ORIENTAL HOLDINGS BERHAD
Registration No. 196301000446 (5286U)]
(Incorporated in Malaysia)

Extract on key discussion matters from the Minutes of the Fifty-Eighth Annual General Meeting ("AGM") of Oriental Holdings Berhad ("OHB" or "the Company") conducted through live streaming and online remote participation by using Remote Participation and Voting Facilities ("RPV") from the Broadcast Venue at Sri Mas Ballroom, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 Penang on Wednesday, 15 July 2020 at 2:30 pm

Response from OHB to the written queries from MSWG:

STRATEGIC & FINANCIAL MATTERS

1. Honda Malaysia has announced that the prices of selected Honda cars sold in Malaysia will increase by about 5% to 9%, depending on models and variants effective from 21 February 2020 which will further impact car sales performance in 2020 (page 27 of Annual Report 2019 ("AR2019").

(a) Given the above and the Government's recent announcement on sales tax exemption for passenger vehicles, how have these impacted Honda Cars sales to-date?

Answer:

- Testing time for Honda marque: price increase effective just before seriousness of Covid-19 escalated to pandemic level by WHO on 11 March 2020.
- All offices, car showrooms and after sales service outlets in Singapore and Malaysia were closed during the prolonged MCO and CB.
- Uptick in showroom traffic, sales enquiries and bookings due to:
  - announcement of sales tax exemption
  - lowering of hire-purchase interest rates in tandem with reduced OPR rate (overnight policy rate) to 1.75%
- The level of business activities is likely subdued given the uncertainties over the sustainability of businesses.
- With two new models to be launched by Honda Malaysia during the second half of 2020, we are cautiously optimistic that we will be able to make up for the loss time and achieve a respectable performance for 2020.

(b) How does the Group plan to remain competitive in the automotive industry in this new normal business environment?

Answer:

- Adapt to the new norm of working.
- Moved on aggressively to social media as main S&P platform in addition to the one-on-one approach as well as showrooms and mall road shows.
- Online requests for after sales services will be further enhanced to deliver customised and improved service level to the customers.

- Review quality of manpower with costs contained where appropriate.
- Upgrade to showrooms and after sales service facilities over time.

2. Kah Bintang Auto Sdn. Bhd. has commenced the used car sales business in June 2019 (page 25 of AR2019).

(a) What is the rationale for commencing the used car sales business?

Complementary and is a natural extension of the new car business.

(b) To-date, how is the performance of the used cars sales business?

Kick-off was during the second half of 2019. Main focus during this start up period was training on the new business model as well as setting up comprehensive policies and procedures.

3. The commissioning of the first palm oil mill in South Sumatra in the first half of 2020 will boost plantation performance going forward (page 31 of AR2019). What is the status of the said palm oil mill in South Sumatra? What is the estimated expected contribution from the said mill, going forward

- The construction of the first palm oil mill in South Sumatra is completed but the commissioning postponed due to lockdown.
- Will increase operating capacity by 80 MT per hour resulting in combined operating capacity of 320 MT per hour. This is in line with the anticipated increase in planted and harvesting hectarage for our plantations in South Sumatra.

4. In relation to the Hotels & Resorts segment, the Group is also experiencing occupancy rate at close to zero while continuing to incur the fixed and semi fixed cost (page 34 of AR2019). Are there any staff-related cost cutting measures to be carried out during the financial year ending 2020 e.g. salary reduction, lay-offs?

- These measures are ongoing in the view of evolving Covid-19 situation as well as to manage excess manpower.
- Clear and effective communication have been conveyed to the affected employees to assist in the transition and mitigate any issue that could arise.

5. Revenue contribution from Healthcare segment was RM73.4 million (2018: RM68.4 million) (page 36 of AR2019). To what extend does health tourism impact the Group's Healthcare segment.

Currently, health tourism has less than 5% impact to our Healthcare segment's revenue.

6. The strategic focus for the Healthcare segment in the year 2020 will include plans to set up retail pharmacy outlets with the first outlet in Melaka targeted to open by first half of year 2020 (page 36 of AR2019).

(a) What is the status regarding the opening of the said retail pharmacy outlet?

First retail pharmacy opened in Melaka on 1 March 2020.

(b) How many more retail pharmacy outlets does the Group plan to set up and what is the estimated timeframe?

Plans are afoot to set up a second outlet in northern region followed by a third branch in the southern region.

7. How has the Covid-19 pandemic impacted the Group's:

(a) Plastic products segment in terms of operations, supply chain and demand?

