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

Extract on key discussion matters from the Minutes of the Fifty-Seventh Annual General Meeting ("AGM") of stockholders of the Company held at Sri Mas Ballroom, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 Penang on Wednesday, 12 June 2019 at 2:30 pm.

1. To receive the Audited Financial Statements for the year ended 31 December 2018 together with the Directors' Report and Auditors' Report thereon

1.1 Datuk Chairman informed that the Audited Financial Statements ("AFS") for the year ended 31 December 2018 ("FY2018") together with Reports from the Directors and Auditors ("Statements and Reports") have been circulated to stockholders earlier.

1.2 He 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 Watch Group ("MSWG") as follows:

Strategic & Financial Matters

1) As reported in the Chairman's Statement on Page 24: moving forward, the Group will continue its focus on expanding the Automotive and Plantation segments, venture into the retail pharmacy and transitional care center management under the Healthcare segment and further diversity into property investment abroad to provide long term income streams in future.

a) Please brief on the major achievements or progress made in each of the segments.

Answer:

Major achievements made by the Automotive, Plantation and Healthcare segments are as summarized in the following manner.

AUTOMOTIVE SEGMENT:
Segmental growth (in RM) over the comparative financial years ended 31 December 2017 ("FY 2017") and FY 2018 is tabulated below:

Geographical segments	2018		2017		
	RM	%	RM	%	+/(-)
Revenue from Auto:	4.7B		4.6B		2.1%
Singapore	3.1B	65%	2.9B	64%	6.9%
Malaysia	1.6B	34%	1.6B	35%	(1.9%)
Others	46M	1%	52M	1%	(11.5%)

The performance of the 2 key marques (Honda & Mitsubishi) represented by the Automotive division in its key markets of Singapore and Malaysia is summarized below:

	Singapore			Malaysia		
	2018	2017	+/(-)	2018	2017	+/(-)
Operating Profit:	354M	237M	49.8%	52M	36M	43.8%
Sales Volume:						
Total Industry Volume ("TIV")	80,281	91,922	(12.7%)	598,714	576,635	3.8%
Total Honda Volume	15,040	16,013	(6.1%)	102,282	109,511	(6.6%)
Honda % of TIV	18.7%	17.4%		17.1%	19.0%	
Total Mitsubishi Vol.	-	-		9,261	7,034	31.7%
Mitsubishi % of TIV	-	-		1.5%	1.2%	
We sold: Honda	8,468	7,164	18.2%	11,729	12,943	(9.4%)
We sold: Mitsubishi				997	748	33.3%
% of Honda Vol.	56.3%	44.7%		11.5%	11.8%	
% of Mitsubishi Vol.	-	-		10.8%	10.6%	

Retail operations in Singapore was aided by significant growth year-on-year (YoY) for certain Honda models such as Jazz, Civic and C-RV. Improvement in gross profit margin was also attributed to favourable pricing for Certificate of Entitlement ("COE").

As for retail operations in Malaysia, sales grew for certain Honda models such as City and C-RV. The 43.8% significant increase in operating profit during FY2018 included gain from government's compulsory acquisition of land with certain compensations made totaling RM13 million. Excluding the gain, operating profit for FY2018 was RM39M, up 8.3% from FY2017.

As part of the continuous expansion program, works are in progress in upgrading certain Honda outlets (Puchong and Selayang in Selangor and Ipoh, Perak as well as Kota Kinabalu, Sabah) from 3S to 4S Centres incorporating body and paint services.

Plantation segment:
The focus of the **Plantation segment** is consolidation. The replanting program, initiated in 2016, is to improve the age profile of mature plantations in Indonesia and Malaysia by 2021. Efforts are ongoing to plant more hectares in the developments in South Sumatra, Indonesia. The first CPO (crude palm oil) mill in South Sumatra is under construction and expected to be commissioned in early 2020. Together with three other mills on Bangka Island, Indonesia, total operating capacity will be increased from 240 MT per hour to 320 MT per hour.

At the same time, the segment's diversification into **real estate property investment** has achieved another milestone with the completion of the serviced apartment and commercial complex at Burwood East, Victoria, Australia.

The development was completed ahead of schedule with the issuance of the occupation permit on 9 April 2019. Management has inked a lease agreement for Quest Apartment Hotels to manage the property with operations commencing on 20 May 2019.

