

POH KONG HOLDINGS BERHAD
[Company No. 200201018476 (586139-K)]
(Incorporated In Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE SEVENTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT DEWAN BERJAYA, BUKIT KIARA EQUESTRIAN & COUNTRY RESORT, JALAN BUKIT KIARA, OFF JALAN DAMANSARA, 60000 KUALA LUMPUR ON MONDAY, 30 DECEMBER 2019 AT 11.00 A.M.

1) Minority Shareholders' Watch Group ("MSWG")

Members were informed that the Company had received a letter from MSWG dated 24th December 2019 ("the Said Letter"), raising questions and/or seeking clarifications on matters relating to the Strategy and Financials, and Corporate Governance. The Company Secretary read out the Said Letter and the reply to MSWG. Both the Said Letter and the reply to MSWG which have both been posted on the Company's website.

The following were the question arising from the Said Letter and the replies given by the Board of Directors to the Members present.

(a) Performance

A Member pointed out that the Company's performance for the financial year ended 31 July 2019 compared to that of the financial year ended 31 July 2018 was not very good (i.e. with a decrease in cash flows of 200%). The share price had dropped from a high level since the listing of the Company on Bursa Malaysia Berhad in 2004. He reckoned that this should serve as a wake-up call for the Directors of the Company to do something better. He also did not think that the increase of dividend payment for 1.0 sen per share for the financial year ended 31 July 2018 to 1.2 sen per share for the financial year ended 31 July 2019 made much difference.

In response to the questions and comments of the Member, the Board of Directors replied that the cash flow of the Company had actually increased for the financial year ended 31 July 2019 compared to that for the financial year ended 31 July 2018, excluding the Sinking Fund at RM20 million which can be found on page 128 of the Annual Report. It was highlighted to the Member that due to the nature of the industry the Company is operating in, the profit of the Company depends on the fluctuations of the gold price, but the Board of Directors will continue to find ways to enhance Shareholder value.

(b) Role of Executive Directors ("EDs")

The Member also wanted to know the roles of the EDs in their respective job functions. He was concerned that the roles of the Independent Non-Executive Directors ("INEDs") might be overruled as there are more EDs than INEDs. He insisted on hearing comments from the EDs.

In response to this, Mr. Cheong Teck Chong (“Mr. Cheong”) explained that the EDs had put in great effort and exercised onerous responsibilities throughout the years to develop and expand the business of the Company from one small outlet in the beginning to until today with 94 outlets. He felt that if Members were to compare the Company with its competitors in the industry, Members would find that the Company is performing very well amidst the current competitive and challenging environment and informed that the value of Poh Kong is not only in the share price. In addition, the Members were informed that the EDs are actively involved in the daily operations of the Company and contributed much to the Company in their respective job position.

(c) Directors’ fees and allowances

A Member asked about the outstanding amount of RM500,000 that is payable to the Directors. It was clarified that this outstanding amount is in respect of fees and allowances payable to the Directors which are tabled for the Shareholders’ approval at the AGM.

2) Audited Financial Statements

The following matters were discussed in relation to the Audited Financial Statements of the Company for the financial year ended 31 July 2019.

(a) Profit Increase

A Proxy Holder was curious to know why the Company’s profit had increased when there was a decrease in revenue for 1QFY2020. He also wanted to know about the Company’s outlook for financial year 2020. The Members were informed that the reason for the increase in profit in spite of a decrease in revenue was due to the fluctuation of gold price in the Company’s favour in 1QFY2020. The Members were also informed with reference to the announcement for 1QFY2020 that the overall uptrend in gold prices had improved the Company’s operating profits during the quarter under review. Nevertheless, the Shareholders were informed that the Financial Year 2020 would be a challenging year due to the weak market sentiment even though the financial results for 1QFY2020 was good and much better than that of financial year ended 31 July 2019. Going forward the Company will have to find a lot of solutions to all the challenges the Company is currently facing, e.g. improved stock control and cost initiative to enhance the performance of the Group. With extra efforts, the Group hopes to perform better in Financial Year 2020.

(b) Privatisation

A question was posed to the Board as to whether the Company had any plan to privatise since the share price and the net tangible assets (“NTA”) of the Company were currently standing at RM0.49 and RM1.26 respectively. In reply, the Shareholders were informed that the Company has no plan yet to privatise the Company.