- Operations were shuttered as not categorised as "essential".
- Resumed operations after approval was received from MITI and is expected to operate at normal capacity this July.
- There has been no major disruption in its supply chain.
- Hopeful that recent announcement on the PENJANA stimulus package on the granting of full exemption on sales tax for locally assembled cars will spur demand for automotive parts supplied by the segment.

(b) Investment properties and trading of building material products segment?

- Greatly affected by full cessation of construction activities nationwide during MCO. The industry is slowly resuming activities.
- CIDB reported that about 84% of 3,282 construction sites are operating within the SOPs to curb spread of Covid-19. Therefore, seen gradual increase in demand for building products since early June 2020.
- Prospect would depend on how fast existing projects could be restarted and on the number of new projects that would come on line.
- Supply of concrete in the central region is still operating below capacity due to limited number of new projects being launched.
- On investment properties, we continue to evaluate requests for rental relief from the tenanted properties.

8. After four consecutive years of growing revenue and pre-tax profit, it recorded a lower revenue of RM5.2 billion and a PBT of RM458.9 million in FY19. Amid the Covid-19 pandemic, the automotive segment remains challenging with stiff competition, while the outlook for the oil palm plantation segment remains uncertain. The Group also experiences close to zero occupancy rate for its Hotel & Resort segment. Will its fundamental strengths and diversified businesses enable it to maintain the decent results going forward?

- These are unprecedented times with structural shifts to domestic and global economies.
- The Group will be able to navigate the challenges from a position of strength:
  - Diversified businesses
  - A healthy net cash position
  - A committed work force led by a dedicated team of Board members
- The Board will use best judgement to restrategise plans to address the new norm for a respectable performance for 2020 and a sustainable growth beyond.

AUTOMOTIVE

- Has solid, long-standing relationship with Honda and are committed to grow and perform well with them in Malaysia, Singapore and Brunei.
- No external borrowings (except for automotive manufacturing) with financial strength to operate in the most cost-effective manner.
- Supported by experienced sales and marketing manpower operating from debt free showrooms and after-sales facilities in strategic locations.

HOTELS & RESORTS

- Average room rates and room occupancy rates have declined significantly and are expected to remain at bearish levels until safe to travel.
- Populated by experienced staff to manage the business.
- Has no borrowings and has the financial strength to expand and to deal with the existing premises which are strategically located.

PLANTATION

- Cautiously optimistic that main drivers for the industry, namely, Demand, Supply and Costs Factors will keep the CPO (crude palm oil) prices at respectable levels for the rest of the year.

HEALTHCARE

- Patient sentiments are expected to gradually improve following the easing of MCO and travel restrictions.
- Focus on strengthening brand awareness and positioning the hospital for sustainable growth.

PLASTIC

- Competitive environment with many domestic industry players.
- Focus on the following to grow performance:
  - Cost rationalisation
  - Productivity improvement and
  - Source for new business ventures
- Hopeful that recent PENJANA stimulus packages announced will benefit its customers and ultimately the segment.

BUILDING MATERIALS TRADING & INVESTMENT PROPERTIES

- Building materials trading
  - A high percentage of significant construction projects have yet to commence largely because of labour, SOP compliance and funding issues.
  - Prospects for the Group's building material business will depend on how fast existing projects will be restarted and on the number of new projects that will come on line.
- Investment Properties segment
  - Continues to evaluate requests for rental relief from its tenanted properties domestically and abroad.

CORPORATE GOVERNANCE MATTER(S)

1. **Non-audit fees increased to RM1.49 million (2018: RM0.56 million). These were paid to the External Auditors of the Company for FY2019 mainly for the services in connection with the Group risk compilation, annual tax compliances and special engagement in the tax audit (page 51 of AR2019).**

(a) What is the reason for the special engagement in the tax audit?

- Tax investigations were initiated on two of the subsidiaries.
- KPMG Tax Services Sdn. Bhd. was engaged to assist and incurred considerable time costs in dealing with the IRB to resolve potential issues.

(b) What was the outcome of the special engagement in the tax audit?

- The IRB agreed to a final settlement:
  - One was issued a tax clearance letter without any adjustment for YAs 2011 to 2016.
  - Another issued a settlement agreement and X2 form (prescribed form) was signed for YAs 2008 to 2016. Thereafter, a composite assessment would be issued by the Director General of the IRB.

    Under Income Tax Act 1967, a composite assessment shall be final and conclusive with no further appeal.

(c) How much of the non-audit fees paid is related to the special engagement in the tax audit?

The amount fees paid in relation to the special engagement in the tax audit totaled RM800K.

