



Response to MSWG 61st Annual General Meeting

Thursday | 15 June 2023 | 2.30 pm

ORIENTAL HOLDINGS BERHAD

Registration No. 196301000446 (5286-U)



Q01 The plantation segment recorded an operating profit of RM343.4 million, a 22.1% decrease from the preceding year's operating profit of RM440.8 million. RM306.6 million or 89.3% of the operating profit was from the Indonesian Operations. The decline in performance was mainly attributable to unrealised foreign exchange loss on Singapore Dollar ("SGD") denominated borrowings and impairment on its bearer plants. (page 30 of AR2022)

The Group's SGD borrowings increased significantly to RM1.1 billion (2021: RM222.9 million) (Note 32.6.1, pages 196 & 197 of AR2022) and the Group recorded an unrealised loss on foreign exchange borrowings of RM20.2 million for FY2022 instead of an unrealised gain on foreign exchange borrowings of RM176.9 million in FY2021 (page 85 of AR2022). Given that SGD has continuously been strengthening against RM, why did the Group increase its SGD borrowings?

Response Plantation management monitors closely the performance of key foreign currencies, namely, the Japanese Yen ("JPY"), Singapore Dollar ("**SGD**") and Indonesian Rupiah ("**IDR**") where the exposure to forex volatility is inevitable.



Q01 (Cont'd)

- Response
- Although JPY borrowing costs remained the lowest amongst the currencies, it had weakened in line with the domestic and global economic uncertainties. Management decided to progressively borrow in SGD to realise the hefty forex gains of RM90.8 million on the JPY borrowings in FY2022.
 - The SGD has always been viewed as a relatively stable currency.
 - The resilience of the Indonesian economy and the inherent strength of the IDR.

Management is closely monitoring the financial and forex market and will not hesitate to realise the forex gains on its SGD borrowings, at the appropriate time, with the ongoing gradual strengthening of the IDR against the SGD since FY2022.



Q02 The oil palm industry is exposed to climate risks such as erratic weather patterns (page 31 of AR2022). Given the current prolonged heatwave, to what extent does the Group expect its FFB yield and production to be impacted for financial year ending 2023 and going forward?

Response Fresh fruit bunches (“**FFB**”) yield and production for FY2023 is very much dependent on fertilizer input and rainfall received in years 2021 and 2022. Fortunately, rainfall in Malaysia and Indonesia have been plentiful for the past 2 years. Based on the Quarter 1 FY2023 result on FFB from the oil palm trees, the yield from the Malaysia estate and Indonesia estates should be above 20MT per Ha.



Q03 The critical challenges for planters included the focus of reducing labour-to-land ratio (page 33 of AR2022).

What was the Group's labour-to-land ratio for FY2022? What would be the optimum labour-to-land ratio for the Group?

Response For field upkeep worker (weeding and manuring), we maintain at 1 worker to 25Ha and for FFB harvester, we maintain at 1 worker to 20Ha or below.

During the 1st Half of FY2022, the Malaysian government's imposition of strict entry requirements for migrant workers into Malaysia had resulted in severe labour shortages to the plantation industry. At that time, our Group was having labour to land ratio as high as 1 worker to 35Ha (upkeep worker) and 1 worker to 28Ha (FFB harvester). Nevertheless, the matter has now been resolved.



Q04 The Hotels & Resorts segment:-
(a) The Group has permanently closed Chateau Tongariro Hotel from February 2023 onwards (page 36 of AR2022). Why was the hotel closed and what are the Group's plans for Chateau Tongariro Hotel, going forward?

Response Reasons that underpinned the decision to shutter Chateau Tongariro Hotel included the followings:

- The ski operator had filed for bankruptcy as the business could not be sustained due to increasing low snow fall as a result of global warming;
- The introduction of new seismic safety standards by the New Zealand Authorities. An engineering study undertaken vis-à-vis the new safety standards confirmed that the Chateau was classified high risk for collapse in the event of a big earthquake and strengthening the 100-year-old building would require an estimated NZD30 million in capital investment;



Q04 (Cont'd)

- Response
- Difficulty in staff recruitment and retention given its remote location; and
 - The hotel was shut down during the COVID-19 pandemic with land ownership returned to Department of Conservation, New Zealand. The remaining staff concerned were either transferred to sister resort, Wairakei Resort Taupo or have their service terminated.