Healthcare segment:
The segment has expanded its activities to include pharmaceutical and transitional care management services. The setting up of the first pharmacy under Star Life Pharma Sdn. Bhd. is ongoing and operations is expected to commence in Q3 FY2019.

At the same time, the medical centre in Melaka is been renovated to house the transitional care services with activities to commence business by late 2H FY2019.

b) On the property management abroad, which countries and types of properties is the Group targeting?

Answer:

Tenanted commercial properties in countries with established laws will be of interest to the Group.

2) On Page 25 (MD&A), it is reported that overall number of cars sold for Honda and Mitsubishi brands recorded a decrease of 9.4% and increase of 33.3% respectively. On Page 27, it is stated that the stringent control on hire purchase loans by financial institutions for new and used cars coupled with the Bank Negara Malaysia announcement of an increase of the Overnight Policy Rate (OPR) by 25 basis points to 3.25% in January 2018 will remain as main challenges to the Automotive segment.

a) What were the reasons for the decrease in cars sold for Honda and what is the outlook for 2019?

Answer:

Although Total Industry Volume ("TIV") in 2018 was 598,714, up 3.8% from 576,635 in 2017, the volume of Honda cars sold by the Group was 11,729, down 9% from 12,943 in 2017 as the principal, Honda Malaysia Sdn. Bhd. ("Honda Malaysia") was not able to meet the surge in demand caused by the three month GST holiday given that production planning was done much earlier. Delay in price structure approvals for popular models also delayed sales launch towards the end of 2018.

The outlook for automotive sales for 2019 will be impacted by the uncertainties and volatilities caused by the geopolitical and trade tensions and the tightening financials conditions on the global and domestic economies.

The soon to be unveiled National Automotive Policy ("NAP") will also be a determinant on the outlook for 2019.

The principal, Honda Malaysia has forecasted 2019' TIV of 580,000 units, less than the Malaysian Automobile Association's forecast of 600,000 units.
In addition, Honda Malaysia has set their sales target for 2019 at 95,000 units in line with the conservative TIV forecast.

b) With the recent decrease in OPR by 25 basis points announced by Bank Negara Malaysia, what has been the impact on car sales and what is the expectation for the whole of 2019?

Answer:

We maintain a cautious optimism for 2019 in the hope that things will work out well, bearing in mind that much of the causes for the uncertainties are beyond our control and that consumers will prioritize their needs more so under difficult times.

We will however continue to work with our brand principals to improve the range of models available, improvement to sales and after sales facilities as well as customer services.

3) On Page 28 (MD&A), it is reported that the Group's plantation segment recorded an operating loss of RM 17.3 million, a 119.4% drop from the preceding year's operating profit of RM 89.0 million. The decline in performance was attributed to the volatility and decline in commodities prices throughout and especially towards the end of FY2018 and the unrealised foreign exchange losses on the JPY borrowings.

a) What were the differences in sales volume and average price between the two years?

Answer:

The sale volume and average price between the two years are as shown below:

	2018	2017	Variance	%
Sales volume, CPO (MT)	218,958	196,520	22,438	11.42
Average price (RM/MT):				
- **FFB**	367	506	(139)	(27.47)
- **CPO**	2,012	2,589	(577)	(22.29)
- **PK**	1,536	2,189	(653)	(29.83)

b) How much of the loss was attributed to unrealized foreign exchange losses on JPY borrowings?

Answer:

The loss attributed to unrealized foreign exchange ("forex") losses on JPY denominated borrowings was RM97.5M (FY2017: unrealized forex losses of RM42.9M).

This resulted from the 8.9% weakening of IDR against the JPY. (Dec 2018: JPY1 = IDR131.13 compared to Dec 2017: JPY1 = IDR120.46).

c) When is the plantation segment expected to turn profitable?

Answer:

In FY2018, excluding the unrealized forex losses of RM97.3M, the Plantation segment has achieved segmental profit of RM80.0M.

Going forward into FY2019, the Plantation segment has delivered segmental profit of RM46.1 million for Q1 FY2019 notwithstanding incurring unrealized forex gain RM26.2M for the same period.