Response from OHB to the written queries from Mr Balan A/L Thanapalasingam:

1. The hotel and resorts segment registered a decreased in profit to RM58.7 million and due to the current Covid-19 pandemic, how would the current year profit be and what measure will be taken to sustain the profitability.

- Expect less than stellar performance for this year.
- Much will depend on the containment of Covid-19 pandemic, the recovery of the market conditions as well as lifting of travel restrictions, globally and domestically.
- For now, continue to operate in the most cost-effective manner and aggressively market our rooms and facilities to all markets domestically.

2. Also in the hotel segment on page 34 shown Bayview Hotel Malacca have a reduced in occupancy rate of 57% in FY2019 as compared to 64% in FY2018. I would like to know when this hotel started operation and for the last five years, what is the profit or loss and moving forward what future measure will be taken on this hotel.

- The hotel started operations in 1988.
- Occupancy rates drop due to intense competition from newly opened hotels and other hospitality properties in Melaka for leisure guests and meetings.
- Reported a loss after tax position for the past 5 years.
- Moving forward efforts included:
  - Continuing cost rationalisation measures to maintain productivity and efficiency at optimum level.
  - Initiated attractive promotional activities targeting domestic guests.

3. The group is involved in the land reclamation in Malacca since many years ago, and as at to-date, how many acres of land have been reclaimed. Of the reclaimed land, how many acres have been used for inter related companies, how many acres of land require on surrender to the authorities/ Government, how many acres have been sold (if applicable) and what is the balance of the remaining reclaimed land in acres or square meters or square feet.

4. If the reclaimed land is sold, what is the selling price per square feet. What is the cumulative capital expenditure and is this project profitable over the years.

- Ultra Green Sdn. Bhd. entered into an agreement with the State Government of Melaka on 7 September 1994 to reclaim 1,125 acres of foreshore land at Klebang.
- Reclamation works have been carried out in stages starting in March 2005:
  - As at Q1 FY2020, 985 acres have been reclaimed
  - Balance 140 acres pending relevant approvals

- The Melaka State Government is entitled to 1/6 of the total area of the reclaimed land excluding the land reserved for the main utilities as may be required by the State Government and Local Authorities.
- 25 acres have been sold to another subsidiary for the medical hub.
- The Group owns about 660 acres of the remaining reclaimed lands and will be dealt with once all infrastructure are in place and subject to prevailing economic conditions.
- The reclamation has been carried out with internal funding and in the most cost effective manner. The current market price for the reclaimed lands far exceeds the costs.

5. What is the outlook and future strategies of the Group for the financial year 2020?

- The Group's performance will be impacted by the necessary global and domestic actions taken to contain the Covid-19 pandemic.
- As of now, the outlook is one of cautious optimism.
- Details of outlook and future strategies of the Group have been outlined in the Group's response to MSWG.

Response from OHB to the written queries from Ms Civics Ang:

Q1 As a loyal shareholder I was quite disappointed that the group had incurred 400 million losses in foreign exchange transactions announced in the latest quarterly unaudited financial results, mainly due to Japanese yen-denominated borrowings in its plantation segment. Please provide the quantum of the group Japanese yen denominated borrowings. May I know why the group did not take any possible steps to mitigate this losses? Would the group be suffering the same unrealised exchange losses in the upcoming quarterly results?

There was an inadvertent error in the submission disclosed to Bursa Malaysia Securities Berhad. The RM400 million referred to total comprehensive expenses and not unrealised foreign exchange ("forex") losses as reported. Unrealised forex losses totalled only RM234.5 million and mainly came from JPY denominated loans used by plantation companies.

The nature of the palm oil business with its long gestation period – of about 8 years – requires low-cost financing to fund the development of its concession into plantation until it becomes profitable with positive cash flow. The choice of currency for funding the plantation business is therefore critical to ensure its sustainability given the volatility of the costs of funds. As such, JPY is the preferred currency as it has a low interest rate track record – for over 25 years and is expected to remain low given the peculiarities of the Japanese economy which cannot afford higher interest rates.

Management is of the view that JPY is unlikely to appreciate by the total percentage of interest savings over the 8 years given the interest rate differential between JPY and other currencies. More than 85% of the Group's JPY denominated borrowings are backed by IDR and other currency cash deposits.

We do not speculate in managing our borrowings and we do not borrow for convenience. The Group's JPY denominated borrowings are managed from a position of strength with the ability to settle the loan when we want to.

Q2 The second quarter of year 2020 has just ended, is the group generating profit or incurring losses? Would the losses in the most recent announcement affect the upcoming dividend distributions?

