Appendix A

RE: Response to Query from Minority Shareholder Watchdog Group

Strategic and Financial Matters

1. **The Automotive segment in Malaysia recorded a decrease in sales units by 12.8% (FY2016: 10,649 units; FY2015: 12,217 units) mainly due to the rising of new car prices since January 2016 and a slowdown in overall market conditions resulting in cautious consumer spending.**

   What are the measures taken by the Group to improve the performance of the Malaysian Automotive division in Malaysia given the current market conditions?

   Answer:

   Honda dealership in Malaysia:

   The Honda dealership's performance during 2016 was very much dependent on Honda Malaysia Sdn Bhd's ("Honda Malaysia") strategies to counter the market slowdown. Upcoming developments in OHB are in line with Honda Malaysia's overarching target to maintain its pole position in the non-national segment which Honda Malaysia has held for consecutive two years since 2015.

   - New outlets : Tebrau Johor 4S centre; Taman Cheng, Melaka 3S (Sales, Service and Spray painting) have commenced operations by end of 2016 and May 2017 respectively.
   - The Group has been systematically upgrading our 8 branches in Peninsular and through such investments, we are poised to meet the future demands and that will in turn translate into better sales and profit for our Group as a whole.
     - Gallery showroom, Farquhar street, Selayang 3S and Sungai Pinang 4S centre (new corporate image).
   - Anticipate new launch of 2 car models: Jazz (facelift model launched on 06 June) and CR-V this year which will drive the sales throughout the year.
   - In line with Honda Malaysia's requirements and policies, more projects are on the drawing board in the near future.

   Multi-brands dealership (Mitsubishi):

   - Automotive division has also expanded into non-Honda brand, Mitsubishi in 2014 which has yielded positive results and provide a wider array of motor vehicles to meet the diverse and discerning needs of end consumers.
   - The Mitsubishi dealership also provide sales and services through 3 outlets in Kuala Lumpur which are located at Jalan Ipoh (3S), Jalan Tunku Abdul Rahman (1S) and Bangsar (Boutique 1S).

   The division anticipates increase in business from services and parts through after sales services.

2. **The Group's estates produced a total of 533,777 MT of FFB, a reduction of about 15.7% compared to the preceding year. This was mainly due to a lower yield – FFB yield per hectare stands at 17.26 MT/Ha in FY2016 versus 21.87 MT/Ha in FY2015.**
   (i) What would be the expected FFB production for FY2017?

   Answer:
   The expected FFB (fresh fruit bunch) production for FY2017 is 600,000 MT or about 12.4% increase from FY2016 detailed as follows:
   - Malaysian plantations: 55,000 MT (up 14 % from 48,147 MT in FY2016); and
   - Indonesian plantations: 545,000 MT (up 12% from 485,630 MT in FY2016).

   (ii) The Group has targeted to replant 400 hectares for the Malaysian plantation for FY2017. What would be the expected cost of this replanting exercises?

   Answer:
   The cost of replanting (felling to maturity) is expected to be below RM 16,500 per Ha with the cost dependent on the terrain as land preparation costs will be higher for hilly and swampy areas.

3. **We noted that for the Malaysian plantation, out of the total planted area of 4,840 hectares, 1,252 hectares were immature area and for the Indonesian plantation, out of the total planted area of 27,340 hectares, 6,323 hectares were immature area.**

   How many hectares from the current immature areas in the Malaysia plantations and Indonesia Plantations would be matured in FY2017?

   Answer:
   From the current immature areas, we expect 2,231 Ha will mature in FY2017 with 647 Ha from the Malaysian plantations and 1,584 Ha from the Indonesian plantations.

Location	Planted (Ha)	Immature (Ha)	Expected mature area in FY2017 (Ha)	Expected mature area in FY2017 (%)
Malaysia	4,840	1,252	647	52%
Indonesia	33,663	6,323	1,584	25%
Total	38,503	7,575	2,231	29%

4. **Under the Groups Plastic products segment, the Group reported a lower segment profit of RM4.5 million in FY2016 compared to RM12 million in FY2015.**
   (i) What was the reason for the decrease in segment profit?

   Answer:
   The division is operating in a very competitive environment where volume plays a significant role. In addition, the division is dependent on a few key customers whose performance would have significant impact to the division.

a) Weaker performance of key customers
During the period under review, sales to one of its main customers was lower which had significantly impacted the Group's performance.

b) Cost down by customers
Arising from their weaker performance and in order to shore up their own performance, the customers are aggressively pushing suppliers for cost down which had resulted in margin erosion.

c) Impact from escalating production cost
The escalating production cost such as increase in minimum wages, hike in electricity tariff and rationalization in the petrol subsidy.

d) Constraint by car manufacturers' in house moulding facilities
Nowadays, most of the car manufacturers have set up in house moulding facilities. Without the support of technical partner which hold the patent for the product, it will be difficult to penetrate or secure new sales.

(ii) What are the measures taken by the Board to improve the performance of the Plastic products segment?

