-store by 2022 Q1.

We will continue to expand into suitable online platforms by selecting e-commerce platforms which has a high growth potential, with constant advancement in technology, provide unique value added service to customers which will then contribute positively to our profitability.

The board measures the e-Commerce performance by looking at its year on year sales growth rate, comparison with 1 physical store, increased contribution to overall group sales.

2. The recognition of deferred tax assets is a key audit matter highlighted by the independent auditor in their report on the audit of the financial statements. As at 31 July 2021, the Group and the Company have recognized deferred tax assets of unused tax losses and deductible temporary differences amounting to RM11.85 million and RM8.31 million respectively (page 213 of AR 2021).

What are the key assumptions (such as revenue growth rates, profit margin) used in management's projection of the deferred tax assets?

PKHB's reply:

The average growth rate used is 4% over a seven-year projection period. The projected gross profit margin is estimated at 5% for each of these years. These rates are determined based on management experience in trading of jewellery.

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What are the key assumptions and estimates (such as market prices, design of inventories) used in estimating the net realizable value of inventories?

PKHB's reply:

The Group assessed the valuation of inventory by comparing its costs with the current market gold prices periodically. In addition, the Group also selects and considers similar product or design of inventory which were subsequently sold to evaluate the net realizable value of the inventory.

4. The Group's accumulated impairment losses on trade receivables increased by 157% to RM121,772 in FY2021 (FY2020: RM47,428) (page 107 of AR 2021).

PKHB's reply:

Generally, Poh Kong's retail businesses are transacted in cash term while credit is only granted to corporate clients and exclusive loyal customers. The quantum of trade receivables is usually kept relatively low and insignificant compared to the Group's revenue. Provision for impairment loss will only apply to those debts exceeding 6 months in the statement of financial position.

(a) What actions have been taken to recover the said amount?

PKHB's reply:

Close monitoring and continuous communication with the customers are the methods that we had adopted to recover the said amount.

(b) What is the probability of recovering the impaired amount?

PKHB's reply:

The trade receivables reflected in our accounts have been fully recovered.

(c) To-date, how much of the impaired trade receivables have been recovered?

PKHB's reply:

As at to-date, we had fully recovered the total amount stated in the trade receivables account.

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However, Datin Shirley Yue Shou How (“Datin Shirley”) who has also served the board for 11 years and 11 months (up to the date of AGM on 3 January 2022). Shareholders should be given the opportunity to participate in the re-election of the long serving independent directors. Why did the board not seek shareholders’ approval to retain Datin Shirley as an independent director at the upcoming AGM?

PKHB’s reply:

We thank you for highlighting the re-appointment of Datin Shirley Yue Shou How as an Independent Director under Practice 4.2 of MCCG 2017. The Board via the Nomination Committee will review and thought fit to recommend to the Board its justification to retain long serving Independent Director, Datin Shirley and will seek shareholders’ approval at the next Annual General Meeting via two-tier voting process.

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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