Q04

The Hotels & Resorts segment:-

(b) The average occupancy rate for the hotels and resorts increased from 49.6% to 50.2% in FY2022 (page 37 of AR2022). To-date, to what extent has occupancy rate improved?

Response

The average occupancy rate under the Hotels and Resorts segment has further improved to 58.3% in Quarter 1 FY2023.



Q05 The strategic focus for the Healthcare segment in the year 2023 will include set up new retail pharmacy outlets in a wholesome community-based setting to serve as a contact point for recruitment and maintenance of customers into the Oriental Melaka Straits Medical Centre healthcare ecosystem. (page 41 of AR2022)

How many new retail pharmacy outlets does the Group targets to open for financial year ending 2023 and in which states? What is the estimated cost for setting up a new retail pharmacy outlet?

Response Healthcare segment targeted to open 2 new retail pharmacy outlets in FY2023; one in Melaka and another in Penang.

The estimated cost for setting up the 2 new retail pharmacy outlets is approximately half a million Ringgit Malaysia.



Q06 The Group's impairment losses of receivables written off increased significantly to RM4.3 million (2021: RM0.6 million) (Note 32.4, page 191 of AR2022).

What are the reasons for the huge increased in impairment losses of receivables written off? What mainly comprises the said impairment losses of receivables that have been written off?

Response Some of the outstanding receivables succumbed to financial difficulties while some were placed under winding up proceedings or dissolved have all been impaired in prior years. Management wrote off those bad debts in FY2022 as those debts are no longer collectible after due process.

The said bad debts written off were from trade receivables mainly from plastic and construction industries.



Queries received before meeting 61st Annual General Meeting

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Q01 In your Sustainability Report FY2022, you refer several times to standards of regulatory organizations such as RSPO, MSPO, and ISPO. Of these organizations RSPO is a member-based organization. I noticed our company is not listed as a member on the RSPO website. Is there any reason to avoid membership of the RSPO?

Response Oriental Holdings Berhad (“**OHB**”) is committed to compliance with all sustainability requirements covering governance, environment, social including human capital management.

OHB is in the palm oil plantation business for the long term and is well aware of the challenges plaguing the industry.

The RSPO membership is important to the Group given the Group’s investment over the years and to stay relevant in the palm oil industry. The Plantation segment’s strategy for **RSPO** (Roundtable on Sustainable Palm Oil) membership application is a cautious approach where management is evaluating every aspect of business activities and operations to ready itself for the RSPO application.



Q01 (Cont'd)

Response The immediate and paramount priority is to be compliant with the regulatory requirements in the countries where our plantations are located, namely, **MSPO** (Malaysian Sustainable Palm Oil) for Malaysia and **ISPO** (Indonesian Sustainable Palm Oil) for Indonesia.

The Plantation segment management has the following strategies in place for long-term solutions to position the Group to remain sustainable.

In respect of the Indonesian plantations:

- (a) A Road Map and Cost/Benefit analysis is in place, for compliance with sustainability consideration including RSPO membership, together with the commitment and a structured programme to address any compliance matters.



Q01 (Cont'd)

Response (b) A moratorium was issued on 1 February 2021 to all South Sumatra concessions for all land acquisitions, land clearings and plantings to be suspended for the next twelve months or longer, if required, during which time assessments will need to be carried out to identify High Carbon Stock (“HCS”) and High Conservation Value (“HCV”) areas in the concessions in accordance with the standards set out by High Conservative Value Resource Network (“HCVRN”) before carrying out the Land Use Change Assessment (“LUCA”).

The moratorium was part of our process to ensure that the palm oil development for the Group in Indonesia will be cost efficient and sustainable for the long term.

