



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

19 December 2022

BY EMAIL/FAX/HAND

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,

**Re: 20th Annual General Meeting ("AGM") of Poh Kong Holdings Berhad
("POHKONG" or the "Company") to be held on Monday, 9 January 2023**

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. FY2022 was an outstanding year with Poh Kong delivering record-breaking results since its listing in 2004 (page 42 of Annual Report FY2022). However, the dividend payout ratio of 10.2% for FY2022 is the lowest in the past 10 years which ranged between 10.2% and 37.3%. Please explain the reason for the lower-than-average dividend payout ratio for FY2022 despite it being a record-breaking year for the group.
2. Poh Kong has put in place all the essential elements needed for its next phase of expansion (page 9 of Annual Report FY2022). Please elaborate on the group's growth plans together with its growth targets.

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

Incorporated in Malaysia Registration No: 200001022382 (524989-M)

LEVEL 23, UNIT 23-2, MENARA AIA SENTRAL

No. 30, JALAN SULTAN ISMAIL

50250 KUALA LUMPUR

TEL: (603) 27320010

E-mail: mwatch@mswg.org.my Website: www.mswg.org.my

Corporate Governance Matters

3. **Practice 1.3 of** - The positions of Chairman and Chief Executive Officer ("CEO") are held by different individuals.

POHKONG' response: Departure. (page 5 of Corporate Governance Report FY2022)

MSWG's comment: Practice 1.3 of the Malaysian Code on Corporate Governance 2021 advocates a separation of the positions of the chairman and CEO in order to promote accountability and facilitate the division of responsibilities between them. A chairman leads the board in overseeing the management team, including deciding on the appointment, compensation and replacement of CEO/ Group Managing Director ("GMD"), while the CEO/ GMD focuses on the business and day-to-day management of the company. As such, a separation of the roles of the chairman and the CEO/ GMD increases the board's independence from management and thus leads to better monitoring and oversight.

Furthermore, only 37.5% (3 out of 8) of the Board of Directors are independent directors and 4 out of the 5 Executive Directors have family relationship.

- a) What are the measures that have been put in place to ensure the independence of the board in overseeing the management team especially since the chairman who leads the board is also the GMD of the Company?
- b) In the company's reply to MWSG's questions at the company's 17th AGM, the company responded that the decoupling of the positions of Executive Chairman and Group Managing Director would be an ongoing agenda of the Board as a whole and this matter would be looked at as part of succession planning for Dato' Choon Yee Seiong within the next few years. What is the status of the company's succession plan and the targeted timeline to have the positions of Chairman and Group Managing Director held by different individuals?

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.

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Thank you.
Yours sincerely



Devanesan Evanson
Chief Executive Officer
DE/OBH/POHKONG/AGM2022

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POH KONG HOLDINGS BERHAD

Our Ref: PK/C/PKHB/001/23

9 January 2023

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

Level 23, Unit 23-2, Menara AIA Sentral,

No. 30, Jalan Sultan Ismail,

50250 Kuala Lumpur.

Attention: Devanesan Evanson
Chief Executive Officer

Dear Sirs,

Re: 20th Annual General Meeting ("AGM") of Poh Kong Holdings Berhad ("POHKONG" or "the Company") to be held on Monday, 9 January 2023.

With reference to your letter dated 19 December 2022, 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. FY2022 was an outstanding year with Poh Kong delivering record-breaking results since its listing in 2004 (page 42 of Annual Report FY2022). However, the dividend payout ratio of 10.2% for FY2022 is the lowest in the past 10 years which ranged between 10.2% and 37.3%. Please explain the reason for the lower-than-average dividend payout ratio for FY2022 despite it being a record-breaking year for the group.

PKHB's reply:

The dividend payout is in line with the Group's dividend payout policy, ie. to distribute a minimum of 10% of its annual net profit after income tax expenses, provided it would not be detrimental to its cash flow and business expansions. In spite of 10.2% payout ratio, it is the highest dividend payout since its listing in 2004, a total of 2.30 sen per ordinary share and amounting to RM9.44 million in respect of FY2022.