(c) Decrease in cash and bank balances

The Board was asked why there was a decrease in cash and bank balances from RM 21,267,605 for financial year ended 31 July 2018 to RM 1,522,985 for financial year ended 31 July 2019 on page 120 of the Annual Report. The Shareholders were informed that the figures shown on page 120 of the Annual Report was at the Company level and that the cash flow of the Company is almost the same for financial year ended 31 July 2019 and 2018 if the Company excluded the sinking fund to repay Sukuk amounting to RM 20 million.

3) Dividend Payment

(a) Current Dividend

The increase in the dividend payment from 1 sen for the financial year ended 31 July 2018 to 1.2 sen for the financial year ended 31 July 2019, an increase of only 0.2 sen attracted a comment from a Member that such an increase did really not make much of a difference to the Shareholders.

(b) Cash reserves and Dividends

Generally, Members want the Company to declare more dividends because of its better reserves. In reply, the Members were informed that the dividend pay-out depends on the availability of the cash flow of the Company. The Board will consider to increase the dividend pay-out in the future if the cash flow of the Company after retaining the cash reserves for future expansion is still healthy, but Members were cautioned that the distribution of higher dividend may erode the cash reserves and cause the Company to borrow more for its working capital which will result in higher gearing for the Company. This would contradict the Company's effort to control the cash flow and reduce the gearing of the Company. Noting the Shareholders' view, the Company will continue its effort to strike a balance between dividend pay-out, cash flow and the Company's expansion plan.

(c) Dividend Policy

Next the discussion was on the dividend policy of the Company where the Company distributes a minimum of 10% of its annual net profit as dividends but Members felt that the dividend policy of 10% annual dividend is too low. It was suggested that since the Board has plans to enhance Shareholders' value, the Company should give more dividend which indirectly would also result in a higher share price. However, it was highlighted to the Members that the Company has since its listing on the Main Market of Bursa Malaysia Securities Berhad been paying dividend annually at between 18% and 37% of the annual net profit to the Members; outperforming the Company's Dividend Policy all these years.

4) Gold Price

A Member enquired about the trend of the gold price and if the Company had any speculation of the gold price for the next year. He believed that the Company must have conducted research to determine when it is the best timing to sell and buy gold. The Member was informed that speculation of gold price is not part and parcel of the Company's business as the Company only purchases gold for its business. In order to stabilise the Company's margin, the Company uses the natural hedge method which is to replenish the gold stock as soon as it is sold and does not partake in the speculation of gold. In connection to this, the Board was asked whether the Company will still purchase gold regardless of the price. The Members were informed that this is the Company's practice and that the higher prices of the gold would be passed on to the consumer as higher prices in the gold and jewellery products. If the stock price is low presently and the future gold price is high, the Company will be able to enjoy a higher margin. However, the margin will normalise when the Company replenish its existing stocks.

A Shareholder also wanted to know the average gold price. The Members were informed that the average gold price as per the last audited figure was about RM170 per gram. A Member commented that the gold price sold in the outlet is different from the gold price just mentioned. The Member were informed that RM170 per gram is the raw material price and the Company will incur some conversion cost to produce the finished product. It was pointed out to the Members that there will always be a margin in the raw material price and retail price.

5) Re-Appointment of INED

Noting the absence of Encik Fazrin Azwar Bin Md Nor ("Encik Fazrin") was absent from the Annual General Meeting ("AGM") given that he was to be re-elected as the INED of the Company when the date of the AGM was already fixed in advance, a question was asked as to why he was not present. It was explained to the Members that the AGM's date which was originally in January every year was brought back to December due to the requirement of Bursa Malaysia Securities Berhad to have the constitution of public listed companies tabled for approval before the end of 31 December 2019. The change of the AGM date from January 2020 to December 2019 was the cause of Encik Fazrin not being able to attend the AGM as he was not able to cancel his earlier arrangement made in December 2019.

6) External Auditors

With regards to the re-appointment of auditors, the Board was asked if the Company's auditors had given any concrete and positive suggestions on the business or financial situations of the Company going forward and whether the Audit Committee ("AC") had received any recommendations from them. The Company's External Auditors ("EA") informed the Members that they do not give advice to the Management on any business related matters. Otherwise, there will be a conflict of interest. It was clarified that the duty and responsibility of the EA is to review the financial statements and provide an opinion where the Company's internal auditors are task with giving suggestions or improvement on business related matters. The Members were also informed that AC was satisfied with the EA who are very up-to-date on the MFRS and the requirements of the accounting standards and the updates provided for the Directors.

A Member also enquired if the EA charged any fee for giving advice in particular to matters relating to the changes in MFRS and the requirements of the accounting standards. The Members were informed that unless there is special engagement for specific purposes, there was no extra fee charged.

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