Answer:
The Segment has undertaken several business initiatives to improve performance:

a) Develop new clientele from other industries and expand the range of products to contribute to stable sales growth in the future.
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b) Strategic tie up with technical partners such as Kasai Japan to tap into various synergistic benefits, inter alia, wider range of products to be offered to customers, larger network and collaborative marketing strategies.

c) Cost saving initiatives to improve profitability which included:-
   - Review of production processes to reduce scrap and other procurement initiatives to reduce raw material cost;
   - Energy saving initiatives such as consolidation of factory facilities and areas to reduce electricity consumption;
   - Increase in production efficiencies through automation and scheduling of work to reduce manpower cost; and
   - Reduce repair and maintenance cost through preventive maintenance activities and local sourcing of previously imported spare parts.

5. **What was the nature of the write down of inventories (net) which increased from RM1.8 million in FY2015 to RM15.1 million in FY2016?**

Answer:
The write-down of inventories of RM15.1 million was mainly due to Kah Motor Singapore branch. Its inventories, which were marked to market price, were affected by implementation of new Euro VI emission standard regulation which came into effect on September 2017 for petrol vehicles in Singapore. As the current car inventories were not in compliance with the Euro VI emission standard, the outstanding stock would not be sold in Singapore market and will be sold to overseas market for recovery of cost.

6. **What was the nature of loss on disposal of property, plant and equipment ("PPE") of RM15.8 million in FY2016?**

Answer:
The loss on disposal of PPE was mainly due to refurbishment of hotels in Singapore (30 Bencoolen) and Thailand (Park Suanplu Holdings Co., Ltd.). The renovation at 30 Bencoolen (formerly known as Bayview Hotel Singapore) in Singapore was timely as it coincided with the ongoing construction of the new MRT line nearby.

7. **What was the reason for the increase in distribution expenses from RM71.2 million in FY2015 to RM113.4 million in FY2016?**

Answer:
The increase in distribution expenses by 59.3% or RM42.2M was in line with higher revenue, annual incremental in staff costs, car lot rentals for new car inventory and sales commission particularly for Kah Motor Singapore branch where sales volume increased significantly by 98.2% or 3,502 units.

8. **What was the reason for the increase in trading inventories of finished products to increase from RM99.2 million in FY2015 to RM280 million in FY2016?**

Answer:
Increase in trading inventories of finished products was mainly attributable to Kah Motor Singapore branch. Its new car stock increased by SGD54.9M in line with higher sales (Closing stock volume as at FY2016: 2,954 units vs FY2015: 750 units, increased by 293.9%).

<u>Corporate Governance Matters</u>

1. **We noted that Nobuhide Nagata only attended 2 out of 4 Board meetings during the financial year.**

   What was the reason for him not being able to attend these meetings held during the financial year?

Answer:
Mr Nagata's unexpected absence was due to his attendance at Honda Jikon Meeting in Thailand in April 2016 and visit to dealers in Kuala Lumpur in May 2016. Both events were organised prior to his appointment to the Board of OHB and could not be rescheduled owing to presence of other parties.

It must be noted that he has always attended Board meetings thereafter. In addition, he has sufficient time to go through the meeting agenda and materials and provided his comments and input on Board papers where input from the Board members be required.

2. **The Company is seeking shareholders' approval for payment of Fees and Benefits of up to an aggregate amount of RM3,050,000 from 1 January 2017 until the next AGM of the Company.**

   Could the Board provide the breakdown of the amount of fees and benefits to be approved by shareholders as it was not stated in the agenda?

   Answer:
   The table below shows the breakdown of these fees and benefits: -

	FY2017			FY2018 (half-year)		
	Company level (RM)	Subsidiaries level (RM)	Total (RM)	Company level (RM)	Subsidiaries level (RM)	Total (RM)
Fees	900,000	500,000	1,400,000	450,000	300,000	750,000
Chairman Allowances	200,000	-	200,000	100,000	-	100,000
Other Allowances	350,000	50,000	400,000	175,000	25,000	200,000
Total	1,450,000	550,000	2,000,000	725,000	325,000	1,050,000
Grand Total: RM3,050,000						

Notes:

a) The period covered is from 1 January 2017 until the next AGM tentatively scheduled in June 2018 for a total of 18 months.

b) Section 230(1) of the Companies Act 2016 provides that the fees of the directors, and any benefits payable to the directors including any compensation for loss of employment of a director or former director of a public company/listed companies and its subsidiaries shall be approved at a general meeting.

c) All allowances paid to the Directors at OHB level will vary based on number of meetings attended.

d) Directors' fees and other allowances at Group level are estimates extrapolated from the respective audited financial statements ("AFS") for FY2016.

e) Director fees of RM90,000 for each director remain unchanged since FY2015.

The various allowances for the Directors as approved by the Board for OHB at Company level is set out as follows:

Meeting Allowances	**RM**
Board meeting allowance	2,000
Audit Committee meeting allowance	1,000
Remuneration, Nominating and Risk Management Committees meeting allowance	500

	Chairman	**Members**
Chairman and Board Committee Allowance	**RM**	**RM**
Chairman of the Board	200,000	-
Audit Committee	40,000	15,000
Remuneration, Nominating and Risk Management Committees	15,000	8,000