

ORIENTAL HOLDINGS BERHAD (5286U)
(Incorporated in Malaysia)

Extract on key discussion matters from the minutes of the Fifty-Sixth Annual General Meeting (“AGM”) of stockholders of Oriental Holdings Berhad (“OHB” or the “Company”) held at Sri Mas Ballroom, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 Penang on Thursday, 7 June 2018 at 2:30 pm

- 1.2 Datuk Chairman then invited Mr Wong Tet Look, Adrian (“Mr Adrian Wong”), the Group Chief Financial Officer to read out the replies to the written queries from Minority Shareholders Watchdog Group (“MSWG”) as follows:

Strategic & Financial Matters

1. In relation to the Group’s Hotels & Resort Division on pages 31 and 32 of the Annual Report, please explain the Company’s plans to improve occupancy rate for hotels with 60% or lower occupancy rate, i.e. 30 Bencoolen, Bayview Mallaca, Bayview Georraphe Resort and Wairakei Resort Taupo.

Answer:

For 30 Bencoolen, the decline in occupancy rate was due to late reopening of the hotel on 28 October 2017 post refurbishment. Further, certain levels remained closed as these levels were under defect checking during the initial hotel opening period. The performance has rebounded as the hotel has achieved 92% average occupancy rate during Q1 FY2018.

Measures taken to enhance the occupancy rates include participation in MICE (Meetings, incentives, conferences and exhibitions) and the Corporate Free Independent Tourist (FIT) web portals, as well as revamp of hotel’s website.

2. As stated on page 34 of the Annual Report, under the Healthcare Division, the operating loss has decreased to RM15.9 million (2016: RM20.6 million).

(i) When does the Company expect the Healthcare Division to breakeven?

Answer:

The Healthcare segment is expected to breakeven by 2020. The segment achieved positive EBIDTA (earnings before interest, depreciation, tax and amortization) in Q1 FY2018 (RM1.6 million), ahead of industry standard of about 5 to 7 years. The hospital was launched officially in January 2015.

(ii) What is the target percentage profit contribution to the Group in the next 3 to 5 years?

Answer:

Healthcare segment is expected to contribute positively to Group earnings by 2022.

3. Under Note 10 page 123 of the Annual Report, the revenue and the Group’s share of profit from continuing operations of Honda Autoparts Manufacturing (M) Sdn Bhd has dropped drastically to approximately RM130.8 million (2016: RM569.8 million) and RM2.7 million (2016: RM25 million) as at 31 December 2017, respectively.

- (i) What are the reasons for the huge drop in revenue and the Group's share of profit from continuing operations of Honda Autoparts Manufacturing (M) Sdn Bhd?

Answer:

The huge drop in revenue of Honda Autoparts Manufacturing (M) Sdn Bhd ("HAP") was mainly due to completion of its manufacturing contract for a customer. As such, its earnings was impacted as well.

- (ii) What is the outlook and prospect of Honda Autoparts Manufacturing (M) Sdn Bhd, moving forward?

Answer:

Moving forward, OHB is given the understanding that HAP will focus on Replacement Market (REM).

4. On page 133 of the Annual Report, under Note 17, approximately RM79.3 million (2016: RM7.7 million) cash was placed in unit trust money market funds.

- (i) What was the reason to increase the placement of cash in unit trust money market funds?

Answer:

The unit trust money market funds served as a temporary holding location for excess funds prior to use for operational, investment or dividend purposes. The increase in placement of cash in such funds was due to better returns as compared to fixed deposits.

These funds are managed by bankers and focus mainly on fixed income securities and money market.

- (ii) Please comment on the risk and returns of the said placement.

Answer:

Main key benefits include:

- Dividend income received from the above unit trust funds are exempted from income tax (which is currently imposed at the rate of 24%);
- Better rates of return as compared to overnight policy rates and fixed deposit placements; and
- High liquidity as the returns are available monthly for reinvestment purposes.

Annualised return	2012	2013	2014	2015	2016	2017
United Cash Fund	3.15%	3.11%	3.23%	3.58%	3.57%	3.37%
Overnight Policy Rate	3%	3%	3.25%	3.25%	3%	3%
Effective FD rate (after tax)	2.25%	2.25%	2.44%	2.44%	2.28%	2.28%

The risk associated is minimal as the funds are highly liquid and there is no default or delay in payment of interest and principal since inception of investment in 2012.

5. We note that under Note 19 on page 136 of the Annual Report, the current secured revolving credit and term loans increased to approximately RM865.8 million (2016: RM651.2 million) and RM3.8 million (2016: RM1.7 million), respectively.