Our Q2 FY2020 results will be announced in August 2020. In line with good corporate disclosure policy, management will refrain from commenting on performance at this juncture in time.

Q3 Refer to the most recent Oriental Holdings Berhad ("OHB") Quarterly report on consolidated results for the financial period ended 31 March 2020 which was announced on 29 June 2020 with a total comprehensive loss attributable to ordinary shareholders of close to 400 million. Then an amendment was made on 30 June 2020 in which the losses was amended to 82million. Why the group has allowed this mistake to happen?

The inadvertent error was due to incorrect data entry into the announcement template and corrected immediately upon our realisation.

Q4 Net assets per share attributable to ordinary equity holders decreased from RM10.74 to RM10.10. Can we say the foreign exchange losses in Japanese denominated borrowings has resulted in the fall of net assets per share?

Forex losses were part of the reason for the drop in the net assets per share. The main cause for the drop was due to the fair value of other investment and other factors as disclosed in Balance Sheet items.

Q5 More than 10 years ago OHB announced the intention to revalue the non current assets (such as land / properties etc.) but since then seems like the group has not put the revaluation of assets into place. May I know if OHB would be conducting a thorough revaluation of all the non current assets to reflect the market value /strength of the company?

The Group holds its properties on long term basis for either own use or further development purposes. The Board will look into the prospect of the properties and issue of revaluation if deemed necessary.

Response from OHB to the written queries from stockholders during the AGM in relation to the audited financial statements for the financial year ended 31 December 2019 ("FY2019"):

Q1 from Saw Hai Earn and responded by Datuk Chairman

Q1 Regarding the financial performance. In view Q1 2020 is dismal and Q2 likely to be even worse, will this badly affect 2020/2021 dividend?

Any proposal for dividend would be reviewed based on Group performance for the year as a whole. With two quarters to go, the Board and management would do their best to navigate the challenges ahead.

The Group would endeavor to maintain a fair and equitable dividend payout annually on a sustainable basis taking into consideration prevailing economic environment, group performance and our plan for business development.

Q2 from Saw Hai Earn and responded by Datuk Chairman

Q2 Which segment of the business is most affected by the lockdown / Pandemic and how is the management mitigating the overall performance of the group?

Our Group CFO has elaborated on the impact of the Covid-19 pandemic to the Group in his earlier response to MSWG.

Do note that response to MSWG and stockholders would be uploaded to our corporate website under the Investor Relations tab marked as (AGM).

Q3 from Felicia Ong Hui Thean and responded by Datuk Chairman

Q3 What is the forecast for FY2020?

The Group does not issue forecasts for its financial results.

The 1st half of 2020 has been impacted by Covid-19 pandemic. However, the Board remained hopeful that the 2nd half would be much better.

Q4 from Foo Kok Hou and responded by Datuk Chairman

Q4 Is the company has plan growth the business further, catching the opportunity to invest cheap during this pandemic? Noting that we have huge cash flow

The Group would evaluate all investment opportunities appropriately to further enhance stockholders' wealth.

The healthy net cash position would certainly provide the Group with the competitive edge and will enable the Group to move forward from a position of strength.

Q5 from Felicia Ong Hui Thean and responded by Dato' Sri Tan

Q5 What is the expected recovery for Healthcare division in this year?

We are hopeful that the healthcare segment would recover by November 2020. Patient sentiments are expected to gradually improve following the easing of MCO and travel restrictions. Meanwhile, the segment would continue to focus on strengthening its brand awareness and positioning the hospital for sustainable growth.

Q6 from Lau Ati @ Lau Chuan Teng and responded by Datuk Chairman

Q6 Please consider giving e-voucher to participating shareholders in line with Bursa practice.

It is has been our Group practice of not giving any vouchers to its shareholders.

Q7 from Lim Saw Lee and responded by Datuk Chairman

Q7 It was noted that OHB has not purchased its own stocks since FY2000. Kindly provide reason for no stock buy-back.

As a norm, stock buy-back is to support the fundamentals of our stock price.

Presently, management is monitoring the situation and would exercise the stock buy-back if there is a need to stabilize the supply and demand of its stocks in the open market and thereby supporting its fundamentals.

We would be mindful of the interests of OHB and its stockholders in exercising any stock buy-back.

Q8 from Lew Tuck Wai and responded by Datuk Chairman

Q8 The Group's plantation operations was funded by borrowings in Japanese Yen whereas the business are transacted in Indonesian Rupiah and US Dollar. What are the reasons for funding in Japanese Yen? Will the Group consider re-financing or obtain borrowings in other currencies in view of the current low interest rates environment?