As progress for the new planted areas was hampered by the COVID-19 pandemic prevalent in 2020 and 2021, the moratorium did not have a significant impact on the increase in planted hectareage for the South Sumatra developments for 2021 and 2022.

Owner Group CFO

Name Jacob Lockhorst



Q01 (Cont'd)

Response

Current Status:

The HCV and HCS assessment reports have been completed and are under review by HCVRN with findings expected to be available by third quarter of financial year ending 31 December 2023 (“**Q3 FY2023**”). The conservation liability has yet to be reviewed by the HCVRN Panel as this can only take place after the satisfactory conclusion of the current review.



Owner Group CFO

Name Jacob Lockhorst

Q01 (Cont'd)

Response OHB's Sustainability Policy, available on corporate website, is the standard bearer for sustainability compliance by all its plantation entities.

The RSPO membership must be applied for on a group basis. As such, timing of the RSPO application will also subject to the following:

The Group's sole Malaysian plantation subsidiary will have to be assessed in the same manner. However, the plantation is a matured one and fully planted prior to year 2005. Given that 2005 was the cut-off date for the RSPO assessments, the said subsidiary might not be subjected to detailed evaluation process than if it was planted after 2005.

Owner Group CFO

Name Jacob Lockhorst



Q01 (Cont'd)

Response The Group is in the midst of an on-going corporate exercise where OHB is acquiring all plantation assets in Malaysia. This corporate exercise is subject to the stockholders' approval at the extraordinary general meeting expected in Q3 FY2023.

As the Malaysian plantations to be acquired are all matured and fully planted prior to 2005, these plantations might not be subjected to lengthy and detail assessment process under the RSPO.



Q02 For FY 2022, the total planted area for Oil Palms (OP) for Malaysia was 4,794 hectares versus 37,445 hectares for Indonesia ie Indonesia almost 8 times bigger. The total FFB production for OHB Malaysia for FY 2022 was only 71,949 MT versus Indonesia total FFB production of 624,859 MT of which Bangka island produced 476,050 MT and South Sumatra contributed 148,809 MT. Therefore it is prudent and essential for all purposes that the Yield Per Mature Hectare for Indonesia be broken down to Bangka Island and South Sumatra. Likewise the Operational Profit Per Mature Hectare for Indonesia should also be broken down to the two regions of Bangka and South Sumatra. Since the total mature hectares for Bangka and South Sumatra are available for FY 2022 and 2021 could you kindly provide us during this AGM the Yield Per Mature Hectare for Bangka and South Sumatra for FY 2022 and 2021.

Response: The yield per mature hectare in Indonesia is as follows:

HA	Bangka island	South Sumatra
FY2022	23.00	12.92
FY2021	25.09	8.92



Q03 For South Sumatra the total FFB production for FY 2022 and 2021 was 148,809 MT and 91,598 MT. However the total FFB processed by the sole OHB palm oil mill in South Sumatra was 116,606 MT and 45,977 MT for FY 2022 and 2021 respectively. Kindly explain why the sole South Sumatra mill processed much less than the total FFB produced in OHB South Sumatra estates for both FYs 2022 and 2021 bearing in mind that mill is very much under utilised since its commissioning.

Response The South Sumatra mill was commissioned in late Quarter 3 FY2020 right in the midst of pandemic which has restricted our efforts to secure more external crops in 2021 and 2022.

Our own plantations were unable to supply the mill with more crops due to the lower yields from the young age profile of our planted areas. With improving yields Per Ha and with more Ha maturing in 2023, more crops will be sent for processing by the mill in 2023.

A significant percentage of the crops processed by the mill in 2022 were from our own plantations located in multiple locations further away from the mill where deliveries were also hampered by social issues, road conditions and unpredictable weather conditions with travelling times depending on the location of the plantations to the mill.



Owner Group CFO

Name Foong Hong Meng@Foong Lai Choong

Q04 Kindly provide for Indonesia a breakdown of the Yield Per Mature Hectare for Bangka island and South Sumatra for FY 2023 and henceforth.

