

ORIENTAL HOLDINGS BERHAD (5286-U)

Stock Name : **ORIENT**
Type : **TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS)
RELATED PARTY TRANSACTION**
Subject : **PROPOSED SUBSCRIPTION OF REDEEMABLE PREFERENCE
SHARES IN SUBSIDIARIES**

1. INTRODUCTION

Oriental Holdings Berhad (“OHB”) wishes to announce the subscription of Redeemable Preference Shares (“RPS”) at an issue price of RM1 each totaling RM70,000,000 in tranches in its wholly owned subsidiary, Oriental Rubber & Palm Oil Sdn Berhad (“ORPO”). In turn, the fund in ORPO will be used for onward subscription of RM70,000,000 RPS at an issue price of RM1 each in tranches in its 51% owned subsidiary, Oriental Boon Siew (M) Sdn Bhd (“OBS Malaysia”) (“Proposed Subscription”).

2. INFORMATION ON OHB, ORPO AND OBS MALAYSIA

2.1 OHB was incorporated in Malaysia under the Companies Ordinances 1940-1946 on 24 December 1963 as a limited company known as Oriental Holdings Limited. On 15 April 1966, OHB assumed its present name as a company limited by stocks.

The Company is principally engaged in investment holding and provision of management services. Its present issued share capital is RM620,393,638 comprising 620,393,638 ordinary stocks inclusive of 31,808 treasury stocks.

2.2 ORPO, a limited liability company, was incorporated in Malaysia under the Companies Ordinances 1940-1946 on 29 December 1965. It is wholly owned by OHB. Its present issued share capital is RM30 million representing 30,000,000 ordinary shares. The principal activities of the Company are cultivation of oil palm, investment holding and leasing of land for car park. The Directors are Datuk Loh Kian Chong, Dato’ Robert Wong Lum Kong, Dato’ Seri Loh Cheng Yean, Khoo Kay Jee, Tan Hui Ming, Dato’ Lim Kean Seng, and alternate Directors, Datin Loh Ean and Lim Ee Hean.

2.3 OBS Malaysia, a limited liability company, was incorporated in Malaysia on 21 September 2007 under the Companies Act 1965. It is a 51% subsidiary of ORPO and the balance of 49% is owned by Boontong Estates Sdn. Bhd. (“BESB”). Its present issued share capital is RM339,000,000 representing 339,000,000 ordinary shares. The Company is principally engaged in land reclamation and investment holding. The Directors are Datuk Loh Kian Chong, Dato’ Robert Wong Lum Kong, Tan Kheng Hwee, Dato’ Lim Kean Seng, Dato’ Sri Datuk Wira Tan Hui Jing and alternate Directors, Dato’ Seri Loh Cheng Yean, Datin Loh Ean, Dato’ Seri Lim Su Tong, Dato’ Dr Tan Chong Siang and Wong Tet Look.

BESB is indirectly owned by Boon Siew Sdn Bhd, a major stockholder of OHB holding 43% interest.

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3. RATIONALE FOR THE PROPOSED SUBSCRIPTION

The Proposed Subscription in stages is funded from the internal reserves of OHB. The Proposed Subscription in ORPO for its onward subscription in OBS Malaysia is for working capital purposes and this will indirectly improve shareholders' wealth through minimising high cost borrowings leading to a concentrated focus on its business and operational development and future plans. Essentially, OHB Group is able to utilise its available funding to the benefits of its subsidiaries as well as to allow the company concerned to redeem the RPS as and when necessary. The above transaction would also address the inability of OBS Malaysia to obtain bank borrowings on clean basis on its own at this juncture in time.

4. FINANCIAL EFFECTS OF PROPOSED SUBSCRIPTION

The Proposed Subscription will not have any effect on the issued share capital and substantial stockholders' stockholding of OHB. The transaction is not expected to have any material impact on Group's earnings, net assets and gearing of OHB for the financial year ending 31 December 2019.

The highest percentage ratio applicable to the aggregated transactions as per pursuant to Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 1.57%.

5. SALIENT TERMS OF THE AGREEMENT

No formal agreement has been entered into except the form of application of shares issued by ORPO and OBS Malaysia.

6. APPROVAL OF SHAREHOLDERS AND RELEVANT GOVERNMENT AUTHORITIES

The Proposed Subscription is not subject to approval of any relevant regulatory authorities or the Company's stockholders except the approval of the shareholders of ORPO and OBS Malaysia.

7. INTEREST OF DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH DIRECTORS OR MAJOR SHAREHOLDERS

None of the Directors and / or major stockholders and / or person connected with a Director or major stockholder have any interest, direct or indirect, in the Proposed Subscription, save as disclosed below:

(a) BSSB is a major stockholder of OHB holding 43% stake;

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- (b) The Directors, namely, Datuk Loh Kian Chong, Dato' Robert Wong Lum Kong, Dato' Seri Lim Su Tong, Ms Tan Kheng Hwee and Dato' Sri Datuk Wira Tan Hui Jing (collectively "Interested Directors") are also indirect shareholders of BSSB via their respective owned family companies

The Interested Directors have abstained from deliberation and voting on the Proposed Subscription at Board level.

8. RISKS FACTORS

The Board does not envisage any specific risk associated with the Proposed Subscription, as the Board is of the view that, barring any unforeseen circumstances, the respective subsidiaries will be able to service their obligations as and when these fall due.

9. STATEMENT BY THE AUDIT COMMITTEE AND BOARD OF DIRECTORS

The Audit Committee formed the view that the Proposed Subscription is in the best interest of the Group, fair, reasonable and not detrimental to the interest of the minority shareholders.

The Board of Directors (save and except for the Interested Directors) is of the opinion that the Proposed Subscription is in the best interest of the Company as the Group would be utilising its own cash resources to reduce the borrowings of OBS Malaysia resulting also in interest savings for the Group as well as to allow the company concerned to redeem the RPS as and when necessary.

10. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTY FOR THE PRECEDING TWLEVE (12) MONTHS

The total amount transacted with the same related party for the preceding 12 months including the Proposed Subscription is RM95.09 million.

11. ESTIMATED TIME FRAME FOR THE COMPLETION OF THE PROPOSED SUBSCRIPTION

The Proposed Subscription in tranches is expected to be completed within a year from the date of this announcement.

This announcement is dated 4 February 2019.