

QUESTIONS RAISED BY MSWG RELATING TO 45TH AGM OF IOI CORPORATION BERHAD

Strategic & Financial Matters

- 1. The Chairman in his statement stated that after the Demerger, the Group is now focusing solely on its fully integrated palm oil business with a global presence. He also stated that the Group undertook an internal restructuring exercise to streamline its plantation and resource-based manufacturing businesses and assets with the key objective of achieving business effectiveness and operational efficiency.**

What are the strategic steps the Board put in place to improve and enhance the Group's NOPAT/Average Capital Employed and its net assets per share which dropped to 9.33% and 95 sen respectively as at 30 June 2014 from 10.03% and 214 sen respectively prior to the Demerger?

With regard to the NOPAT/Average Capital Employed which is an average figure for the year, it is not correct to compare the FY13 figure with the FY14 figure and equate it with a comparison prior to and after the Demerger. This is because the Demerger occurred during the middle of FY14 ie. in January 2014. Going forward, we believe IOI Corp's NOPAT/Average Capital Employed ratio will improve when compared to the figure in FY2014.

IOI Corp is not particularly concerned about the seemingly drastic drop in net asset value per share as its plantation assets are on a historical cost basis dating back to the 80s and 90s. What is more important is the NOPAT/Average Capital Employed ratio which is expected to increase in the coming years.

- 2. We noted that there was no age profile of the oil palms in terms of the planted hectares less than 4 years immature, between 4 to 7 years on increasing yield trend and between 8 to 15 years onwards in prime production published in the Annual Report. Please explain.**

We have categorised the total oil palm planted area of 174,061 hectare in the following manner:-

- Immature – 14 %
- Young – 10 %
- Prime – 60 %
- Past Prime – 16 %

Please refer to page 29 of the Annual Report.

- 3. The Group acquired Unico-Desa for RM1.0 billion, which brought in an additional 12,700 hectares of oil palm planted area representing 7% of the overall Group's planted area of about 175,000 hectares. Considering the acquisition cost of about RM78,740 per hectare for the entire control of Unico-Desa, what is the expected synergy and the payback period the Board looks forward to?**

There is synergy in pooling together management resources and mill capacities as the Unico-Desa estates are adjacent to our existing plantations. We expect a payback of approximately 8 to 10 years for the Unico-Desa's acquisition.

- 4. As one of the largest and most diversified palm oil processing companies in the world, the Group (i) four refineries with an annual combined refining capacity of 3.5 million MT; (ii) two oleochemical plants with an annual combined capacity of 720,000 MT fatty acids and 240,000 MT of soap noodles; and (iii) four specialty oils and fats plants with an annual combined capacity of 845,000 MT respectively.**

- a) What are the actual levels of annual combined capacity achieved currently by the four refineries, the two oleochemical plants and four specialty oils and fats plants respectively?**

Please refer to page 14 of the Annual Report as follows:-

Plant Utilisation

- Oleochemical - 84 %
- Specialty Oils & fats - 50 %
- Refinery - 68 %

- b) What is the actual level of annual capacity achieved currently by Kao Fatty Chemical which the Group has a 30% equity interest?**

The plant capacity utilisation at our associate company, Kao Fatty Chemical is approximately 90 %.

- c) As a result of Malaysia's loss of Generalised System of Preferences (GSP) status in Europe on 1 January 2014 resulting in tariff difference between Malaysia and Indonesia coupled with the hike in the electricity tariff and natural gas, how would the Board propose to stay competitive amid these challenges so as to enhance the Group's overall performance of the resource-based manufacturing segment?**

Malaysia has lost its GSP status in Europe since January 2014. It has affected a few of our Oleochemical products with EU duty ranging from 3 – 5 %. To stay competitive and relevant to our customers, we will continue to focus on the following:

- Provide consistent good quality products to our customers,
- Provide better service quality and responsiveness to customers,
- Sell higher-value products
- Improve on internal operating efficiencies and reduce other fixed operating cost
- Reduce the usage of electricity and natural gas by utilising energy-saving devices and equipment.

5. **As stated in the Annual Report, the Group's sustainability policy includes the roll out of more methane capture, biogas conversion and power generation projects to its mills. Would the Board be able to enlighten shareholders on the KPIs, targets and achievements in terms of cost savings, reduction of production, lower greenhouse gas emissions and any other relevant parameters?**

The methane capture facility at Pukin Palm Oil Mill(POM) and the biogas power generation plant at Ladang Sabah POM are the two Greenhouse Gas ("GHG") emission and fuel cost reduction projects which the Group has completed so far. We expect a reduction of about 130,000 MT CO₂ per annum, which represents approximately 55% reduction of GHG emissioned. In relation to the fuel cost savings, data is still being collected but the earlier estimates put the returns of the power generation project at an IRR more than 15%.

Corporate Governance:

1. **MSWG is promoting certain standards of corporate governance best practices in PLCs. In this regard, we hope the Board would give due consideration to address the following issue:-
Publishing the minutes of the AGM to be in line with the spirit of transparency and good corporate governance practices based on the ASEAN CG Scorecard which is being used to assess the level of CG standards of PLCs in Malaysia by MSWG.**

The Board takes cognisance of the transparency and good corporate governance practice promoted by MSWG and will consider MSWG's suggestion going forward to emulate such good practice. At present, shareholders may inspect the minutes of proceedings of general meetings of IOI Corporation Berhad at its registered office as provided under Section 157 of the Companies Act, 1965. A copy of the minutes of general meetings may also be provided upon request in writing by its shareholders. The resolutions proposed at general meetings and the results thereof are announced through Bursa Malaysia Securities Berhad. The aforesaid announcements can be viewed on Bursa Malaysia and IOI Corporation's websites.