Response The Board will consider this suggestion.



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Name Ong Chow Peng

Q01 Chairman, can you show the history of dividend payment like Panasonic company Annual Report for our royal shareholder for record purposes! Thank you very much!

Response Kindly refer to page 45 of the Annual Report FY2022 for disclosure on dividend payments for the past 5 years.



Name **Tan Chon Zeng**

Q02 **Can you list out the 30 largest properties of the Group in the future?**

Response The disclosure of the 10 largest properties of the Group in the Annual Report is in accordance with the provision of Paragraph 25 Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



Name **Lew Tuck Wai**

- Q03 On 5 January 2023, the Group exchanged on a contract for the sale of a hotel property and adjoining surplus land for a total consideration of RM234 million. (Note 15 - Page 156 of the Annual Report)
- (1) Which hotel and adjoining land this disposal is referring to?
 - (2) Please confirmed that the Net Book Value of this properties are RM29.572 million as stated under "Assets classified as held for sale" in the Balance Sheets (page 79)
 - (3) The rationale for the disposal of this hotel and adjoining land.

- Response
- (1) The property in question refers to Bayview Eden Hotel, Melbourne, Australia.
 - (2) The Net Book Value as disclosed are correct as at 31 December 2022.
 - (3) The management had taken measure to minimise the impact post Covid-19 pandemic and ensured sustainability of the segment business operations with disciplined cost containment and cash preservation measures. Therefore, the management had decided to dispose off the underperforming hotel.



Name **Lew Tuck Wai**

- Q04
- (1) What are the fair value of the shares held in Honda Malaysia Sdn Bhd?
 - (2) What is the contribution of Honda Malaysia to Oriental's profits in FY2022?
 - (3) Please confirm that the investment in Honda Malaysia is classified under "Unquoted share" under Note 9 of the Financial Statements.
- Response
- (1) The fair value of Honda Malaysia Sdn Bhd shares is about RM158.7 million as at 31 December 2022.
 - (2) The Group received dividend contribution of RM32.0 million from Honda Malaysia in FY2022.
 - (3) Yes, correct.



Name **Lew Tuck Wai**

Q05 The Company has been obtaining shareholders' approval for Stock Buy-Back annually. However, despite the increasing Net Assets Per Share which has reached RM11.21 as at 31 December 2022, the Company has not bought back any share despite the market price of Oriental stocks trading at only 0.6 times of its Net Assets Per Share. In view of the strong balance sheets of the Company, appreciate Director's comment why no stock buy-back were undertaken to enhance shareholders' value.

Response The stockholders' approval for stock buy-back is appreciated. The annual mandate gives the Board the greenlight to buy-back stock as and when deem needed.

At this juncture, the Board is of the view that there is no necessity to undertake stock buy-back.



Name **Lew Tuck Wai**

Q06 In relation to the proposed acquisition of plantations from related parties, the proposal was announced when the CPO prices were much higher than the current price. Due to the lower CPO, plantations in particular oil palm are expected to report much lower profits. Will the Independent Directors request for the pricing of the plantations to be sold to Oriental Holdings to be reviewed due to the reasons given above?

Response The purchase consideration is fixed.

The basis for the purchase consideration has taken into consideration among others, the revaluation of plantation assets appraised by the independent valuer, which was at the discounted amount of Revalued Net Asset Value. Hence, no adjustment to the purchase consideration required.



Name Lee Szed Kee

Q07 Appreciate if the Group can elaborate on the strategy going forward on its healthcare business for the next 5 years in competition with the like of current healthcare company like KPJ & IHH, Columbia Asia.

Response Key strategies for our healthcare segment:

- (1) Our existing hospital; Oriental Melaka Straits Medical Centre still has a huge potential for organic growth. Currently, we are operating around 141 beds with potential capacity to operate more than 300 beds. Given the potential, we are working on aggressive targets of 15% to 20% growth in the next 3 to 5 years.
- (2) We will also be developing our Segamat project that will be coming up within the next mid term period. Currently, we are obtaining approvals from relevant authorities. Upon commissioning, Segamat hospital is expected to contribute positively towards our bottom line in the next 5 years.