4) As stated on Page 29 (MD&A), given that many factors are beyond the Group's control, cost control, improvements in all round productivity and efficiency, and prudent treasury management will be key measures to enhance the bottom line. The Group prioritises controlling costs and yield improvement through better agronomic administration, reorganising harvesting operations, optimising usage of vehicles/mechanisation to alleviate labour shortages as well as instituting quality control for field works.

Please brief on major achievements made and cost savings realized.

Answer:

Cost control and yield improvements have always been a top priority in our Plantation operations.

Our Group has introduced automation in the areas such as fertilizer applications, in-field FFB (fresh fruit bunches) collection, pest and disease control, and field upkeep. This mechanisation project has resulted in lesser workers required in operations. This has 2-pronged impact of overcoming acute labour shortage and rationalise production costs.

In addition to automation, we have also successfully implemented environmentally friendly biological control measures using Barn owls to control Rat damage in the field.

The mechanisation and automation of mill applications and processes not only reduces the work force and labour costs but also improves overall productivity and efficiency and minimising wastages, oil loss.

Improvement of yield and productivity is the best way to bring down the production cost. Measures to improve yield and productivity include:-

Beside fertilizer input, there is extensive use of EFB ("Empty fruit bunches") mulching in the field as the best low cost option to sustain yields during the dry season. It gives extra nutrient to the palms.

Proper implementation and maintenance of water management and drainage systems. Palms will always benefit with sufficient water supply to provide more consistent yields in spite of the uneven rain pattern.

Prompt pruning and proper frond stacking methods.

As for our long term plan, we have started to replant the old and low yielding fields with zero burning replanting method. With the introduction of this new replanting program, we are confident that the new planting material and well organised replanting process will lead to better and more consistent yield in future.

5) We note on Page 154 that impairment loss on property, plant and equipment increased from RM 2.1 million in FY2017 to RM 23.9 million in FY2018.

What were the specific reasons for the significant increase in impairment loss and is it there a likelihood of further substantial impairment in FY2019?

Answer:

The increase in impairment on PPE (property plant and equipment) was mainly the result of the impairment loss assessed with the assistance by professional valuers on the bearer plants in one of the Indonesian palm oil plantations for which the recoverable amount from its cash generating unit is assessed to be lower than its carrying amount of assets. Please refer to page 110 of the annual report for disclosures made.

6) We note that for years the Group has very substantial cash balances. The Group's cash and cash equivalents increased from RM 3,040.6 million in FY2017 to RM 3,625.0 million in FY2018. As at end of FY2018, the Group has outstanding borrowings of RM 1,918.3 million.

Considering that the Group's cash balance is so substantial, will the Board consider declaring much higher dividends? Alternatively, will the Board consider using the substantial cash to reduce the borrowings as the interest rates payable on the borrowings are higher than the interest rates earned on deposits placed with the financial institutions?

Answer:

Efforts have been and will be taken to maintain a fair and equitable dividend payout annually on a sustainable basis after taking into consideration business environment, group performance, plans for business development and capital expenditure.

The Board believes that dividend pay-out record to date has and will provide the Group with a sustainable future.

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

The bulk of the JPY borrowings for the continued development of the plantations in South Sumatra, Indonesia are secured by IDR denominated fixed deposits. This arrangement has allowed the Group to earn much better rates of return on its cash deposits than the cost of its borrowings.

Corporate Governance Matter(s)

1) Based on the Corporate Governance ("CG") report of the Company on the application of the Practices under the Malaysian Code on Corporate Governance ("MCCG") 2017, please provide clarification on the following:

   a) Practice 4.1 – At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

      ORIENTAL's response: Departure

      MSWG's comment:
      There is no timeframe set.

      Answer:

      The Board take note of the comment.

      The Board is satisfied with the current Board composition and believes that the decisions taken had been made objectively and always in the best interest of the Company and the Group, as applicable, taking into account diverse perspectives and insights.

      The Nominating Committee and the Board have and will continue to assess the individual Directors and Board' performance with the aim to improve the effectiveness, efficacy and objectivity of the Board.

      The Board will consider appointment of more Independent Non-Executive Directors if deemed necessary to improve Board efficacy and without undue disruption or making unwieldy changes to its Board composition.

b) Practice 4.3 – Step Up – The board has a policy which limits the tenure of its independent directors to nine years.