Answer:

The increase in secured revolving credit of RM 214.6 million was mainly funds for use by Plantation segment for:

- a) Purchase of fixed assets and operating costs for the five companies under development in South Sumatra, Indonesia.
- b) Purchase of a commercial property along Collins St, Melbourne CBD, Victoria, Australia.

The increase in term loans by RM 2.1 million represents the current portion of a term loan for the purchase of a commercial property in Melbourne as mentioned above.

6. The Group's cash and cash equivalent as at end of 2017 is approximately RM3 billion (page 66 of the Annual Report). As such, please explain the need to increase borrowings when there are substantial cash and cash equivalents.

Answer:

The cash reserves in the Group are held by subsidiaries in different countries to fund their respective operation and business expansion plans. It is our Group practice for the respective subsidiaries to maximise the returns on their cash.

Generally, the Group earns better rates of return on its cash and cash equivalent with the rates higher than its cost of borrowings.

The increase in borrowings is mainly by the Plantation segment. Unique to the industry, there is a gestation period of about 7 years - from the time of planting to the time that the palms are able to generate a healthy cash flow.

Corporate Governance Matter(s)

1. Practice 4.1 of Malaysian Code on Corporate Governance ("MCCG") which require Large Companies to have majority independent directors.

Under paragraph 3.2C (b) of Practice Note 9 of the Main Market Listing Requirements, a Large Company must disclose the timeframe required to achieve the application of the Practice. There is no such disclosure in the Corporate Governance Report.

Please take note of this.

Answer:

We take note of MSWG's comment.

2. The Company in its Corporate Governance Report (page 36) has stated that the summary of key matters discussed at the previous AGM has been disclosed on the Company's website as required by the Listing Requirements. As at 4 June 2018, the summary of Key Matters Discussed at OHB's AGM held in 2016 was not disclosed on the Company's website.

Please explain.

Answer:

Summary of key matters discussed at AGMs held on or after 1 July 2016 onwards are required to be published on listed issuers' websites.

We had published a summary of key matters discussed at the 55th AGM held in 2017 on our corporate website under "Announcement & News" category previously.

Recently, we had revamped our corporate website to ease access and information on AGM is now reorganised under a sub-heading as part of the Investor Relations tab.

3. In relation to the circular to shareholders for the proposed adoption of the Company's new Constitution, please highlight the material changes made to the new Constitution.

Answer:

The material changes proposed in the new Constitution include, among others:

- a) The deletion of the concept of authorized share capital, nominal value of the share capital and share premium account following introduction of no-par-value regime under the Companies Act 2016;
- b) Inclusion of benefits payable to the Directors from the Company and of its subsidiaries including any compensation for loss of employment of Director or former Director where these benefits payable shall from time to time be determined by the Company in general meeting;
- c) Notice of Meeting can be sent via hard copy/ electronic form or partly in hard copy and partly in electronic form and a notice of a general meeting or Document (as defined) shall not be validly given by the Company by means of a website unless a notification to that effect is given;
- d) Limit number of proxies that can be appointed by stockholders to not more than two (2) where the appointment of more than 1 proxy will be valid only when percentage of holdings by each proxy is determined;
- e) Meeting can be held at more than one (1) venue. The Company shall hold its general meetings within Malaysia and such general meetings within Malaysia at more than one (1) venue using any technology that allows all members a reasonable opportunity to participate and such general meetings shall be held at such time, day and place as the Directors shall determine.

1.3 Datuk Chairman then invited any accounting related questions from the floor pertaining to the AFS for FY2017.

1.4 Mr Lee Teik Jin noted the increase in dividend rate compared to FY2016 and enquired the determination of dividend rate and why the amount of dividend was about the same as previous year despite the higher rate proposed.

Datuk Chairman informed that dividend rate was proposed based on the financial performance of the Group for the relevant year. Mr Adrian Wong added that the total dividend paid for FY2016 was 20 sen whereas 40 sen was proposed for FY2017 as stated in the AFS. He explained that the amount shown on page 147 of the Annual Report 2017 dated 30 April 2018 was for dividend paid during FY2017. Basically, the disclosure was in respect of the relevant financial year. The 20 sen special dividend to be tabled later would be disclosed in the AFS for FY2018.

1.5 Mr Toh Hock Chooi enquired if the new Constitution for the Company to be tabled later was of a standardized format. Ms Ong informed that the Constitution of the Company was not in a standard format as it was customised to suit the Company.