As part of the effort to bolster organic growth of the Melaka hospital, Management is focusing on improving its efficiency and productivity.



Name Lee Szed Kee & Chua Song Yun

Q08 Oriental was once famous with its Honda cup motorcycle and Honda car assembly and distribution. Appreciate if the company can elaborate on its business strategy going forward especially seeing competition coming from China BYD and electric cars.

Honda seems to be slow in launching EV cars. Will EV be a threat to our Malaysia and Singapore market?

Response The Group continued to be committed, loyal and supportive of Honda Motor, our main principal for automotive business.

Currently, there are rising interest and excitement towards EV segment. The EV segment is expected to grow exponentially. However, many distribution and fundamental issues need to be addressed before EV can become more substantial in terms of sales volume. Through various engagement by our principal, they believe that Hybrid EV is the more appropriate product as the interim moving towards full electrification. Our principal targeted to introduce battery EV in all markets by 2030 and full EV by 2040. We are constantly engaging with our principal to look at when is the right time and what are the right products to introduce to all regions Oriental is representing.



Name Chua Song Yun

Q9 What is the differences between the fixed deposits that are recorded under Other Investments (RM1.979 billion under Note 9) and Cash and Cash Equivalents (RM1.599 billion under Note 14)?

Response Fixed deposits with tenure longer than 3 months are normally regarded as more for investing and not cash equivalents as defined under MFRS 107.

As such, cash and cash equivalents include only fixed deposits that are with a tenure of less than 3 months. Fixed deposits aged more than 3 months are regarded as current other investments.



Name **Chua Song Yun**

- Q10 Our Group's cash and fixed deposit level has been very high for many years:
- (1) What are the yield for these cash and fixed deposit?
 - (2) Why do we need to keep so high level of cash?
 - (3) Why should the excess cash be returned to shareholders, instead of sitting there idle? Thank you.

Response The cash reserve is retained to fund any acquisition of businesses and/or investments as the Board deem fit and when opportunities arise.

The Group will 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.

Cash within Group is being put to good use and not idle. The funds are being used to help the certain segments to expedite their expansion plans and to improve the bottom line of certain sub-segments.



Name Joseph Lam Wai

Q11 What is the capex needed for the new acquire land in Indonesia?

Response Cost to maturity is around RM25K per Ha in Indonesia whereby maturity period takes approximately 3 years. The cost to acquire a hectare of land is around RM7K to RM8K.



Name **Teh Peng Tin**

Q12 How much does the company spend on this virtual AGM?

May I know when will the company going to reward shareholder with bonus issue? Please advise.

Response The Board is of the view that the virtual AGM is a good platform that is able facilitate participation from stockholders who may not be able to attend in person. In that respect, the cost is reasonable.

As this juncture in time, the Board has not considered such corporate exercise.



Name **Lau Khe Yean**

Q13 **May I know what is the company's future outlook?**

Response Our Group CFO had addressed the Group's future outlook in his Performance Review Presentation - Outlook in 2023.



Name Tan Thok Lin

Q14 The live streaming video of this virtual AGM is always hanged and lagged, it impacts the efficiency of this virtual AGM seriously. How many participants are attending on line and what is the allowed capacity? Hope the organizing committee could look into this for improvement. Thanks.

Response The infrastructure at our broadcast venue is stable and able to support the virtual AGM as well as accommodate all stockholders. The quality of the broadcast is also dependnt on respective participants' internet bandwidth connection as well.

There are around 95 participants attending our virtual AGM.



Name Several Stockholders

Q15 Will the Board consider giving door gift such as e-voucher, e-wallet or e-lunch for those participating in this AGM as a token of appreciation?

Response It is not our Group' practice to provide token of appreciation to participants at AGM.