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In the forthcoming financial year the Group's cash flow is largely utilized in the operating activities and in business expansion. During FY 2023, we had opened a new outlet in City Square Johor Bahru on 03 November 2022 and will be opening Pavilion Damansara Heights in May 2023. We had refurbished and relocated two business premises in Pearl Point shopping mall on 15 Sept 2022 and IOI City Mall Putra Jaya on 8 Dec 2022 to a bigger retail spaces. On 2 September 2022, the Group had acquired all shares of The Lotus Corporation Berhad, an indirect purchase of two pieces of leasehold properties in Petaling Jaya Selangor, with a total purchase consideration of RM11.35 million through internally generated funds.

With all the activities and expansion plans in the pipeline, we strongly feel that the total dividend of 2.30 sen is deemed appropriate and fit by the Board of Directors.

2. Poh Kong has put in place all the essential elements needed for its next phase of expansion (page 9 of Annual Report FY2022). Please elaborate on the group's growth plans together with its growth targets.

PKHB's reply:

During the year, PKHB took deliberate steps to move ahead strategically leveraging on the rise of both global and Malaysia economy. Poh Kong had put in place fresh approaches to business in the new normal that will bring Poh Kong to next phase of growth and development.

In order to benefit fully from the recovery, Poh Kong has to strike a balance between financial consolidation and marketing intervention, to achieve optimal impact on its products and services.

Poh Kong had characteristically consolidated resources and makes fresh incursions into new business areas when market sentiments strengthen.

Staying market relevant, upskilling its people and establishing new direct to customers channels and strengthening its online presence to reach out to younger customer base, are some of the initiatives taken to grow and expand our business.

We are unable to reveal our growth targets, as there was no prior disclosure made on this information to the authority.

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Corporate Governance Matters

3. Practice 1.3- The position of Chairman and Chief Executive Officer (“CEO”) are held by different individuals.

PohKong’s response: Departure. (page 5 of Corporate Governance 2022)

MSWG’s comment: Practice 1.3 of Malaysian Code on Corporate Governance 2021 advocates a separation of the positions of the chairman and CEO in order to promote accountability and facilitate the division of responsibilities between them. A chairman leads the board in overseeing the management team, including deciding on the appointment, compensation and replacement of CEO/ Group Managing Director (“GMD”), while the CEO/ GMD focuses on the business and day-to-day management of the company. As such, a separation of the roles of the chairman and the CEO/ GMD increases the board’s independence from management and thus leads to better monitoring and oversight.

Furthermore, only 37.5% (3 out of 8) of the Board of Directors are independent directors and 4 out of the 5 Executive Directors have family relationship.

a) What are the measures that have been put in place to ensure the independence of the board in overseeing the management team especially since the chairman who leads the board is also GMD of the company?

PKHB’s reply:

Although the Chairman 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 who are proactive, impartial, constantly expressing their opinions without fear or favour and 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 unless duly authorised by the Board.

In addition, for check and balance purposes, matters relating to the Directors, the Directors concern shall abstain from deliberation and voting.

Functionally and for all intended purpose, the responsibilities of GMD are executed by delegating authority to Senior Management to ensure that division of responsibility and accountability are separated. Hence, these are the measures taken to ensure the independence of the board in overseeing the management team.

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b) In the company’s reply to MSWG’s questions at the company’s 17th AGM, the company responded that the decoupling of the positions of Executive Chairman and

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Group Managing Director would be an ongoing agenda of the Board as a whole and this matter would be looked at as part of succession planning for Dato' Choon Yee Seiong within the next few years. What is the status of the company's succession plan and the targeted timeline to have the positions of Chairman and Group Managing Director held by different individuals?

PKHB's reply:

The Succession Plan for Dato' Choon Yee Seiong and Directors are in place with second liners attending the Board and Board Committees meeting by invitation and also expose to different job scopes and experiences.

The succession for Dato' Choon may be succeeded by several second liners.

There is no specific timeline at this juncture and will make the appropriate updates in the CG Report when the position of Chairman and Group Managing Director is held by different individuals.

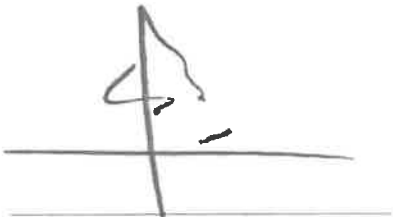
We thank Minority Shareholder Watch Group ("MSWG") for its continuing interests in our Company and we take this opportunity to highlight that the Board of Directors of PKHB fully supports the work of MSWG in promoting good corporate governance best practices in PLCs.

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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