ORIENTAL's response: Not adopted

<u>MSWG's comment:</u>
Considering that the Company has one independent director with tenure exceeding 9 years (and one who will exceed nine years by next year), the Company should consider having a policy which limits the tenure of its independent directors to nine years.

Answer:

The Board has a policy that restricts the cumulative (consecutive or intermittent) tenure of Independent Non-Executive Directors to 9 years. In the event the Board intends to retain the said Director as independent after the latter has served a cumulative term of 9 years, the Board will justify the decision and seek shareholders' approval at the general meeting.

c) Practice 5.1 – The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluation.

ORIENTAL's response: Departure

<u>MSMG's comment:</u>
There is no timeframe set.

Answer:

The Board take note of the comment.

The objectivity and independence of the performance assessment are, to a large extent, preserved as the results of assessments for the past 3 financial years are compiled, summarized and presented to the Nominating Committee and the Board by an external consultant.

The Nominating Committee will review the effectiveness of the current performance assessment conducted and make recommendation for the engagement of independent experts to guide in the annual assessment of the Directors, Board Committees and the Board, if deemed necessary.

d) Practice 11.2 – Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

ORIENTAL's response: Departure

MSMG's comment:
There is no timeframe set.

Answer:

The Board take note of the comment.

The Board will look into enhancing the disclosures in OHB's Annual Report and Sustainability Report going forward taking into consideration the requirements of integrated reporting based on a globally recognized framework.

1.3 Datuk Chairman thanked Mr Adrian Wong and proceeded to inform stockholders that there were 9 written queries received from Mr Balan A/L Thanapalasingam. The management screened out the response to the queries as follows:

1) How many companies in the group are involved in the land reclamation in Malacca?

Answer:

2 companies within the Group, namely, Ultra Green Sdn. Bhd. ("UG") and Oriental Boon Siew (M) Sdn. Bhd. ("OBSM") are involved in the land reclamation project in Melaka.

2) The paid up capital of each company?

Answer:

OBSM is capitalized at RM339 million whilst UG is capitalized at RM129 million.

3) How many capital expenditure incurred by the company involved on year basis?

Answer:

Since commencement of the reclaimed works, UG had spent RM169 million whilst OBSM had incurred RM380 million on capital expenditure in connection therewith.

4) As at to-date, how many acres of land have been reclaimed?

Answer:

The approved concession was for 1,125 acres and 985 acres had been reclaimed to-date. The reclaimed land included land alienated to the Melaka state government, construction of infrastructure and highway as well as payment in lieu to the appointed contractor for the reclamation project.

5) On yearly basis, how many acres of land reclaimed and sold?

Answer:

As at to-date, approximately 25 acres was sold to Melaka Straits Medical Centre Sdn. Bhd. in 2014 for the establishment of the Oriental Melaka Medical Centre.

6) As at to-date, any infrastructure and bridges being built on the reclaimed land?

   Answer:

   As at to-date, UG had surrendered a highway and 6-km bridge spanning across the reclaimed land and the Sungai Sri Melaka together with a main distribution sub-station and main sewage treatment plant with network of sewage piping to the local authority.

7) Do these subsidiaries companies involved made any profit from the reclaimed?

   Answer:

   As there is no other sale of the reclaimed land (save for the response to query 5 earlier) to-date, the plan is to hold the land until development of a master plan and or outright land sale at attractive pricing.

8) Do these subsidiaries companies require to borrow money to finance the project?

   Answer:

   Thus far, the reclaimed project is financed by internally generated funds from within the Group.

9) As per agreement with the state government, are all these reclaimed land on leased hold basis and how many years is the leasehold period?

   Answer:

   All these reclaimed land are under lease holding with a 99-year lease period.

1.4 Datuk Chairman then invited any accounting related questions from the floor pertaining to the AFS for FY2018.

1.5 Mr Toh Hock Chooi enquired whether the new Constitution of the Company adopted earlier was of a standard format. Ms Ong informed that the Constitution of the Company was not in a standard format as it was customised to suit the Company.

1.6 Datuk Chairman thanked the stockholders for their queries and their continued support to the Group. As no further question was raised, Datuk Chairman declared that the AFS of the Company and the Group for FY2018 were duly received by the stockholders and preceded to the next item on the Agenda.