



AT OFFICE SYSTEM®

POH HUAT RESOURCES HOLDINGS BERHAD (443169-X)

PL0 1, Jorak Industrial Area, Mukim Sungai Raya, 84300 Bkt. Pasir, Muar, Johor, Malaysia.
Tel : 606-9859688 Fax : 606-9859212 Home Page : www.pohhuat.com

13 April 2023

The Chief Executive Officer
Minority Shareholders Watch Group
Level 23, Unit 23-2, Menara AIA Sentral,
No 30, Jalan Sultan Ismail,
50200 Kuala Lumpur.

BY HAND

Attention : Mr Devanesan A/L J A Evanson

Dear Sir,

25th Annual General Meeting of Poh Huat Resources Holdings Berhad ("Poh Huat") on 13 April 2023.

We refer to your letter dated 27 March 2023. Kindly find your issues raised in the interest of minority shareholders and all other stakeholders of Poh Huat and our management replied hereunder.

Operational & Financial Matters

- 1) From FY2018 to FY2021, POHUAT's PBT margin stayed below 10%. What were the reasons for the exceptional PBT margin of 15.1% in FY2022? Can the company maintain a double-digit PBT margin in the foreseeable future?

In addition to the better labour and plant utilisation rates, the exceptional PBT margin in FY2022 was also due to the lower raw material costs and favourable USD exchange rates movement during the year. However, we are unable to predict future movements in terms of raw materials prices and exchange fluctuation which may have material impact on the profitability margin.

- 2) POHUAT achieved a record profit in FY2022 with short-term investment, deposits, bank and cash balances totalling RM249.4m with zero bank borrowings as of October 31, 2022. This was a significant improvement from the balance of deposits, bank and cash balances of RM89.9m and RM18.5m in bank borrowings as of October 31, 2018. Yet, the dividend pay-out ratio for FY2022 was the lowest in the recent 5 years as indicated in the table below.

	EPS (sen)	DPS (sen)	Dividend Payout
FY2018	21.47	6.00	27.9%
FY2019	22.91	7.00	30.6%
FY2020	22.14	9.00	40.7%
FY2021	12.16	5.00	41.1%
FY2022	31.72	8.00	25.2%

What is the Board's strategy for managing the growing cash reserves amassed by the Company over the year?

The Board has taken a conservative stance to conserve cash and financial resources to ensure that the Group can sustain operations and its workforce in the medium term. This is especially important that the growth momentum for the global furniture market is expected to slow as the surge in demand for furniture during the lockdowns is reversing now. We are cautious of the prospects of the global furniture trade and its impact on our operations and financial results of the Group for the current financial year.

Does the Board intend to increase the future dividend pay-out ratio?

The Company does not have any formal dividend policy.

- 3) The Group's workforce in Vietnam has declined from close to 3,000 people (page 6 of Annual Report 2021) to more than 2,000 people (page 6 of Annual Report 2022). In FY2022, the Vietnam operations reported worker turnover of 1,982 and new hires of 1,065 (page 40 of Annual Report 2022). What is the current workforce situation in Vietnam? Is the investment made in automation and upgrading of manufacturing process sufficient to address the significant decline in workforce?

We have experienced reduced orders for furniture over the last several months in Vietnam. We have adjusted our workforce to reflect the lower level of activities. We have about 1,700 workers in Vietnam in March 2023 as compared to 2,037 workers in October 2022. We have over the years invested in automation to reduce reliance on manual labour and we will continue to do so in the future.

- 4) "On 30 March 2022, PHW Properties Sdn. Bhd., a wholly-owned subsidiary of the Company ("PHW") and Kini Superstore (M) Sdn. Bhd., the co-owner ("Kini"), entered into a joint venture agreement with Sawit Warisan Sdn. Bhd. ("Sawit") to develop a total of 5 plots of land held by PHW and Kini into a commercial project comprising of double-storey and three-storey shop-office. PHW and Kini shall be entitled to 48% of the total sales value of all the building comprised in the commercial project. The distribution between PHW and Kini shall be at rate of 52% for PHW and 48% for Kini." (Page 106 of Annual Report 2022).

- i) What is the estimated gross development value for the project?

The gross development value is estimated at RM82 mil.

- ii) What is the current status of the project?

We have obtained the approval in principle from the State government.

- iii) What is the total land size of the 5 plots of land?

Total land size of the 5 plots of land is 4.40 hectare.

- iv) Where is the exact location of the project?

The exact location is listed in the first property on page 108 of the Annual Report 2022. It is located in the growth area in Muar, along the eastern side of new Muar By-Pass main road, and about 200 metres to the south-eastern of the traffic lights junction of Jalan Bakri with the Muar By-Pass.



- v) Is PHW's entitlement tied to the take-up rate of the property project?
No. PHW will be allotted the agreed number of units in the manner provided in the joint venture agreement.
- vi) What is the schedule of payments for PHW's entitlement?
No payment by Sawit unless PHW opts to dispose any of the units allotted.
- vii) What are some of the key factors that could contribute to the success of the development project?
Sawit is a reputable and reliable property developer in Muar. It has more than 20 years of property development experience and has completed thousands of residential and commercial units in Muar.
- viii) What is the total investment cost for POHUAT in the 5 plots of land?
Total investment cost for PHW, as per page 108 of the Annual Report 2022, is RM8.769 million, representing 52% of the total land value. No further investment costs needed from PHW and Kini. All development and construction costs will be funded by Sawit.
- ix) What is the projected profit that could be generated from the joint venture for the land development and what is the expected compound annual return on the investment?
Based on the gross development value of RM82 million and to be completed within the next 5 years, PHW is estimated to receive RM20.5 million should we dispose all the allocated units. Projected profit from the investment is RM11.7 million. The compound annual rate or internal rate of return is 18% per annum.
- x) Are there plans for POHUAT to invest in vacant lands in the future?
We have no immediate plans to do so but open to acquisitions if the need or opportunity arises.

Corporate Governance Matters

- 5) Practice 13.6 of Malaysian Code on Corporate Governance 2021: Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

POHUAT's response: The full minutes of the previous Annual General Meeting ("AGM") were uploaded on the Company's website within 30 business days after conclusion of the AGM. This timely uploading enabled shareholders who were unable to attend the AGM to be fully apprised of what transpired at the AGM, including the Board's responses to questions raised by shareholders and the outcome of the resolutions, which were voted by way of a poll.

MSWG's comment: The Company published on its website minutes of AGMs and letters to MSWG, which addressed questions raised by MSWG at the AGMs. However, questions raised by other shareholders, together with the responses from the Company at the AGMs were not uploaded on the website. Paragraph 9.21(2b) of Main Market Listing Requirements obliges listed issuer to publish on its website a summary of the key matters discussed at the AGMs, as soon as practicable after the conclusion of the AGMs.

We take note and will upload the relevant information on the Company's website not later than 30 business days after AGM.



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Please feel free to contact our Company Secretary should you require further clarification. Thank you.

Yours faithfully,

Poh Huat Resources Holdings Berhad

Tay Kim Huat

Group Chief Executive Officer