Our Group CFO has dealt with at length on the rationale for the use of JPY denominated borrowings for the plantation business in Indonesia in his response to a similar query from another stockholder, Ms. Civics Ang.

Do note that the responses to MSWG and stockholders would be uploaded to our corporate website under the Investor Relations tab marked as (AGM).

Q9 from Lew Tuck Wai and responded by Datuk Chairman

Q9 OHB Group have several plots of attractive land bank in Penang and Klang Valley which were purchased many years ago. As these plots of land are ripe for property development, when will the Company unlock the value of these valuable landbank such as entering into a Joint-Venture with reputable property developers.

The Board would look into the prospect of these properties for their best use with appropriate announcement to be issued in due course.

Q10 from Lock Kai Sang and responded by Datuk Chairman

Q10 Is there a growing sector that Oriental has identified to replace the declining auto sector?

The auto sector is currently experiencing a slowdown owing to various reasons as elaborated by the Group CFO in his response to MSWG. It must be acknowledged that the sector is very competitive. We have great confidence with the Honda brand, a solid relationship with Honda Motor and the financial strength to cope with the demands of the auto sector.

Q11 from Chua Song Yun and responded by Mr Adrian Wong

Q11 Referring to Note 10 on page 134 of annual report:

(a) What are the unquoted shares and quoted shares that the company invested in?

(b) There is fixed deposit of RM1.69 billion reported in "Other Investments" in note 10, why is this fixed deposit fall into "Other Investments" category? How is it differ from ordinary fixed deposits in "Cash and Cash Equivalents" item (Note 15).

The Group invested in quoted and unquoted shares in various companies operating in consumer products, financial services, property and other sectors as disclosed in note 10.3 on page 136 of the Annual Report 2019.

Fixed deposits longer than 3 months are normally regarded as investment and not cash equivalents as defined under MFRS107. As such, cash and cash equivalents include only fixed deposits with tenure of less than 3 months while fixed deposits with tenure of more than 3 months are regarded as Other Investments under Current Assets.

Q12 from Lew Tuck Wai and responded by Mr Adrian Wong

Q12 An amount of RM15.978 Million was impaired on investment properties (page 157 of the Annual Report) and RM7.429 Million for Intangible Assets.

What are the nature of these impairment?

Impairment of investment properties are in respect of certain properties where the fair value was lower than their carrying amounts as at year end.

Impairment of intangible assets was in relation to the goodwill from Indonesian plantations where the development has been slow for the past years and management has assessed and impaired the goodwill arising from these plantation companies in addition to the impairment made on the bearer plants from these subsidiaries.

Q13 from Lew Tuck Wai and responded by Mr Adrian Wong

Q13 Apart from its hotel and investment properties in major cities in Australia, the Company has also ventured into development residential properties in Australia. Can the Board inform shareholders the following:

(1) Where are the project(s) currently on-going and planned?

(2) What are the Gross Development Value and percentage sales?

(3) Total investment incurred and planned?

The Group has not ventured into development of residential properties in Australia.

It completed the development of a commercial complex inclusive of a block of residential apartments in 2019. The residential block has been leased to Quest Apartment Hotels and the commercial spaces have been leased to third parties.

The Group has also invested in several existing commercial properties in recent times all of which are fully tenanted. The total cost of these investments was RM 330M (Note. 6.1, Page 123 of the Annual Return 2019.

Q14 from Chua Song Yun and responded by Mr Adrian Wong

Q14 In plantation segment, our company have landbank of 96,007 hectares, but with only planted 40,859 hectares planted with palm tree, indicating that there are still large tract of plantable land.

(a) What is the plan for this unplanted land?

The unplanted land referred to land within the concession area which would be developed over time. Only plantable lands would be planted with palm oil, some will be used for roads, building complexes for offices, warehouses and residences.

(b) Do management considered to speed up the planting process?

The pace of the development in South Sumatra region where all of the unplanted land is located has been hampered by ground issues, mainly social issues. The soils are very fertile and considerable time and resources have been incurred to address those ground issues.

Sufficient hectares have been planted and harvestable to support our first Palm Oil Mill in South Sumatra which has been completed, tested and would be officially commissioned when travel restrictions are lifted to allow our Malaysian consultants to travel to the site.

The development of the unplanted lands have been impacted by the Covid-10 pandemic and is carried out on a selected basis.

(c) When will the concession of these lands be expired?

The concessions are renewed at their respective expiry dates after a review of the areas involved. Development of the areas have also been carried out to secure the perimeters of the concession area.